**BITTERROOT RESOURCES LTD.**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**FOR THE SIX MONTHS ENDED APRIL 30, 2013**

**(Expressed in Canadian Dollars)**

**(Unaudited – Prepared by Management)**

# NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim 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 standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

**BITTERROOT RESOURCES LTD.**
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**
**UNAUDITED – PREPARED BY MANAGEMENT**
**(Expressed in Canadian Dollars)**

| | Note | April 30, 2013 | October 31, 2012 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash | | $ 224,838 | $ 1,040,280 |
| Prepaid expenses | | 5,692 | 7,063 |
| Receivables | 4 | 13,030 | 14,901 |
| **Total current assets** | | 243,560 | 1,062,244 |
| **Non-current assets** | | | |
| Reclamation deposit | | 21,500 | 23,300 |
| Equipment | 6 | 7,063 | 6,245 |
| Exploration and evaluation assets | 5 | 7,054,268 | 6,336,888 |
| **Total non-current assets** | | 7,082,831 | 6,366,433 |
| **TOTAL ASSETS** | | $ 7,326,391 | $ 7,428,677 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Accounts payable and accrued liabilities | 7 | $ 99,348 | $ 105,620 |
| **Total liabilities** | | 99,348 | 105,620 |
| **SHAREHOLDERS' EQUITY** | | | |
| Share capital | 9 | 21,901,041 | 21,887,541 |
| Equity reserves | 9 | 3,600,711 | 3,562,525 |
| Deficit | | (18,274,709) | (18,127,009) |
| **Total shareholders' equity** | | 7,227,043 | 7,323,057 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | | $ 7,326,391 | $ 7,428,677 |

**Nature and continuance of operations** (Note 1)
**Commitments** (Note 15)
**Subsequent event** (Note 16)

**Approved by the Board of Directors on June 25, 2013:**

| | |
|---|---|
| *"Michael S. Carr "* | *"George W. Sanders"* |
| Michael S. Carr, Director | George W. Sanders, Director |

*The accompanying notes are an integral part of these condensed consolidated interim financial statements.*

**BITTERROOT RESOURCES LTD.**
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**
**UNAUDITED – PREPARED BY MANAGEMENT**
**(Expressed in Canadian Dollars)**

| | Note | Three months ended April 30, 2013 | Three months ended April 30, 2012 | Six months ended April 30, 2013 | Six months ended April 30, 2012 |
|---|---|---|---|---|---|
| **GENERAL AND ADMINISTRATIVE EXPENSES** | | | | | |
| Accretion | 8 | $ - | $ 684 | $ - | $ 1,368 |
| Depreciation | 6 | 377 | 541 | 697 | 1,082 |
| Foreign exchange loss | | 1,905 | 395 | 2,764 | 697 |
| Interest and bank charges | | 296 | 245 | 802 | 795 |
| Management fees | 12 | 24,000 | 24,000 | 48,000 | 48,000 |
| Office and printing | | 21,051 | 20,823 | 41,841 | 38,230 |
| Professional fees | | 18,442 | 21,450 | 21,732 | 25,128 |
| Regulatory fees | | 6,300 | 5,200 | 8,800 | 5,200 |
| Shareholder information | | 7,828 | 9,251 | 11,772 | 10,432 |
| Share-based payments | 9 & 12 | - | - | - | 93,213 |
| Transfer agent fees | | 13,245 | 8,350 | 14,959 | 9,602 |
| **Operating expenses** | | (93,444) | (90,939) | (151,367) | (233,747) |
| Interest income | | 1,050 | 172 | 3,667 | 952 |
| Other income on settlement of flow-through share premium liability | 10 | - | 2,311 | - | 15,399 |
| Loss on sale of exploration and evaluation assets | 5 | - | (58,459) | - | (4,630,099) |
| Reversal of investment tax credit | | - | (134,264) | - | (134,264) |
| | | 1,050 | (190,240) | 3,667 | (4,748,012) |
| **Loss before income taxes** | | (92,394) | (281,179) | (147,700) | (4,981,759) |
| Deferred tax recovery | | - | 34,000 | - | 34,000 |
| **Loss and comprehensive loss for the period** | | $ (92,394) | $ (247,179) | $ (147,700) | $ (4,947,759) |
| **Basic and diluted loss per share** | | $ (0.00) | $ (0.00) | $ (0.00) | $ (0.05) |
| **Weighted average number of common shares outstanding** | | 114,075,827 | 103,291,269 | 114,013,921 | 103,010,438 |

*The accompanying notes are an integral part of these condensed consolidated interim financial statements.*

**BITTERROOT RESOURCES LTD.**
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**
**UNAUDITED – PREPARED BY MANAGEMENT**
**(Expressed in Canadian Dollars)**

| | Six months ended April 30, 2013 | 2012 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Loss and comprehensive loss for the period | $ (147,700) | $ (4,947,759) |
| Items not involving cash: | | |
| Accretion | - | 1,368 |
| Deferred tax recovery | - | (34,000) |
| Depreciation | 697 | 1,082 |
| Interest income | (7,982) | - |
| Other income on settlement of flow-through share premium liability | - | (15,399) |
| Share-based payments | - | 93,213 |
| Loss on sale of exploration and evaluation assets | - | 4,630,099 |
| Changes in non-cash working capital: | | |
| Receivables | 1,871 | (15,452) |
| Prepaid expenses | 1,371 | (1,203) |
| Accounts payable and accrued liabilities | (43,043) | 75,904 |
| Cash used in operating activities | (194,786) | (212,147) |
| **Cash flows from financing activities** | | |
| Share issuance | - | 500,000 |
| Share issue costs | - | (30,000) |
| Warrants exercised | 13,500 | - |
| Cash provided by financing activities | 13,500 | 470,000 |
| **Cash flows from investing activities** | | |
| Equipment additions | (1,515) | - |
| Interest income | 7,982 | - |
| Exploration and evaluation assets expenditures | (642,423) | (313,480) |
| Reclamation deposit | 1,800 | - |
| Proceeds from sale of exploration and evaluation assets | - | 750,000 |
| Cash (used in) provided by investing activities | (634,156) | 436,520 |
| **Change in cash during the period** | (815,442) | 694,373 |
| **Cash, beginning of period** | 1,040,280 | 772,964 |
| **Cash, end of period** | $ 224,838 | $ 1,467,337 |

Supplemental disclosure with respect to cash flows (Note 11)

*The accompanying notes are an integral part of these condensed consolidated interim financial statements.*

**BITTERROOT RESOURCES LTD.**
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**
**UNAUDITED – PREPARED BY MANAGEMENT**
**(Expressed in Canadian Dollars)**

| | Number of shares | Share Capital | Equity reserves | | Deficit | | Total |
|---|---|---|---|---|---|---|---|
| **Balance – October 31, 2011** | **102,735,713** | **$21,374,409** | **$ 3,217,514** | **$** | **(13,636,846)** | **$** | **10,955,077** |
| Private placement | 10,000,000 | 500,000 | - | | - | | 500,000 |
| Share issue costs | - | (4,094) | 4,094 | | - | | - |
| Finder's fees | - | (30,000) | - | | - | | (30,000) |
| Share-based payments | - | - | 95,699 | | - | | 95,699 |
| Loss and comprehensive loss for the period | - | - | - | | (4,947,759) | | (4,947,759) |
| **Balance – April 30, 2012** | **112,735,713** | **$21,840,315** | **$ 3,317,307** | **$** | **(18,584,605)** | **$** | **6,573,017** |

| | Number of shares | Share Capital | Equity reserves | | Deficit | | Total |
|---|---|---|---|---|---|---|---|
| **Balance – October 31, 2012** | **113,940,827** | **$21,887,541** | **$ 3,562,525** | **$** | **(18,127,009)** | **$** | **7,323,057** |
| Warrants exercised | 135,000 | 13,500 | - | | - | | 13,500 |
| Share-based payments | - | - | 38,186 | | - | | 38,186 |
| Loss and comprehensive loss for the period | - | - | - | | (147,700) | | (147,700) |
| **Balance – April 30, 2013** | **114,075,827** | **$21,901,041** | **$ 3,600,711** | **$** | **(18,274,709)** | **$** | **7,227,043** |

*The accompanying notes are an integral part of these condensed consolidated interim financial statements.*

## 1. NATURE AND CONTINUANCE OF OPERATIONS

Bitterroot Resources Ltd. (the "Company") is in the exploration stage and its principal business activity is the sourcing and exploration of resource properties.

The Company was incorporated on March 13, 1951 under the Laws of British Columbia. The Company's head office and registered office address is Suite 206-B – 1571 Bellevue Street, West Vancouver, BC, V7V 1A6, Canada. The Company is listed on the TSX Venture Exchange under the symbol "BTT".

The condensed consolidated interim financial statements of the Company are presented in Canadian dollars unless otherwise indicated, which is the functional currency.

## 2. BASIS OF PREPARATION

### Statement of compliance and basis of measurement

These unaudited condensed consolidated interim financial statements, including comparatives have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting. The policies applied in these condensed consolidated interim financial statements are based on IFRS issued and outstanding as of April 30, 2013.

The condensed consolidated interim financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The preparation of these condensed consolidated interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the period. Actual results could differ from these estimates.

### Use of estimates and judgments

The preparation of the condensed consolidated interim financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(i) Critical accounting estimates

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and are, but are not limited to, the following:

## 2. BASIS OF PREPARATION (cont'd)

**Use of estimates and judgments** (cont'd)

*Share-based payments*

The fair value of stock options issued are subject to the limitation of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

*Recovery of deferred tax assets*

Judgment is required in determining whether deferred tax assets are recognized in the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the date of the statement of financial position could be impacted.

Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods. The Company has not recorded any deferred tax assets.

*Exploration and evaluation assets*

Recorded costs of exploration and evaluation assets are not intended to reflect present or future values of these properties. The recorded costs are subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, that change in future conditions could require a material change in the recognized amount.

(ii) Critical accounting judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are, but are not limited to, the following:

*Determination of functional currency*

In accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates*, management determined that the functional currency of the Company and its subsidiaries is the Canadian dollar.

**Going concern of operations**

These condensed consolidated interim financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since its inception and the ability of the Company to continue as a going-concern depends on its ability to raise adequate financing and to develop profitable operations.

Management is actively targeting sources of additional financing through alliances with financial, exploration and mining entities, and other business and financial transactions which would assure continuation of the Company's operations and exploration programs. In addition, management closely monitors commodity prices of precious metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company if favorable or adverse market conditions occur.

## 2. BASIS OF PREPARATION (cont'd)

**Going concern of operations** (cont'd)

As the Company is in the exploration and evaluation stage, the Company has not identified a known body of commercial grade mineral on any of its properties. The ability of the Company to realize the costs it has incurred to date on these properties is dependent upon the Company identifying a commercial mineral body, to finance its development costs and to resolve any environmental, regulatory or other constraints which may hinder the successful development of the property. To date, the Company has not earned any revenues. The Company expects to incur further losses in the development of its business. These circumstances comprise a material uncertainty which may cast substantial doubt on the Company's ability to continue as a going concern.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the audited annual consolidated financial statements as at October 31, 2012. These unaudited condensed interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended October 31, 2012.

**Accounting standards issued but not yet applied**

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its financial statements.

Accounting Standards Issued and Effective January 1, 2013

IFRS 10 *Consolidated Financial Statements* replaces the guidance on control and consolidation in IAS 27, *Consolidated and Separate Financial Statements,* and SIC-12, *Consolidation – Special Purposes Entities.* IFRS 10 changes the definition of control under IFRS so that the same criteria are applied to all entities to determine control.

IFRS 11 *Joint Arrangements* establishes the core principle that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations and accounts for those rights and obligations in accordance with that type of joint arrangement.

IFRS 12 *Disclosure of Involvement with Other Entities* requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

IFRS 13 *Fair Value Measurement* defines fair value, sets out in a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except for: share-based payment transactions within the scope of IFRS 2 Share-based Payment; leasing transactions within the scope of IAS 17 Leases; measurements that have some similarities to fair value but that are not fair value, such as net realizable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

IAS 27 *Separate Financial Statements* has the objective of setting standards to be applied in accounting for investments in subsidiaries, joint ventures, and associates when an entity elects, or is required by local regulations, to present separate (non-consolidated) financial statements.

**(Expressed in Canadian Dollars)**

**3. SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

**Accounting standards issued but not yet applied** (cont'd)

IAS 28 *Investments in Associates and Joint Ventures* prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 applies to all entities that are investors with joint control of, or significant influence over, an investee (associate or joint venture).

Accounting Standards Issued and Effective January 1, 2014

IAS 32, "Financial Instruments: Presentation" clarifies certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas:

- the meaning of 'currently has a legally enforceable right of set-off;
- the application of simultaneous realization and settlement;
- the offsetting of collateral amounts; and
- the unit of account for applying the offsetting requirements.

Accounting Standards Issued and Effective January 1, 2015

IFRS 9 *Financial Instruments* replaces the current standard IAS 39 Financial Instruments: Recognition and Measurement, replacing the current classification and measurement criteria for financial assets and liabilities with only two classification categories: amortized cost and fair value.

**4. RECEIVABLES**

| | | **April 30, 2013** | | **October 31, 2012** |
|---|---|---|---|---|
| HST receivable | $ | 13,030 | $ | 14,901 |

**(Expressed in Canadian Dollars)**

## 5. EXPLORATION AND EVALUATION ASSETS

| | Mineral Creek Property B.C., Canada | North Brenda Property B.C., Canada | Windy Property Nunavut, Canada | Michigan Lands Michigan, USA | Total |
|---|---|---|---|---|---|
| **Balance - October 31, 2011** | **$ 5,548,994** | **$ 1,970,853** | **$ 134,586** | **$ 3,642,317** | **$ 11,296,750** |
| Claims, leases and permits | 342 | 4,539 | 2,480 | 21,911 | 29,272 |
| Consulting and professional | 40,844 | 48,252 | 22,540 | 92,825 | 204,461 |
| Field supplies | 1,130 | - | - | 621 | 1,751 |
| Finder's fee | 50,000 | - | - | - | 50,000 |
| Fuel | - | - | - | 149 | 149 |
| Geochemistry | (299) | 7,854 | - | 285 | 7,840 |
| Geophysics | - | - | 194,069 | 171,220 | 365,289 |
| Ground transportation | 722 | 3,235 | 139 | 2,417 | 6,513 |
| Other | 34,039 | 255 | 16 | 8,326 | 42,636 |
| Room and board | 691 | 1,601 | 197 | 1,647 | 4,136 |
| Share-based payments | 1,243 | - | 1,243 | - | 2,486 |
| Travel and freight | 1,435 | 103 | 1,138 | 2,070 | 4,746 |
| Expenditures during the year | 130,147 | 65,839 | 221,822 | 301,471 | 719,279 |
| Proceeds from sale of exploration and evaluation assets | (1,000,000) | - | - | - | (1,000,000) |
| Loss on sale of exploration and evaluation assets | (4,679,141) | - | - | - | (4,679,141) |
| **Balance - October 31, 2012** | **$ -** | **$ 2,036,692** | **$ 356,408** | **$ 3,943,788** | **$ 6,336,888** |
| Claims, leases and permits | - | 500 | 426 | 71,806 | 72,732 |
| Consulting and professional | - | 9,282 | - | 65,690 | 74,972 |
| Field supplies | - | - | - | 2,114 | 2,114 |
| Fuel | - | - | - | 574 | 574 |
| Geophysics | - | - | 375 | 489,781 | 490,156 |
| Ground transportation | - | - | - | 28,590 | 28,590 |
| Other | - | 280 | - | 8,124 | 8,404 |
| Room and board | - | - | - | 1,058 | 1,058 |
| Share-based payments | - | - | - | 38,186 | 38,186 |
| Travel and freight | - | 212 | - | 382 | 594 |
| Expenditures during the period | - | 10,274 | 801 | 706,305 | 717,380 |
| **Balance - April 30, 2013** | **$ -** | **$ 2,046,966** | **$ 357,209** | **$ 4,650,093** | **$ 7,054,268** |

Title to exploration and evaluation assets involves certain inherent risks due to difficulties of determining the validity of certain claims, as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many exploration and evaluation assets. The Company has investigated title to its exploration and evaluation assets and to the best of its knowledge, title to its exploration and evaluation assets are in good standing.

## 5. EXPLORATION AND EVALUATION ASSETS (cont'd)

### Michigan Lands, Michigan, U.S.A.

*Mineral Rights*

The Company owns a 100% interest in certain mineral rights in the Upper Peninsula of Michigan, U.S.A. On some of the mineral rights the vendor retains a 2% net smelter return royalty (NSR) and the Company has the option to purchase one half of this NSR royalty by paying $1,000,000 U.S. on or before December 31, 2048. The Company's remaining wholly-owned mineral rights are not encumbered by royalties.

*Federal and State Mineral Rights*

The Company held no Federal Prospecting Permits or State of Michigan metallic minerals leases as of April 30, 2013.

*Mineral Rights Leased from a Third Party*

The Company has entered into a minerals lease covering approximately 600 acres owned by a third party in the Upper Peninsula of Michigan, U.S.A. In order to maintain the lease in good standing on the entire 600 acres, the Company must make aggregate rental payments of US$214,000 through January 12, 2020, and aggregate advance royalty payments of US$1,125,000 from January 12, 2021 through 2030. The vendor retains a sliding scale net smelter returns royalty indexed to the price of copper. The Company paid rentals of US$18,600 in fiscal 2012. The Company has the right to reduce the rental payments by releasing minimum 40-acre portions of the leased lands at any time, upon notice to the third party lessor.

During the period ended April 30, 2013, the Company incurred exploration expenditures of $706,305 (October 31, 2012 - $301,471) relating to the Michigan properties.

### Mineral Creek Property, B.C., Canada

In April 2012, the Company sold its 100% interest in the Mineral Creek mineral claims, related data, equipment and associated environmental obligations for a purchase price of $1,000,000 and accordingly recorded a loss on sale of exploration and evaluation assets of $4,679,141 during the year ended October 31, 2012.

### North Brenda Property, B.C., Canada

The Company owns a 100% interest in the North Brenda property located in the South Central Region, British Columbia. The vendors retain a 2% net smelter returns royalty, of which the Company can purchase half by paying $1,000,000.

During the period ended April 30, 2013, the Company incurred exploration expenditures of $10,274 (October 31, 2012 - $65,839) relating to the North Brenda property.

### Windy Property, Nunavut Canada

The Company owns a 100% interest in the Windy gold property in southern Nunavut.

During the period ended April 30, 2013, the Company incurred exploration expenditures of $801 (October 31, 2012 - $221,822) relating to the Windy property.

### Other

The Company owns 100% interests in the GK Property claims and SPN Property claims in the South Central Region, British Columbia.

**(Expressed in Canadian Dollars)**

## 6. EQUIPMENT

| | Computer hardware | Field equipment | Furniture and fixtures | Leasehold improvements | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Balance - October 31, 2011 | $ 9,396 | $ 20,094 | $ 9,381 | $ 10,646 | $ 49,517 |
| Additions | - | - | - | - | - |
| Disposals | - | (20,094) | - | - | (20,094) |
| Balance - October 31, 2012 | 9,396 | - | 9,381 | 10,646 | 29,423 |
| Additions | 1,515 | - | - | - | 1,515 |
| Balance - April 30, 2013 | 10,911 | - | 9,381 | 10,646 | 30,938 |
| **Accumulated depreciation** | | | | | |
| Balance - October 31, 2011 | 8,951 | 18,270 | 5,707 | 6,903 | 39,831 |
| Additions | 133 | 547 | 735 | 749 | 2,164 |
| Disposal | - | (18,817) | - | - | (18,817) |
| Balance - October 31, 2012 | 9,084 | - | 6,442 | 7,652 | 23,178 |
| Additions | 103 | - | 294 | 300 | 697 |
| Balance - April 30, 2013 | 9,187 | - | 6,736 | 7,952 | 23,875 |
| **Carrying amounts** | | | | | |
| October 31, 2011 | 445 | 1,824 | 3,674 | 3,743 | 9,686 |
| October 31, 2012 | 312 | - | 2,939 | 2,994 | 6,245 |
| April 30, 2013 | $ 1,724 | $ - | $ 2,645 | $ 2,694 | $ 7,063 |

During the year ended October 31, 2012, the Company sold its claims and equipment in the Mineral Creek Property (Note 5) and accordingly recorded a loss on sale of equipment of $1,277.

## 7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | April 30, 2013 | October 31, 2012 |
|---|---|---|
| Trade accounts payable | $ 91,848 | $ 57,416 |
| Accrued liabilities | 7,500 | 48,204 |
| | $ 99,348 | $ 105,620 |

## 8. DECOMMISSIONING AND RESTORATION PROVISION

The Company's obligations with respect to asset retirement related to reclamation of the Mineral Creek Property site on which project operations are situated. The obligation was recognized in the period in which the obligation was created based on the estimated future reclamation costs using a rate of 10 percent and estimated inflation of 1.92 percent annually. The total undiscounted future obligation was $53,315. The Company estimated its obligations to be settled in approximately 10 years from initial recognition.

During the year ended October 31, 2012, the Company sold its claims and equipment in the Mineral Creek Property (Note 5) and accordingly reduced its decommissioning and restoration provision to $nil.

| | |
|---|---|
| **Balance - October 31, 2011** | $ 27,359 |
| Accretion expense | 1,368 |
| Disposals | (28,727) |
| **Balance - October 31, 2012 and April 30, 2013** | $ - |

**(Expressed in Canadian Dollars)**

## 9. SHARE CAPITAL AND EQUITY RESERVES

The authorized share capital consists of an unlimited number of common shares without par value.

During the period ended April 30, 2013, the Company issued common shares pursuant to the following:

(i) Issued 135,000 common shares upon exercise of warrants for gross proceeds of $13,500.

During the year ended October 31, 2012, the Company issued common shares pursuant to the following:

(i) On April 25, 2012, the Company issued 10,000,000 units priced at $0.05 per unit for gross proceeds of $500,000. Each unit consists of one common share and one half of a common share purchase warrant. Each full warrant is exercisable at $0.10 expiring April 24, 2013 (expired). The fair value of the warrants of $100,000 was allocated to equity reserves. In connection with this private placement, the Company paid a finder's fee of $30,000 and issued 600,000 broker warrants which are exercisable into common shares at $0.10 per share expiring April 24, 2013 (expired). The fair value of the broker warrants under the Black-Scholes pricing model was $4,094 and was recorded as share issue costs.

(ii) Issued 705,114 common shares for gross proceeds of $73,806 from exercise of broker warrants. Accordingly, $23,420 was transferred from equity reserves to share capital.

(iii) Issued 500,000 common shares for gross proceeds of $50,000 from exercise of warrants.

**Warrants**

Warrant transactions are summarized as follows:

| | Number Of Warrants | Weighted Average Exercise Price |
|---|---|---|
| **Balance - October 31, 2011** | 20,383,662 | $ 0.10 |
| Issued | 5,600,000 | 0.10 |
| Exercised | (1,205,114) | 0.10 |
| Expired | (250,000) | 0.12 |
| **Balance - October 31, 2012** | 24,528,548 | 0.10 |
| Exercised | (135,000) | 0.10 |
| Expired | (5,600,000) | 0.10 |
| **Balance - April 30, 2013** | 18,793,548 | $ 0.10 |

The weighted average trading price at the date the warrants were exercised during the period ended was $0.15 (year ended October 31, 2012 - $0.16).

The following share purchase warrants were outstanding at April 30, 2013:

| Number of Warrants | Exercise Price | Expiry Date |
|---|---|---|
| 1,261,108 | $ 0.15 | June 24, 2013* |
| 17,532,440 | $ 0.10 | October 27, 2013 |
| 18,793,548 | | |

**Subsequently expired unexercised*

**(Expressed in Canadian Dollars)**

**9. SHARE CAPITAL AND EQUITY RESERVES** (cont'd)

**Warrants** (cont'd)

The following weighted average assumptions were used for the Black-Scholes valuation of broker warrants:

| | 2013 | 2012 |
|---|---|---|
| Volatility | - | 136% |
| Risk-free interest rate | - | 1.42% |
| Dividend yield | - | - |
| Expected life | - | 1.00 year |

**Stock options**

The Company, in accordance with the policies of the TSX Venture Exchange, has a stock option plan in place under which it is authorized to grant options to directors, employees, and consultants, to acquire up to 10% of the issued and outstanding common shares. Under the plan, the exercise price of each option equals the market price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of five years.

Pursuant to the option plan, options granted in respect of investor relations activities are subject to vesting restrictions such that one-quarter of the options vest three months from the date of grant and in each subsequent three-month period thereafter such that the entire option will have vested twelve months after the award date. Vesting restrictions may also be applied to certain other options grants, at the discretion of the directors.

Stock option transactions and the number of stock options outstanding are summarized as follows:

| | Number Of Options | Weighted Average Exercise Price |
|---|---|---|
| **Balance - October 31, 2011** | 6,824,500 | 0.26 |
| Granted | 4,090,000 | 0.10 |
| Expired | (1,260,000) | 0.56 |
| **Balance - October 31, 2012** | 9,654,500 | $ 0.15 |
| Granted | 500,000 | 0.10 |
| Expired | (365,000) | 0.32 |
| **Balance - April 30, 2013** | 9,789,500 | $ 0.14 |

The following stock options were outstanding and exercisable at April 30, 2013:

| Range of Exercise Price | Options Outstanding and Exercisable | Weighted Average Remaining Contractual Life | Weighted Average Exercise Price |
|---|---|---|---|
| ($) | | (years) | ($) |
| 0.00 – 0.24 | 9,330,000 | 2.96 | 0.11 |
| 0.25 – 0.49 | 44,500 | 0.38 | 0.26 |
| 0.75 – 0.99 | 415,000* | 0.15 | 0.76 |
| | 9,789,500 | 2.83 | 0.14 |

**Subsequently expired unexercised*

**(Expressed in Canadian Dollars)**

## 9. SHARE CAPITAL AND EQUITY RESERVES (cont'd)

**Stock options** (cont'd)

The weighted average fair value of each stock option granted during the period was $0.08 (2012 - $0.04), calculated using the Black-Scholes option-pricing model on the grant date using the following weighted average assumptions:

| | 2013 | 2012 |
|---|---|---|
| Volatility | 148.19% | 136.50% |
| Risk-free interest rate | 1.65% | 1.30% |
| Dividend yield | - | - |
| Expected life | 5.00 years | 5.00 years |

**Share-based payments**

Total share-based payments recognized for stock options granted during the period ended April 30, 2013 was $38,186 (2012 - $95,699). Share-based payments of $38,186 (2012 - $2,486) was capitalized to exploration and evaluation assets for options granted to field consultants and $nil (2012 - $93,213) was expensed to operations for options granted to directors, officers, corporate consultants and employees of the Company.

## 10. FLOW-THROUGH SHARE PREMIUM LIABILITY

| | Issued on November 25, 2010 | Total |
|---|---|---|
| **Balance - October 31, 2011** | $ 15,399 | $ 15,399 |
| Settlement of flow-through liability upon expenditures being incurred | (15,399) | (15,399) |
| **Balance - October 31, 2012 and April 30, 2013** | $ - | $ - |

On November 25, 2010, the Company completed a private placement consisting of the issue and sale of 7,000,000 flow-through shares at a price of $0.11 per flow-through share for gross proceeds of $770,000. The premium received on the shares issued was determined to be $70,000 and has been recorded as a share capital reduction. An equivalent premium liability was recorded and reduced when the required exploration expenditures were incurred.

## 11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO SUPPLEMENTAL CASH FLOWS

Significant non-cash transactions during the period ended April 30, 2013 included:

(a) Included in exploration and evaluation assets is $91,848 which relates to accounts payable and accrued liabilities.

(b) Included in exploration and evaluation assets is $38,186 which relates to share-based payments.

Significant non-cash transactions during the period ended April 30, 2012 included:

(a) The Company issued 600,000 broker warrants valued at $4,094 as a share issue cost in connection with the private placement during the period.

(b) Included in exploration and evaluation assets is $110,388 which relates to accounts payable and accrued liabilities.

(c) Included in exploration and evaluation assets is $2,486 which relates to share-based payments.

**(Expressed in Canadian Dollars)**

## 12. RELATED PARTY TRANSACTIONS

The following is a summary of related party transactions and balances during the period ended April 30, 2013, not disclosed elsewhere in the financial statements:

(a) Management fees of $48,000 (2012 - $48,000) were incurred from a company controlled by a director in common.

(b) Share-based payments include stock options granted to directors and officers recorded at a fair value of $nil (2012 - $93,213).

## 13. SEGMENTED INFORMATION

### Industry information

The Company operates in one reportable operating segment, being the acquisition, exploration and development of exploration and evaluation assets.

### Geographic information

The Company operates in both Canada and the U.S.A. The Company's equipment and reclamation deposits are in Canada. The Company's exploration and evaluation assets in geographic locations are as follows:

| | | April 30, 2013 | | October 31, 2012 |
|---|---|---|---|---|
| Canada | $ | 2,404,175 | $ | 2,393,100 |
| U.S.A. | | 4,650,093 | | 3,943,788 |
| Total exploration and evaluation assets | $ | 7,054,268 | $ | 6,336,888 |

## 14. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT

### Capital management

The Company manages its capital to safeguard the Company's ability to continue as a going concern, so that it can continue to provide adequate returns to shareholders and benefits to other stakeholders, and to have sufficient funds on hand for business opportunities as they arise.

The Company considers the items included in share capital as capital. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through short-term prospectuses and private placements, or return capital to shareholders. As at April 30, 2013, the Company does not have any debt and is not subject to externally imposed capital requirements.

The Company is exposed to various financial instrument risks and assesses the impact and likelihood of this exposure. These risks include liquidity risk, credit risk, currency risk, interest rate risk and price risk. Where material, these risks are reviewed and monitored by the Board of Directors.

### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company is considered to be in the exploration stage. Thus, it is dependent on obtaining regular financings in order to continue its exploration programs. Despite previous success in acquiring these financings, there is no guarantee of obtaining future financings. The Company's cash consists of cash deposited in business accounts and redeemable guaranteed investment certificates held by high credit quality financial institutions. The Company is not invested in any asset backed commercial paper.

## 14. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (cont'd)

### Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash, receivables and reclamation deposits. The Company limits exposure to credit risk by maintaining its cash and reclamation deposits with high-credit quality financial institutions. Deposits held with these institutions may exceed the amount of insurance provided on such deposits. The receivables balance consists of HST recoverable. There is ongoing review to evaluate the credit worthiness of these counterparties. The Company's maximum exposure to credit risk at the reporting date is the carrying value of cash and, receivables and reclamation deposits.

### Currency risk

The Company's operations are in Canada and the United States. The international nature of the Company's operations results in foreign exchange risk as transactions are denominated in a foreign currency. The operating results and the financial position of the Company are reported in Canadian dollars. The fluctuations of the operating currencies in relation to the Canadian dollar will, consequently, have an impact upon the reported results of the Company and may also affect the value of the Company's assets and liabilities. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time. A strengthening (weakening) of the Canadian dollar against the US dollar of 10% would not have a significant effect on net loss.

### Interest rate risk

The Company's exposure to interest rate risk arises from the interest rate impact on its cash. The Company's practice has been to invest cash at floating rates of interest in order to maintain liquidity, while achieving a satisfactory return for shareholders. There is minimal risk that the Company would recognize any loss as a result of a decrease in the fair value of any guaranteed bank investment certificates included in cash as they are generally held with large financial institutions.

### Price risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors the commodity prices of precious metals and the stock market to determine the appropriate course of action to be taken by the Company.

### Fair value

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

*Level 1* – Unadjusted quoted prices in active markets for identical assets or liabilities;

*Level 2* – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and

*Level 3* – Inputs that are not based on observable market data.

The fair value of cash is measured based on level 1 inputs of the fair value hierarchy.

The estimated fair value of financial liabilities is equal to their carrying values due to the short-term nature of these instruments.

**(Expressed in Canadian Dollars)**

## 15. COMMITMENTS

(a) The Company is required to make certain cash payments to maintain its exploration and evaluation assets, as described in Note 5.

(b) The Company has entered into an office lease expiring March 31, 2015 which calls for monthly payments of approximately $1,528 in year one; $1,584 in year two; $1,641 in year three; $1,698 in year four; and $1,754 in year five, plus an applicable portion of operating costs.

Minimum annual lease payments, not including operating costs, pursuant to the lease agreement are as follows:

| | | |
|---|---|---|
| 2013 | $ | 13,523 |
| 2014 | | 20,766 |
| 2015 | | 8,770 |
| | $ | 43,059 |

## 16. SUBSEQUENT EVENT

Subsequent to the period ended April 30, 2013:

(a) the Company agreed to issue 17,000,000 units priced at $0.09 in a non-brokered private placement for gross proceeds of $1,530,000. Each unit consists of one common share and one common share purchase warrant. Each warrant will be exercisable at $0.15 for a period of 12 months.

(b) 1,261,108 warrants at an exercise price of $0.15 and 415,000 stock options at an exercise price of $0.76 expired unexercised on June 24, 2013.