BITTERROOT RESOURCES LTD.

CONSOLIDATED FINANCIAL STATEMENTS

OCTOBER 31, 2013 and 2012

(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Bitterroot Resources Ltd.

We have audited the accompanying consolidated financial statements of Bitterroot Resources Ltd., which comprise the consolidated statements of financial position as at October 31, 2013 and 2012, and the consolidated statements of loss and comprehensive loss, cash flows and changes in shareholders' equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

1200 - 609 Granville Street, P.O. Box 10372, Pacific Centre, Vancouver, B.C., Canada V7Y 1G6
Telephone (604) 687-0947 Fax (604) 687-6172

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Bitterroot Resources Ltd. as at October 31, 2013 and 2012, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Bitterroot Resources Ltd.'s ability to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Accountants

February 14, 2014

BITTERROOT RESOURCES LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	Note	October 31, 2013	October 31, 2012
ASSETS			
Current assets			
Cash		$ 593,407	$ 1,040,280
Prepaid expenses		4,245	7,063
Receivables		4,827	14,901
Total current assets		602,479	1,062,244
Non-current assets			
Reclamation deposit		21,500	23,300
Exploration and evaluation assets	4	4,777,223	6,336,888
Equipment	5	6,495	6,245
Total non-current assets		4,805,218	6,366,433
TOTAL ASSETS		$ 5,407,697	$ 7,428,677
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		$ 99,714	$ 105,620
Total liabilities		99,714	105,620
SHAREHOLDERS' EQUITY			
Share capital	7	22,859,785	21,887,541
Equity reserves	7	3,701,762	3,562,525
Deficit		(21,253,564)	(18,127,009)
Total shareholders' equity		5,307,983	7,323,057
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$ 5,407,697	$ 7,428,677

Nature and continuance of operations (Note 1)
Commitments (Note 13)

Approved by the Board of Directors on February 14, 2014:

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

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

BITTERROOT RESOURCES LTD.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED OCTOBER 31
(Expressed in Canadian Dollars)

	Note	2013	2012
GENERAL AND ADMINISTRATIVE EXPENSES			
Accretion	6	$ -	$ 1,368
Depreciation	5	1,465	2,164
Foreign exchange loss		8,965	1,535
Interest and bank charges		1,396	1,749
Management fees	10	102,000	96,000
Office and printing		83,025	83,450
Professional fees		68,152	92,166
Regulatory fees		8,800	10,876
Shareholder information		17,958	12,328
Share-based payments	7& 10	76,077	261,851
Transfer agent fees		18,779	13,210
Operating expenses		(386,617)	(576,697)
Interest income		4,307	9,089
Other income on settlement of flow-through share premium liability	8	-	15,399
Loss on sale of exploration and evaluation assets	4,5,6	-	(4,651,690)
Write-down of exploration and evaluation assets	4	(2,744,245)	-
Flow-through share expense		-	(134,264)
		(2,739,938)	(4,761,466)
Loss before income taxes		(3,126,555)	(5,338,163)
Deferred tax recovery	14	-	848,000
Loss for the year		$ (3,126,555)	$ (4,490,163)
Basic and diluted loss per share		$ (0.03)	$ (0.04)
Weighted average number of common shares outstanding		116,894,985	107,991,129

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

BITTERROOT RESOURCES LTD.
CONSOLIDATEDSTATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED OCTOBER 31
(Expressed in Canadian Dollars)

	2013	2012
Cash flows from operating activities		
Loss for the year	$ (3,126,555)	$ (4,490,163)
Items not involving cash:		
Accretion	-	1,368
Deferred tax recovery	-	(848,000)
Depreciation	1,465	2,164
Flow-through share expense	-	134,264
Loss on sale of exploration and evaluation assets	-	4,651,690
Interest income	(10,506)	(2,890)
Other income on settlement of flow-through share premium liability	-	(15,399)
Share-based payments	76,077	261,851
Write-down of exploration and evaluation assets	2,744,245	-
Changes in non-cash working capital:		
Prepaid expenses	2,818	(1,935)
Receivables	10,074	21,018
Accounts payable and accrued liabilities	(12,953)	(228,610)
Cash used in operating activities	(315,335)	(514,642)
Cash flows from financing activities		
Private placements	1,002,600	500,000
Share issue costs	(37,900)	(30,000)
Warrants exercised	13,500	123,806
Cash provided by financing activities	978,200	593,806
Cash flows from investing activities		
Equipment additions	(1,715)	-
Interest income	10,506	2,890
Exploration and evaluation assets expenditures	(1,120,329)	(814,738)
Proceeds from reclamation deposit	1,800	-
Proceeds from sale of exploration and evaluation assets	-	1,000,000
Cash (used in) provided by investing activities	(1,109,738)	188,152
Change in cash during the year	(446,873)	267,316
Cash, beginning of year	1,040,280	772,964
Cash, end of year	$ 593,407	$ 1,040,280

Supplemental disclosure with respect to cash flows (Note 9)

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

BITTERROOT RESOURCES LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED OCTOBER 31
(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
Warrants exercised	1,205,114	147,226	(23,420)	-	123,806
Share issue costs	-	(4,094)	4,094	-	-
Finder's fees	-	(30,000)	-	-	(30,000)
Fair value of warrants	-	(100,000)	100,000	-	-
Share-based payments	-	-	264,337	-	264,337
Loss for the year	-	-	-	(4,490,163)	(4,490,163)
Balance – October 31, 2012	**113,940,827**	**$21,887,541**	**$ 3,562,525**	**$ (18,127,009)**	**$ 7,323,057**
Private placement	12,532,500	1,002,600	-	-	1,002,600
Warrants exercised	135,000	13,500	-	-	13,500
Shares issue costs	-	(37,900)	-	-	(37,900)
Finder's fees	-	(5,956)	5,956	-	-
Share-based payments	-	-	133,281	-	133,281
Loss for the year	-	-	-	(3,126,555)	(3,126,555)
Balance – October 31, 2013	**126,608,327**	**$22,859,785**	**$ 3,701,762**	**$ (21,253,564)**	**$ 5,307,983**

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

1. NATURE 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 address is Suite 206-B – 1571 Bellevue Street, West Vancouver, BC, V7V 1A6, Canada and its registered office address is Suite 218 – 470 Granville Street, Vancouver, BC, V6C 1V5, Canada. The Company is listed on the TSX Venture Exchange under the symbol "BTT".

The consolidated 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 audited consolidated 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"). The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of October 31, 2013.

The consolidated 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.

Use of estimates and judgments

The preparation of the consolidated 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 include, but are not limited to, the following:

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.

2. BASIS OF PREPARATION (cont'd)

Use of estimates and judgments (cont'd)

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 include, 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 consolidated 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.

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

Basis of consolidation

These consolidated financial statements include the accounts of the Company, and its wholly-owned subsidiaries, Trans Superior Resources, Inc. and Voyageur Lands Corporation, both of which are holding companies incorporated in Michigan, USA. All significant inter-company balances and transactions have been eliminated upon consolidation.

Exploration and evaluation assets

Pre-exploration costs

Pre-exploration costs are expensed in the period in which they are incurred.

Exploration and evaluation expenditures

Once the legal right to explore a property has been acquired, all costs related to the acquisition, exploration and evaluation of exploration and evaluation assets are capitalized by property. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general and administrative overhead costs, are expensed in the period in which they occur.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the farmee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to profit or loss.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as “mines under construction.” Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

Equipment

Equipment is recorded at cost, including betterment and renewals subsequent to acquisition, less accumulated depreciation. When equipment is sold or abandoned, the recorded costs and related accumulated depreciation are removed from the accounts and any gains or losses are included in the determination of net earnings. Repairs and maintenance are recorded as an expense as incurred.

Depreciation is calculated on the declining balance method at the following rates per annum:

Computer hardware	-	30%
Furniture and fixtures	-	20%
Leasehold improvements	-	20%
Field equipment	-	30%

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Foreign currency translation

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The functional currency for all entities within the Company is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates.*

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are reflected in profit or loss for the period.

Earnings/loss per share

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

Share-based payments

The Company has a plan for granting stock options to directors, employees and consultants as described in Note 7. The fair value of stock options granted to employees is recognized as share-based payments over the vesting period and credited to equity reserve. Stock options granted to non-employees are measured at their fair value on the vesting date. Prior to the vesting date, the then-current fair value of stock options granted to non-employees is recognized as share-based payments from the date of grant to the reporting date and credited to equity reserves. Upon the exercise of stock options, consideration paid and the fair value amounts previously credited to equity reserves are recorded as share capital. The Company uses the Black-Scholes option-pricing model to estimate the fair value of stock options granted.

Warrants issued in equity financing transactions

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate mineral properties. These equity financing transactions may involve issuance of common shares or units. Each unit comprises a certain number of common shares and a certain number of share purchase warrants ("Warrants"). Depending on the terms and conditions of each equity financing agreement, the Warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the agreement. Warrants that are part of units are assigned a value based on the residual value method and included in share capital with the common shares that were concurrently issued. Warrants that are issued as payment for agency fees or other transactions costs are accounted for as share-based payments.

Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets and liabilities that affect neither accounting nor taxable loss, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it is not recorded.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Flow-through shares

The Company will from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenses being incurred, the Company derecognizes the liability and the premium is recognized as other income.

Decommissioning and restoration provision

The Company records a liability based on the best estimate of costs for site closure and reclamation activities that the Company is legally or constructively required to remediate and the liability is recognized at the time environmental disturbance occurs. The resulting costs are capitalized to the corresponding asset. The provision for closure and reclamation liabilities is estimated using expected cash flows, based on engineering and environmental reports prepared by third party industry specialists, discounted at a pre-tax rate specific to the liability. The capitalized amount is depreciated on the same basis as the related asset. The liability is adjusted for the accretion of the discounted obligation and any changes in the amount or timing of the underlying future cash flows. Significant judgements and estimates are involved in forming expectations of the amounts and timing of future closure and reclamation cash flows.

Changes in closure and reclamation estimates are accounted for as a change in the corresponding capitalized cost.

Cost of rehabilitation projects for which a provision has been recorded are recorded directly against the provision as incurred, most of which are incurred at the end of the life of mine.

Cash

Cash includes demand deposits and guaranteed investment certificates that on acquisition have a term to maturity of three months or less, or may be redeemed during this period. Face value represents the fair value due to the highly liquid nature of the investment certificates.

Financial instruments

Financial assets are classified into one of the following categories based on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

Financial assets at fair value through profit or loss ("FVTPL")

A financial asset is classified as at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as at FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management strategy. Attributable transaction costs are recognized in profit or loss when incurred. FVTPL are measured at fair value, and changes are recognized in profit or loss.

Held-to-maturity ("HTM")

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the asset is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted on an active market. Such assets are initially recognized at fair value plus any direct attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments (cont'd)

Available for sale ("AFS")

Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in profit or loss.

The Company has classified its financial assets as follows:

- Cash is classified as FVTPL.
- Receivables are classified as loans and receivables.
- Reclamation deposits are classified as held-to-maturity.

Financial liabilities

Financial liabilities are classified into one of two categories:

- Fair value through profit or loss;
- Other financial liabilities.

Fair value through profit or loss

This category comprises derivatives, or liabilities, acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in profit or loss.

Other financial liabilities

These liabilities are initially recognized at fair value less directly attributable costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method.

The Company classified its financial liabilities which consisted of accounts payable and accrued liabilities as other financial liabilities.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted.

For all financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date of impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Government assistance

Investment tax credits are accounted for using the cost reduction approach. This approach requires investment tax credits received or receivable to be deducted from capitalized resource expenditures. Investment tax credits are accrued when the Company has made the qualifying expenditures, provided there is reasonable assurance that the credits will be realized. Recognition is based on collection history.

Accounting standards issued but not yet effective

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.

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.

(Expressed in Canadian Dollars)

4. 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**
Acquisition costs	-	-	-	4,197	4,197
Claims, leases and permits	-	600	425	92,969	93,994
Consulting and professional	-	9,833	-	232,391	242,224
Drilling	-	-	-	187,319	187,319
Field supplies	-	-	-	4,804	4,804
Fuel	-	-	-	829	829
Geochemistry	-	-	-	3,217	3,217
Geophysics	-	-	375	507,656	508,031
Ground transportation	-	-	-	46,674	46,674
Other	-	1,680	-	16,607	18,287
Room and board	-	-	-	7,524	7,524
Share-based payments	-	-	-	57,204	57,204
Travel and freight	-	211	-	10,065	10,276
Expenditures during the year	-	12,324	800	1,171,456	1,184,580
Write-down of exploration and evaluation assets	-	(1,076,998)	(357,208)	(1,310,039)	(2,744,245)
Balance -October 31, 2013	**$ -**	**$ 972,018**	**$ -**	**$ 3,805,205**	**$ 4,777,223**

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.

4. 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. Following a drilling program conducted during the year ended October 31, 2013, the Company wrote-down $1,199,615 of exploration costs related to the Company's 100%-owned mineral rights in Michigan.

Federal Mineral Rights

The Bureau of Land Management has issued prospecting permits to the Company on certain federally-owned mineral rights in the Upper Peninsula of Michigan. In the event of a discovery, these lands will be subject to net smelter returns royalty, the terms of which are negotiated on a case-by case basis.

During the year ended October 31, 2013, the Federal prospecting permits were forfeited. As a result, the Company wrote-down $46,272 of exploration costs related to this property.

State Mineral Rights

The Company holds state leases covering 2,378 acres of State of Michigan mineral rights. State leases are subject to a sliding scale production royalty ranging from 2% to 7%, or to a net smelter returns royalty, the terms of which are negotiated on a case-by-case basis.

Mineral Rights Leased from a Third Party

The Company entered into mineral leases covering approximately 1,240 acres owned by a third party in the Upper Peninsula of Michigan. The Company made rental payments of US$12,000 in fiscal 2013 (US$18,600 in fiscal 2012). During the year ended October 31, 2013, the Company released 640 acres and aggregate rental payments were reduced to US$214,000. Subsequent to the year ended October 31, 2013, the Company released the remaining 600 acres and the lease was terminated by the Company. As a result, the Company wrote-down $64,152of costs related to these lands.

Mineral Rights Purchase Agreement

In September 2013, the Company, through its subsidiary, entered into mineral purchase agreement to purchase privately-owned mineral rights covering 160 acres in Houghton County, Michigan for US$40,000.The Company paid US$4,000 during the year ended October 31, 2013 and the remaining US$36,000 subsequent to year end.

During the year ended October 31, 2013, the Company incurred exploration expenditures of $1,171,450 (2012 - $301,471) relating to the Michigan properties. The Company wrote-down total costs of $1,310,039 related to exploration on its various 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.

(Expressed in Canadian Dollars)

4. EXPLORATION AND EVALUATION ASSETS (cont'd)

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 year ended October 31, 2013, the Company incurred exploration expenditures of $12,327 (2012 - $65,839) relating to the North Brenda property. A portion of the property will no longer be pursued by the Company. As a result, during the year ended October 31, 2013, the Company wrote-down $1,076,998 of costs related 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 year ended October 31, 2013, the Company ceased exploration on the Windy property and wrote-down $357,208 of costs related to the Windy Property. The claims were allowed to lapse subsequent to the year-end.

Other

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

5. 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
Disposals	-	(20,094)	-	-	(20,094)
Balance - October 31, 2012	9,396	-	9,381	10,646	29,423
Additions	1,715	-	-	-	1,715
Balance – October 31, 2013	11,111	-	9,381	10,646	31,138
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	279	-	599	587	1,465
Balance – October 31, 2013	9,363	-	7,041	8,239	24,643
Carrying amounts					
October 31, 2012	312	-	2,939	2,994	6,245
October 31, 2013	$ 1,748	$ -	$ 2,340	$ 2,407	$ 6,495

During the year ended October 31, 2012, the Company sold its claims and equipment in the Mineral Creek Property (Note 4) and accordingly recorded a loss on sale of equipment of $1,277.

(Expressed in Canadian Dollars)

6. DECOMMISSIONING AND RESTORATION PROVISION

The Company's obligations with respect to asset retirement were related to reclamation of the Mineral Creek Property site on which project operations were 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 4) 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 2013	$ -

7. SHARE CAPITAL AND EQUITY RESERVES

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

During the year ended October 31, 2013, the Company issued common shares pursuant to the following:

(i) On August 6, 2013, the Company issued 12,532,500 units priced at $0.08 per unit for gross proceeds of $1,002,600. Each unit consists of one common share and one common share purchase warrant. Each full warrant is exercisable at $0.15 expiring August 5, 2014. In connection with this private placement, the Company paid a finder's fee of $37,900 and issued 265,650 broker warrants which are exercisable into common shares at $0.15 per share expiring August 5, 2014. The fair value of the broker warrants under the Black-Scholes pricing model was $5,956 and was recorded as share issue costs.

(ii) 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.

(Expressed in Canadian Dollars)

7. SHARE CAPITAL AND EQUITY RESERVES (cont'd)

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
Issued	12,798,150	0.15
Exercised	(135,000)	0.10
Expired	(24,393,548)	0.10
Balance -October 31, 2013	12,798,150	$ 0.15

The weighted average trading price at the date the warrants were exercised during the year ended October 31, 2013 was $0.15 (year ended October 31, 2012 - $0.16).

The following share purchase warrants were outstanding at October 31, 2013:

Number of Warrants	Exercise Price	Expiry Date
12,798,150	$ 0.15	August 5, 2014

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

	2013	2012
Volatility	147%	136%
Risk-free interest rate	1.19%	1.42%
Dividend yield	-	-
Expected life	1.00 year	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.

(Expressed in Canadian Dollars)

7. SHARE CAPITAL AND EQUITY RESERVES (cont'd)

Stock options (cont'd)

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	1,500,000	0.10
Expired	(974,500)	0.47
Balance -October 31, 2013	10,180,000	$ 0.12

The following stock options were outstanding and exercisable at October 31, 2013:

Range of Exercise Price	Options Outstanding and Exercisable	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
($)		(years)	($)
0.10 – 0.17	10,180,000	2.70	0.12
	10,180,000	2.70	0.12

The weighted average fair value of each stock option granted during the year was $0.09 (2012 - $0.06), calculated using the Black-Scholes option-pricing model on the grant date using the following weighted average assumptions:

	2013	2012
Volatility	148%	141%
Risk-free interest rate	1.80%	1.34%
Dividend yield	-	-
Expected life	5.00 years	5.00 years

Share-based payments

Total share-based payments recognized for stock options granted during the year ended October 31, 2013 was $133,281 (2012 - $264,337). Share-based payments of $57,204 (2012 - $2,486) was capitalized to exploration and evaluation assets for options granted to field consultants and $76,077(2012 - $261,851) was expensed to operations for options granted to directors, officers, corporate consultants and employees of the Company.

(Expressed in Canadian Dollars)

8. FLOW-THROUGH SHARE PREMIUM LIABILITY

		Issued on November 25, 2010
Balance - October 31, 2011	$	15,399
Settlement of flow-through liability upon expenditures being incurred		(15,399)
Balance - October 31, 2012 and 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.

9. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions during the year ended October 31, 2013 included:

(a) The Company issued 265,650 broker warrants valued at $5,956 as a share issue cost in connection with the private placement during the year.

(b) Included in exploration and evaluation assets is $62,124 which relates to accounts payable and accrued liabilities.

(c) Included in exploration and evaluation assets is $57,204 which relates to share-based payments.

Significant non-cash transactions during the year ended October 31, 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 year.

(b) Included in exploration and evaluation assets is $55,077 which relates to accounts payable and accrued liabilities.

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

(d) The Company allocated $23,420 broker warrants exercised during the year to share capital from equity reserves.

(e) Valuation of warrants attached to units in private placement of $100,000.

10. RELATED PARTY TRANSACTIONS

The following is a summary of related party transactions and balances during the year ended October 31, 2013, not disclosed elsewhere in the financial statements:

(a) Management fees of $102,000 (2012 - $96,000) 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 $76,077 (2012 - $261,851).

11. 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:

		October 31, 2013		October 31, 2012
Canada	$	972,018	$	2,393,100
U.S.A.		3,805,205		3,943,788
Total exploration and evaluation assets	$	4,777,223	$	6,336,888

12. 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 October 31, 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.

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.

(Expressed in Canadian Dollars)

12. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (cont'd)

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.

13. COMMITMENTS

(a) The Company is required to make certain cash payments to maintain its exploration and evaluation assets, as described in Note 4.

(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:

2014	$	20,766
2015		8,770
	$	29,536

(Expressed in Canadian Dollars)

14. INCOME TAXES

The reconciliation of the combined Canadian federal and provincial income tax rate to the income tax recovery presented in the accompanying consolidated statements of comprehensive loss is provided below:

	Years ended October 31, 2013	2012
Accounting profit (loss) before income taxes	$ (3,126,555)	$ (5,338,163)
Combined federal and provincial statutory income tax rate	25.6%	25.25%
Income tax expense (recovery) at statutory tax rates	$ (800,000)	$ (1,348,000)
Non-deductible expenditures and non-taxable revenues	19,000	66,000
Impact of future income tax rates applied versus current statutory rate	(205,000)	13,000
Impact of flow through shares	-	47,000
Share issue costs	(10,000)	(8,000)
Adjustment to prior years provision versus statutory tax returns	-	(475,000)
Change in unrecognized deductible temporary differences and other	996,000	857,000
Total	$ -	$ (848,000)

The Canadian income tax rate declined during the year due to changes in the law that reduced corporate income tax rates in Canada.

The significant components of the Company's deferred tax assets and liabilities are as follows:

	Years ended October 31, 2013	2012
Deferred income tax asset		
Exploration and evaluation assets	$ 1,324,000	$ 424,000
Share issue costs	27,000	31,000
Non-capital losses	1,010,000	891,000
Capital assets	7,000	26,000
Total	$ 2,368,000	$ 1,372,000

The Company has non-capital losses for Canadian income tax purposes of approximately $3,886,000 which may be carried forward and applied against taxable income. These losses, if not utilized, will expire through to 2033.

Subject to certain restrictions, the Company has further resource development and exploration expenditures of approximately $4,474,000 available to reduce taxable income in future years.

Tax attributes are subject to review and potential adjustment by tax authorities.