



**Rio Silver Inc.  
Condensed Interim Consolidated Financial Statements  
For the Six-Month Period Ended  
June 30, 2014  
(unaudited)  
(Expressed in Canadian dollars)**

## Notice to Shareholders of Rio Silver Inc.

In accordance with National Instrument 51-102, Part 4, subsection 4.3 (3) (a), we report that the accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

(signed) "*Jeffery Reeder*"  
Jeffery Reeder  
President and Chief Executive Officer

(signed) "*Daniel Hamilton*"  
Daniel Hamilton  
Chief Financial Officer

Toronto, Canada  
August 27<sup>th</sup>, 2014

**Rio Silver Inc.**  
**Condensed Interim Consolidated Statements of Financial Position**  
*(unaudited, expressed in Canadian Dollars)*  
As at

	<b>June 30,</b>	December 31,
	<b>2014</b>	2013
	<b>\$</b>	<b>\$</b>
<b>ASSETS</b>		
Current assets		
Cash	<b>12,093</b>	7,991
Government taxes recoverable	<b>112,101</b>	115,439
Prepaid expenses and other assets	<b>2,778</b>	4,652
	<b>126,972</b>	128,082
<b>LIABILITIES AND EQUITY</b>		
Current liabilities		
Trade and other payables	<b>565,240</b>	600,439
Promissory notes and interest payable (Note 7 and 8)	<b>41,462</b>	-
Due to related parties (Note 8)	<b>556,895</b>	412,360
	<b>1,163,597</b>	1,012,799
Shareholders' Equity (Deficiency)		
Share capital (Note 4)	<b>9,900,990</b>	9,892,990
Warrants (Note 4)	-	92,000
Contributed surplus	<b>3,003,555</b>	2,897,858
Accumulated deficit	<b>(13,941,170)</b>	(13,767,565)
	<b>(1,036,625)</b>	(884,717)
	<b>126,972</b>	128,082

**GOING CONCERN** (Note 2)

**COMMITMENTS AND CONTINGENCIES** (Note 9)

Approved on behalf of the Board: “Jeffrey Reeder”

“Edward J. Badida”

*The accompanying notes are an integral part of the unaudited condensed interim consolidated financial statements*

**Rio Silver Inc.**  
**Condensed Interim Consolidated Statements of Comprehensive Loss**  
*(unaudited, expressed in Canadian Dollars)*

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
	\$	\$	\$	\$
<b>Expenses</b>				
Exploration and evaluation expenditures (recovery) (Note 3)	15,625	126,980	(41,406)	474,286
Management fees and wages (Note 8)	21,000	112,084	42,000	156,932
Transfer agent and filing fees	2,944	5,981	11,523	12,943
Professional fees	85,145	26,100	112,857	37,001
Investor relations	-	-	14,925	10,036
Rent	4,500	12,000	9,000	24,000
Office and administration	3,963	2,391	8,780	15,513
Share-based payments (Note 8)	13,697	-	13,697	51,000
Foreign exchange loss	4,350	-	766	-
<b>Loss before the following</b>	<b>151,224</b>	<b>285,536</b>	<b>172,142</b>	<b>781,711</b>
Interest expense	1,418	-	1,462	-
<b>Comprehensive Loss</b>	<b>152,642</b>	<b>285,536</b>	<b>173,604</b>	<b>781,711</b>
<b>Comprehensive loss per share, basic and diluted</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.01</b>
<b>Weighted average number of common shares</b>	<b>61,117,849</b>	<b>60,567,849</b>	<b>61,036,081</b>	<b>60,037,938</b>

*The accompanying notes are an integral part of the unaudited condensed interim consolidated financial statements*

**Rio Silver Inc.**  
**Condensed Interim Consolidated Statements of Changes in Equity**  
*(unaudited, expressed in Canadian Dollars)*

	Share Capital		Warrants	Contributed Surplus	Deficit	Total
	Number of shares	Amount \$				
<b>Balance December 31, 2012</b>	57,921,738	9,747,207	712,000	2,134,858	(12,532,903)	61,162
Share issued for cash	2,646,111	238,150	-	-	-	238,150
Issuance of warrants	-	(91,000)	91,000	-	-	-
Share issuance costs	-	(10,860)	-	-	-	(10,860)
Share issued on acquisition of mineral property	150,000	12,000	-	-	-	12,000
Issuance of finders' warrants	-	(1,000)	1,000	-	-	-
Share-based payments	-	-	-	51,000	-	51,000
Comprehensive loss	-	-	-	-	(781,711)	(781,711)
<b>Balance June 30, 2013</b>	60,717,849	9,894,497	804,000	2,185,858	(13,314,614)	(430,259)
Share issuance costs	-	(1,507)	-	-	-	(1,507)
Warrant expiry	-	-	(712,000)	712,000	-	-
Comprehensive loss	-	-	-	-	(452,952)	(452,952)
<b>Balance December 31, 2013</b>	60,717,849	9,892,990	92,000	2,897,858	(13,767,566)	(884,718)
Share issued on acquisition of mineral property	400,000	8,000	-	-	-	8,000
Share-based payments	-	-	-	13,697	-	13,697
Warrant expiry	-	-	(92,000)	92,000	-	-
Comprehensive loss	-	-	-	-	(173,604)	(173,604)
<b>Balance June 30, 2014</b>	61,117,849	9,900,990	-	3,003,555	(13,941,170)	(1,036,625)

*The accompanying notes are an integral part of the unaudited condensed interim consolidated financial statements*

**Rio Silver Inc.**  
**Condensed Interim Consolidated Statements of Cash Flows**  
*(unaudited, expressed in Canadian Dollars)*

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
	\$	\$	\$	\$
<b>OPERATING ACTIVITIES</b>				
Comprehensive loss	(152,642)	(285,536)	(173,604)	(781,711)
Items not affecting cash:				
Shares issued on acquisition of mineral properties	-	12,000	8,000	12,000
Share-based payments	13,697	-	13,697	51,000
Changes in non cash working capital items:				
Government taxes recoverable	(10,199)	36,633	3,338	111,045
Prepaid expenses & other assets	8	(21,972)	1,874	(13,661)
Trade and other payable	31,871	47,246	(35,200)	(13,532)
Due to related parties	99,571	149,584	144,535	231,250
<b>Cash generated by (used in) operating activities</b>	<b>(17,694)</b>	<b>(62,045)</b>	<b>(37,360)</b>	<b>(403,609)</b>
<b>FINANCING ACTIVITIES</b>				
Promissory notes	15,000	-	40,000	-
Interest payable on promissory notes	1,418	-	1,462	-
Shares and warrants issued for cash	-	-	-	227,290
<b>Cash generated by financing activities</b>	<b>16,418</b>	<b>-</b>	<b>41,462</b>	<b>227,290</b>
<b>Increase(decrease) in cash during the period</b>	<b>(1,276)</b>	<b>(62,045)</b>	<b>4,102</b>	<b>(176,319)</b>
<b>Cash, beginning of period</b>	<b>13,369</b>	<b>103,594</b>	<b>7,991</b>	<b>217,868</b>
<b>Cash, end of period</b>	<b>12,093</b>	<b>41,549</b>	<b>12,093</b>	<b>41,549</b>

*The accompanying notes are an integral part of the unaudited condensed interim consolidated financial statements*

**Rio Silver Inc.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**Six Months Ended June 30, 2014**

*(unaudited, expressed in Canadian dollars unless otherwise noted)*

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**1. Reporting entity**

Rio Silver Inc. (the "Company" or "Rio Silver") is listed on the TSX Venture Exchange under the symbol "RYO". It is incorporated in Canada under the Canada Business Corporations Act. The Company's corporate office and principal place of business is 40 University Avenue, Suite 606, Toronto, Canada M5J 1T1. The Company's principal business activity is the acquisition, evaluation and development of mineral properties in the Americas.

**2. Basis of Preparation and Summary of Significant Accounting Policies**

These condensed interim consolidated financial statements for the six month period ended June 30, 2014 have been prepared in accordance with IAS34 Interim Financial Reporting.

These condensed interim consolidated financial statements should be read in conjunction with the Company's 2013 annual consolidated financial statements which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The condensed interim consolidated financial statements have been prepared using accounting policies consistent with those used in the Company's 2013 annual consolidated financial statements.

These unaudited condensed interim consolidated financial statements for the six months ended June 30, 2014 were reviewed by the Audit Committee and approved and authorized for issued by the Board of Directors on August 27, 2014.

a) Going Concern

The Company is in the process of exploring and evaluating its mineral properties. On the basis of information to date, it has not yet determined whether these properties contain economically recoverable mineral deposits. The recoverability of amounts shown as mineral exploration properties is entirely dependent on the existence of economically recoverable reserves, securing and maintaining title and beneficial interest, the ability of the Company to obtain the necessary financing to complete development, and future profitable production or alternatively, upon the Company's ability to dispose of its interests on an advantageous basis, all of which are uncertain.

The Company will periodically be required to raise funds to continue operations by funding its working capital and capital expenditure requirements and, although it has been successful in the past, there can be no assurance it will be able to do so in the future on terms satisfactory to the Company. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as on the business performance of the Company. If adequate financing is not available, the Company may be required to relinquish rights to certain of its interests or terminate its operations.

At June 30, 2014, the Company had no revenues, had a working capital deficit of \$1,036,625 (December 31, 2013 – working capital deficit of \$884,717) had not achieved profitable operations, had accumulated deficit of \$13,941,170 (December 31, 2013 - \$13,767,565) and expects to incur further losses in the development of its business, all of which casts substantial doubt upon the Company's ability to continue as a going concern. The Company will require additional financing in order to conduct its planned work programs on mineral properties, meet its ongoing levels of corporate overhead and discharge its liabilities as they come due.

**Rio Silver Inc.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**Six Months Ended June 30, 2014**

*(unaudited, expressed in Canadian dollars unless otherwise noted)*

**2. Basis of Preparation and Summary of Significant Accounting Policies (Continued)**

a) Going Concern (Continued)

These financial statements have been prepared on a going-concern basis which assumes that the Company will be able to realize assets and discharge liabilities in the normal course of business. Accordingly, these financial statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern. If the going concern assumption was not used then the adjustments required to report the Company's assets and liabilities on a liquidation basis could be material to these financial statements.

b) Basis of Consolidation

The financial statements of the Company consolidate the accounts of the following companies:

<u>Company</u>	<u>Location</u>	<u>Ownership</u>	<u>Principal Activity</u>
Rio Silver Inc.	Canada		Parent company
Rio Silver Exploration Ltd	Canada	100%	Holding company
Minera Rio Plata S.A.C.	Peru	100%	Exploration company

There were no changes during the current interim period to the composition of the Company. The results of the subsidiaries are included in the condensed interim consolidated statement of comprehensive income from the effective date of acquisition. All inter-company transactions, balances, income and expenses are eliminated in full on consolidation.

**3. Exploration and evaluation expenditures**

Accumulated costs/expenditures	Niñobamba,				Total
	Peru	KAN	Gerow Lake	Red Rock	
<b>Balance December 31, 2012</b>	\$ 2,495,540	\$ 2,172,856	\$ 814,496	\$ -	\$ 5,482,892
Acquisition costs and annual fees	14,040	38,610	-	-	52,650
Expenditures	377,137	38,119	6,380	-	421,636
<b>Balance June 30, 2013</b>	2,886,717	2,249,585	820,876	-	5,957,178
Acquisition costs and annual fees	-	19,734	-	-	19,734
Expenditures	64,447	253,387	24,369	-	342,203
Property option payments	(112,276)	-	-	-	(112,276)
Québec mining tax credit	-	(96,494)	-	-	(96,494)
<b>Balance December 31, 2013</b>	2,838,888	2,426,212	845,245	-	6,110,345
Acquisition costs and annual fees	8,695	52,520	-	-	61,215
Expenditures	38,817	30,778	5,250	-	74,845
Property option payments	(16,350)	-	-	-	(16,350)
Proceeds on sale of KAN	-	(150,000)	-	-	(150,000)
Refund of bond obligation	-	-	-	(11,116)	(11,116)
<b>Balance June 30, 2014</b>	\$ 2,870,050	\$ 2,359,510	\$ 850,495	\$ (11,116)	\$ 6,068,939



**Rio Silver Inc.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**Six Months Ended June 30, 2014**

*(unaudited, expressed in Canadian dollars unless otherwise noted)*

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**3. Exploration and evaluation expenditures (continued)**

**Niñobamba and non-core Peruvian properties**

The Niñobamba property is located in the Department of Ayacucho, Peru and is owned 100% by the Company's wholly owned Peruvian subsidiary, Minera Rio Plata S.A.C., and is not subject to any royalties or exploration expenditures commitments. In December 2013 the Company entered into an option agreement whereby the optionee can earn a 100% interest in various non-core Peruvian property concessions for total cash consideration of US\$90,000, payable as follows:

US\$ 10,000 on December 23, 2013 (received \$10,636 CAD)  
US\$ 15,000 on January 10, 2014 (received \$16,350 CAD)  
US\$ 5,000 on June 10, 2014 (received \$5,475 CAD on August 22, 2014)  
US\$ 10,000 on December 10, 2014  
US\$ 10,000 on July 10, 2015  
US\$ 15,000 on December 10, 2015  
US\$ 25,000 on July 10, 2016

In April 2013, the Company entered into a non-binding letter of intent ("LOI") whereby the counterparty could acquire up to a 51% interest in Minera Rio Plata S.A.C., which holds title to the Niñobamba mining concessions, by completing exploration expenditures and financial commitments totaling US \$25 million over a five year period. On signing of the LOI, Rio Silver received a US\$100,000 non-refundable payment. The LOI was terminated by the parties prior to the exchange of any further consideration.

**KAN Project, Quebec**

On February 6, 2014 the Company completed an agreement with Virginia Mines Inc. ("Virginia"), Altius Resources Inc. ("Altius"), a wholly-owned subsidiary of Altius Minerals Corporation and Les Ressources Tectonic Inc. ("Tectonic") to acquire Rio Silver's KAN Project.

Rio Silver transferred 100% interest in the Project in consideration for (i) the issuance by Virginia of 3,571 of its common shares to Rio Silver at a deemed price of \$14.00 per share (the "**Virginia Shares**"); (ii) a cash payment equal to \$25,000 paid by Virginia; (iii) a cash payment equal to \$75,000 paid by Altius; (iv) the issuance by Rio Silver of 400,000 common shares to Tectonic (the "**Rio Silver Shares**"); and (v) a cash payment of \$40,000 paid by Rio Silver to Tectonic.

The Rio Silver Shares issued to Tectonic and cash payment paid by Rio Silver were required under the option agreement (the "**Option Agreement**") between Rio Silver and Tectonic dated March 2, 2011, pursuant to which Rio Silver had the option to acquire from Tectonic 209 of the mining claims forming part of the KAN property.

As a result of the transaction, Rio Silver is wholly released and forever discharged from the observance and performance of its covenants and agreements in and under the Option Agreement.

**4. Share Capital and Reserves**

**(a) Authorized**

Unlimited number of voting common shares without nominal or par value.

**Rio Silver Inc.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**Six Months Ended June 30, 2014**

*(unaudited, expressed in Canadian dollars unless otherwise noted)*

**4. Share Capital and Reserves (Continued)**

Unlimited number of non-voting preferred shares issuable in a series. The directors may determine the number of shares of each series and fix the designation, privileges, rights, restrictions and conditions attaching to each series subject to the filing of Articles of Amendment.

**(b) Common Shares**

The following is a summary of the changes in common share capital during the period:

	Number of shares	Issue Price \$	Amount \$
<b>Balance December 31, 2012</b>	57,921,738		9,747,207
Share issuance (i) (ii)	2,646,111	0.09	238,150
Proceeds of issuances allocated to warrants issued	-	-	(91,000)
Share issue costs	-	-	(12,367)
Value attributed to finders' warrants issued	-	-	(1,000)
Issued on acquisition of mineral properties (iii)	150,000	0.08	12,000
<b>Balance December 31, 2013</b>	60,717,849		9,892,990
Issued on acquisition of mineral properties (iv)	400,000	0.02	8,000
<b>Balance June 30, 2014</b>	61,117,849		9,900,990

- (i) On February 4, 2013, the Company completed the second tranche of a non-flow through private placement consisting of 2,346,111 units (the "Units") at \$0.09 per Unit for gross proceeds of \$211,150. Each Unit consisted of one common share of the Company and one common share purchase warrant exercisable at \$0.12 per share until February 4, 2014. The Company paid finders' fee comprised of \$1,000 and 38,100 broker warrants which entitles the holder to purchase a non-flow through common share at \$0.12 until February 4, 2014.
- (ii) On February 15, 2013, the Company completed the last tranche of a non-flow through private placement consisting of 300,000 units (the "Units") at \$0.09 per Unit for gross proceeds of \$27,000. Each Unit consisted of one common share of the Company and one common share purchase warrant exercisable at \$0.12 per share until February 15, 2014.
- (iii) On April 5, 2013 the Company issued 150,000 common shares pursuant to its option agreement to acquire the KAN property.
- (iv) On February 6, 2014, the Company issued 400,000 common shares pursuant to its option agreement to acquire the KAN property (see note 3).

**Rio Silver Inc.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**Six Months Ended June 30, 2014**

*(unaudited, expressed in Canadian dollars unless otherwise noted)*

**4. Share Capital and Reserves (Continued)**

**(c) Warrants**

The following is a summary of the changes in warrants during the period:

	<b>Six Months ended June 30, 2014</b>		<b>Year ended December 31, 2013</b>	
	<b>Number</b>	<b>Weighted average exercise price (\$)</b>	<b>Number</b>	<b>Weighted average exercise price (\$)</b>
Balance, beginning of year	<b>2,684,211</b>	<b>0.12</b>	14,831,136	0.20
Granted - warrants	-	-	2,646,111	0.12
Granted - broker warrants	-	-	38,100	0.12
Expired	<b>(2,684,211)</b>	<b>0.12</b>	(14,831,136)	0.20
Balance, end of period	-	-	2,684,211	<b>0.12</b>

**5. Stock Options**

The Company adopted an incentive stock option plan for employees, consultants, officers and directors on April 17, 2009. The number of common shares reserved for issue under the stock option plan may not exceed 10% of the number of issued and outstanding common shares of the Company at any given time. The term of options granted under the stock option plan may not exceed ten years from the date of the grant. The board of directors will determine the vesting period within the exercisable term and options granted to consultants performing investor relations activities shall vest over a minimum of 12 months with no more than ¼ of such options vesting in any 3-month period. The option exercise price, also determined by the board of directors of the Company, may not be less than the lower of: the market price for the common shares at the grant date and \$0.05

As at June 30, 2014, the Company had 3,111,785 stock options available for issuance (December 31, 2013 – 2,571,785).

A summary of changes in common stock options outstanding is presented below:

**Rio Silver Inc.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**Six Months Ended June 30, 2014**

*(unaudited, expressed in Canadian dollars unless otherwise noted)*

**5. Stock Options (Continued)**

	<b>Six months ended June 30, 2014</b>		<b>Year ended December 31, 2013</b>	
	<b>Number</b>	<b>Weighted average exercise price (\$)</b>	<b>Number</b>	<b>Weighted average exercise price (\$)</b>
Options outstanding, beginning of year	<b>3,500,000</b>	<b>0.11</b>	4,100,000	0.17
Granted	<b>300,000</b>	<b>0.05</b>	1,000,000	0.10
Expired	<b>(500,000)</b>	<b>0.10</b>	(1,600,000)	0.25
Options outstanding, end of period	<b>3,300,000</b>	<b>0.10</b>	3,500,000	0.11
Options exercisable, end of period	<b>3,300,000</b>	<b>0.10</b>	3,500,000	0.11

The following table summarizes information about the common stock options outstanding and exercisable at June 30, 2014:

<b>Expiry Date</b>	<b>Number Outstanding</b>	<b>Exercise Price (\$)</b>	<b>Number of options exercisable</b>	<b>Weighted Average Remaining Contractual Life (years)</b>
<b>February 23, 2016</b>	200,000	0.25	200,000	1.66
<b>June 26, 2017</b>	1,800,000	0.10	1,800,000	3.00
<b>February 4, 2018</b>	1,000,000	0.10	1,000,000	3.58
<b>October 15, 2018</b>	300,000	0.05	225,000	4.25
	<b>3,300,000</b>	<b>0.10</b>	<b>3,225,000</b>	<b>3.53</b>

On February 4, 2013, the Company granted 1,000,000 options to a director of the Company at a price of \$0.10 per share. The fair value of these options at the date of grant was \$51,000.

On June 26, 2014 the shareholders of the Company approved the grant of 300,000 options to a consultant to the Company at a price of \$0.05 per share, with an effective grant date of October 15, 2013. The fair value of these options at the date of grant was \$15,000, vesting over a one year period.

The grant date fair value of the options granted was estimated using the Black-Sholes option pricing model, using the following weighted average assumptions:

	<u>2014</u>	<u>2013</u>
Risk-free interest rate	1%	1.1%
Expected life (years)	5.0	2.0
Expected volatility	140%	138%
Expected rate of forfeiture	nil	nil
Expected dividend yield	nil	nil

**Rio Silver Inc.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**Six Months Ended June 30, 2014**

*(unaudited, expressed in Canadian dollars unless otherwise noted)*

**6. Segmented Information**

	<b>Six months ended June 30, 2014 \$</b>	<b>Year ended December 31, 2013 \$</b>
Consolidated net loss		
Canada	140,980	883,897
Peru	31,162	350,765
	<b>172,142</b>	<b>1,234,662</b>
	<b>June 30, 2014 \$</b>	<b>December 31, 2013 \$</b>
Identifiable assets		
Canada	126,770	125,967
Peru	202	2,115
	<b>126,972</b>	<b>128,082</b>

**7. Promissory notes and interest payable**

During the six months ended June 30, 2014 the Company issued a total of \$40,000 in unsecured promissory notes bearing interest at an annual rate of 18% and repayable on demand. As at June 30, 2014, interest of \$1,462 was payable on the promissory notes.

**8. Related Party Transactions and Key Management Remuneration**

The Company defines key management as its President and Chief Executive Officer, and Chief Financial Officer.

Remuneration of key management personnel:

	<b>Six months ended June 30,</b>	
	<b>2014 \$</b>	<b>2013 \$</b>
Salaries, consulting fees and other short term benefits	30,000	190,834
Share-based payments	-	51,000
	<b>30,000</b>	<b>241,834</b>

The Company's related parties consist of its Directors and Officers and parties related to Directors and Officers. The following is a summary of the Company's related party transactions during the period:

**Rio Silver Inc.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**Six Months Ended June 30, 2014**

*(unaudited, expressed in Canadian dollars unless otherwise noted)*

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**8. Related Party Transactions and Key Management Remuneration (Continued)**

- (a) Due to related parties includes \$200,000 (December 31, 2013 - \$200,000) payable to the Company's Chairman earned in his capacity as CEO of the Company up to July 12, 2013 and \$31,250 (December 31, 2013 - \$31,250) payable to a private company owned by the individual who was the Company's CFO up to July 12, 2013 and earned in his capacity as CFO up to July 12, 2013.
- (b) Due to related parties includes \$24,000 (December 31, 2013 - \$12,000) payable to a private company owned by the Company's current CEO, all of which has been earned in his capacity as CEO since July 12, 2013 and \$36,000 (December 31, 2013 - \$18,000) payable to the Company's current CFO and earned since July 12, 2013.
- (c) Due to related parties includes \$195,707 (December 31, 2013 - \$92,068) payable to current directors and officers for advances, services provided, and reimbursable expenses incurred on behalf of the Company in the normal course of business. These amounts are unsecured, non-interest bearing and without fixed repayment terms.
- (d) Due to related parties includes \$69,757 (December 31, 2013 - \$59,042) payable to a legal firm of which a partner of the firm was a director of the Company at the time of transactions.
- (e) Promissory notes and interest payable includes \$15,259 payable to a private company owned the CEO of the Company, and \$15,725 payable to a party related to a Director of the Company. (Note 7)

**9. Commitments and Contingencies**

**Operating lease**

The Company is party to an operating lease agreement for office space with annual lease payments of approximately \$18,000, expiring on July 30, 2016.