BITTERROOT RESOURCES LTD.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED APRIL 30, 2014

(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, 2014	October 31, 2013
ASSETS			
Current assets			
Cash		$ 276,073	$ 593,407
Prepaid expenses		5,488	4,245
Receivables		7,006	4,827
Total current assets		288,567	602,479
Non-current assets			
Reclamation deposit		21,500	21,500
Exploration and evaluation assets	4	5,109,647	4,777,223
Equipment	5	5,758	6,495
Total non-current assets		5,136,905	4,805,218
TOTAL ASSETS		$ 5,425,472	$ 5,407,697
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		$ 15,433	$ 99,714
Total liabilities		15,433	99,714
SHAREHOLDERS' EQUITY			
Share capital	6	23,099,769	22,859,785
Equity reserves	6	3,716,149	3,701,762
Deficit		(21,405,879)	(21,253,564)
Total shareholders' equity		5,410,039	5,307,983
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$ 5,425,472	$ 5,407,697

Nature of operations (Note 1)
Commitments (Note 11)

Approved by the Board of Directors on June 19, 2014:

"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)

		Three months ended April 30,		Six months ended April 30,	
	Note	**2014**	**2013**	**2014**	**2013**
GENERAL AND ADMINISTRATIVE EXPENSES					
Depreciation	5	$ 369	$ 377	$ 737	$ 697
Foreign exchange loss		839	1,905	4,929	2,764
Interest and bank charges		236	296	571	802
Management fees	8	30,000	24,000	60,000	48,000
Office and printing		21,535	21,051	46,934	41,841
Professional fees		12,839	18,442	15,018	21,732
Regulatory fees		5,200	6,300	5,200	8,800
Shareholder information		5,606	7,828	8,040	11,772
Transfer agent fees		9,132	13,245	10,886	14,959
Operating expenses		(85,756)	(93,444)	(152,315)	(151,367)
Interest income		-	1,050	-	3,667
Loss for the period		$ (85,756)	$ (92,394)	$ (152,315)	$ (147,700)
Basic and diluted loss per share		$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)
Weighted average number of common shares outstanding		129,830,066	114,075,827	128,245,896	114,013,921

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, 2014	2013
Cash flows from operating activities		
Loss for the period	$ (152,315)	$ (147,700)
Items not involving cash:		
Depreciation	737	697
Interest income	-	(7,982)
Changes in non-cash working capital:		
Prepaid expenses	(1,243)	1,371
Receivables	(2,179)	1,871
Accounts payable and accrued liabilities	(28,543)	(43,043)
Cash used in operating activities	(183,543)	(194,786)
Cash flows from financing activities		
Private placements	260,000	-
Share issue costs	(14,300)	-
Warrants exercised	-	13,500
Cash provided by financing activities	245,700	13,500
Cash flows from investing activities		
Equipment additions	-	(1,515)
Interest income	-	7,982
Exploration and evaluation assets expenditures	(379,491)	(642,423)
Proceeds from reclamation deposit	-	1,800
Cash used in investing activities	(379,491)	(634,156)
Change in cash during the period	(317,334)	(815,442)
Cash, beginning of period	593,407	1,040,280
Cash, end of period	$ 276,073	$ 224,838

Supplemental disclosure with respect to cash flows (Note 7).

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, 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 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**
Balance - October 31, 2013	**126,608,327**	**$22,859,785**	**$ 3,701,762**	**$ (21,253,564)**	**$ 5,307,983**
Private placements	5,200,000	260,000	-	-	260,000
Share issue costs	-	(14,300)	-	-	(14,300)
Share-based payments	-	-	8,671	-	8,671
Finder's fees	-	(5,716)	5,716	-	-
Loss for the period	-	-	-	(152,315)	(152,315)
Balance - April 30, 2014	**131,808,327**	**$23,099,769**	**$ 3,716,149**	**$ (21,405,879)**	**$ 5,410,039**

The accompanying notes are an integral part of these condensed consolidated interim 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 Avenue, 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 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, 2014.

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.

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 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 condensed consolidated interim 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 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.

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, 2013. These unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended October 31, 2013.

New accounting standards and interpretation

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2013, including IAS 27 Separate Financial Statements, IAS 28 Investments in Associates and Joint Ventures, IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interest of Other Entities, and IFRS 13 Fair Value Measurement. The Company has adopted these policies and none of them have a significant effect on the condensed interim consolidated financial statements.

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, 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

	Michigan Lands Michigan, USA	North Brenda Property B.C., Canada	Windy Property Nunavut, Canada	Total
Balance - October 31, 2012	**$ 3,943,788**	**$ 2,036,692**	**$ 356,408**	**$ 6,336,888**
Acquisition costs	4,197	-	-	4,197
Claims, leases and permits	92,969	600	425	93,994
Consulting and professional	232,391	9,833	-	242,224
Drilling	187,319	-	-	187,319
Field supplies	4,804	-	-	4,804
Fuel	829	-	-	829
Geochemistry	3,217	-	-	3,217
Geophysics	507,656	-	375	508,031
Ground transportation	46,674	-	-	46,674
Other	16,607	1,680	-	18,287
Room and board	7,524	-	-	7,524
Share-based payments	57,204	-	-	57,204
Travel and freight	10,065	211	-	10,276
Expenditures during the year	1,171,456	12,324	800	1,184,580
Write-down of exploration and evaluation assets	(1,310,039)	(1,076,998)	(357,208)	(2,744,245)
Balance - October 31, 2013	**$ 3,805,205**	**$ 972,018**	**$ -**	**$ 4,777,223**
Acquisition	15,369	-	-	15,369
Claims, leases and permits	40,661	1,000	-	41,661
Consulting and professional	76,409	-	-	76,409
Drilling	94,866	-	-	94,866
Field supplies	5,359	-	-	5,359
Fuel	782	-	-	782
Geochemistry	432	-	-	432
Geophysics	58,847	-	-	58,847
Ground transportation	8,856	-	-	8,856
Other	11,638	986	-	12,624
Room and board	3,953	-	-	3,953
Share-based payments	8,671	-	-	8,671
Travel and freight	4,595	-	-	4,595
Expenditures during the period	330,438	1,986	-	332,424
Balance - April 30, 2014	**$ 4,135,643**	**$ 974,004**	$ -	**$ 5,109,647**

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. During the period ended April 30, 2014, the Company released the remaining 600 acres and the lease was terminated by the Company. As a result, the Company wrote-down $64,152 of costs related to these lands during the year ended October 31, 2013.

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 during the period ended April 30, 2014.

During the period ended April 30, 2014, the Company incurred exploration expenditures of $330,438 (October 31, 2013 - $1,171,456) relating to the Michigan properties. The Company wrote-down total costs of $1,310,039 related to exploration on its various Michigan properties during the year ended October 31, 2013.

(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 south-central 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, 2014, the Company incurred exploration expenditures of $1,986 (October 31, 2013 - $12,324) 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 owned 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 during the period ended April 30, 2014.

Other

The Company owns 100% interests in the GK Property claims and SPN Property claims in south-central British Columbia.

5. EQUIPMENT

	Computer hardware	Furniture and fixtures	Leasehold improvements	Total
Cost				
Balance - October 31, 2012	$ 9,396	$ 9,381	$ 10,646	$ 29,423
Additions	1,715	-	-	1,715
Balance – October 31, 2013 and April 30, 2014	11,111	9,381	10,646	31,138
Accumulated depreciation				
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
Additions	262	235	240	737
Balance – April 30, 2014	9,625	7,276	8,479	25,380
Carrying amounts				
October 31, 2013	1,748	2,340	2,407	6,495
April 30, 2014	$ 1,486	$ 2,105	$ 2,167	$ 5,758

(Expressed in Canadian Dollars)

6. 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, 2014, the Company issued common shares pursuant to the following:

(i) On March 4, 2014, the Company issued 5,200,000 units at a price of $0.05 per unit for gross proceeds of $260,000. Each unit consists of one common share and one common share purchase warrant which is exercisable at $0.10 expiring March 4, 2015. In connection with this private placement, the Company issued 245,000 broker warrants which are exercisable into common shares at $0.10 per share expiring March 4, 2015. The fair value of the broker warrants under the Black-Scholes pricing model was $5,716 and was recorded as share issue costs. The Company paid $14,300 of cash share issue costs in relation to the private placement.

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 8, 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 8, 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.

Warrants

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
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
Issued	5,445,000	0.10
Balance - April 30, 2014	18,243,150	$ 0.14

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

The following share purchase warrants were outstanding at April 30, 2014:

Number of Warrants	Exercise Price	Expiry Date
12,798,150	$ 0.15	August 8, 2014
5,445,000	0.10	March 4, 2015
18,243,150		

(Expressed in Canadian Dollars)

6. 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:

	Period ended April 30, 2014	**Period ended April 30, 2013**
Volatility	170.58%	-
Risk-free interest rate	1.05%	-
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, 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
Granted	200,000	0.10
Expired	(885,000)	0.13
Balance - April 30, 2014	9,495,000	$ 0.11

The following stock options were outstanding and exercisable at April 30, 2014:

Range of Exercise Price	Options Outstanding and Exercisable	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
($)		(years)	($)
0.00 – 0.10	3,830,000	2.58	0.10
0.11 – 0.20	5,665,000	2.29	0.12
	9,495,000	2.41	0.11

(Expressed in Canadian Dollars)

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

Options (cont'd)

The weighted average fair value of each stock option granted during the period was $0.04 (2013 - $0.08), calculated using the Black-Scholes option-pricing model on the grant date using the following weighted average assumptions:

	Period ended April 30, 2014	Period ended April 30, 2013
Volatility	147.58%	148.19%
Risk-free interest rate	1.59%	1.65%
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, 2014 was $8,671 (2013 - $38,186) which were capitalized to exploration and evaluation assets for options granted to consultants.

7. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions during the period ended April 30, 2014 included:

(a) The Company issued 245,000 broker warrants valued at $5,716 as a share issue cost in connection with the private placement during the period.

(b) Included in exploration and evaluation assets is $6,386 which relates to accounts payable and accrued liabilities.

(c) Included in exploration and evaluation assets is $8,671 which relates to share-based payments.

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.

8. RELATED PARTY TRANSACTIONS

The following is a summary of related party transactions and balances during the period April 30, 2014, not disclosed elsewhere in the financial statements:

(a) Management fees of $60,000 (2013 - $48,000) were incurred from a company controlled by a director in common.

(Expressed in Canadian Dollars)

9. 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, 2014	October 31, 2013
Canada	$ 974,004	$ 972,018
U.S.A.	4,135,643	3,805,205
Total exploration and evaluation assets	$ 5,109,647	$ 4,777,223

10. 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, 2014, 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.

10. 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 GST 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, 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)

11. 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	$	13,974
2015		8,770
	$	22,744

12. SUBSEQUENT EVENTS

Subsequent to the period ended April 30, 2014, the Company:

(a) The Company released State of Michigan metallic minerals leases covering 1,498 acres.

(b) The Company forfeited all of the claims comprising the SPN Property in south-central British Columbia.