
BITTERROOT RESOURCES LTD.
CONSOLIDATED FINANCIAL STATEMENTS
OCTOBER 31, 2014 AND 2013
(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, 2014 and 2013 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.



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, 2014 and 2013 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 18, 2015

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

	Note	October 31, 2014	October 31, 2013
ASSETS			
Current assets			
Cash		\$ 5,977	\$ 593,407
Receivables		4,569	4,827
Prepaid expenses		4,247	4,245
Total current assets		<u>14,793</u>	<u>602,479</u>
Non-current assets			
Reclamation deposit		21,500	21,500
Exploration and evaluation assets	4	4,416,441	4,777,223
Equipment	5	5,021	6,495
Total non-current assets		<u>4,442,962</u>	<u>4,805,218</u>
TOTAL ASSETS		<u>\$ 4,457,755</u>	<u>\$ 5,407,697</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		\$ 210,402	\$ 99,714
Due to related party	9	43,534	-
Loan payable		67,500	-
Total liabilities		<u>321,436</u>	<u>99,714</u>
SHAREHOLDERS' EQUITY			
Share capital	7	23,107,269	22,859,785
Equity reserves	7	3,769,563	3,701,762
Deficit		(22,740,513)	(21,253,564)
Total shareholders' equity		<u>4,136,319</u>	<u>5,307,983</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>\$ 4,457,755</u>	<u>\$ 5,407,697</u>

Nature of operations (Note 1)

Commitments (Note 12)

Approved by the Board of Directors on February 18, 2015:

“Michael S. Carr”
Michael S. Carr, Director

“George W. Sanders”
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	2014	2013
EXPENSES			
Depreciation	5	\$ 1,474	\$ 1,465
Foreign exchange loss		13,164	8,965
Interest and bank charges		1,344	1,396
Interest income		-	(4,307)
Management fees	9	120,000	102,000
Office and printing		74,143	83,025
Professional fees		55,704	68,152
Regulatory fees		5,200	8,800
Share-based payments	9	47,479	76,077
Shareholder information		10,130	17,958
Transfer agent fees		17,464	18,779
Write-down of exploration and evaluation assets	4	1,140,847	2,744,245
Loss and comprehensive loss for the year		\$ (1,486,949)	\$ (3,126,555)
Basic and diluted loss per share		\$ (0.01)	\$ (0.03)
Weighted average number of common shares outstanding		130,102,026	116,894,985

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

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

	2014	2013
Cash flows from operating activities		
Loss for the year	\$ (1,486,949)	\$ (3,126,555)
Items not involving cash:		
Depreciation	1,474	1,465
Interest income	-	(10,506)
Share-based payments	47,479	76,077
Write-down of exploration and evaluation assets	1,140,847	2,744,245
Changes in non-cash working capital:		
Prepaid expenses	(2)	2,818
Receivables	258	10,074
Accounts payable and accrued liabilities	12,982	(12,953)
Due to related party	43,534	-
Cash used in operating activities	(240,377)	(315,335)
Cash flows from financing activities		
Private placements	260,000	1,002,600
Share issue costs	(14,300)	(37,900)
Loans from related party	67,500	-
Warrants exercised	-	13,500
Cash provided by financing activities	313,200	978,200
Cash flows from investing activities		
Equipment additions	-	(1,715)
Interest income	-	10,506
Exploration and evaluation assets expenditures	(660,253)	(1,120,329)
Proceeds from reclamation deposit	-	1,800
Cash used in investing activities	(660,253)	(1,109,738)
Change in cash during the year	(587,430)	(446,873)
Cash, beginning of year	593,407	1,040,280
Cash, end of year	\$ 5,977	\$ 593,407

Supplemental disclosure with respect to cash flows (Note 8).

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

BITTERROOT RESOURCES LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(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
Private placement	12,532,500	1,002,600	-	-	1,002,600
Share issue costs	-	(37,900)	-	-	(37,900)
Finder's fees	-	(5,956)	5,956	-	-
Warrants exercised	135,000	13,500	-	-	13,500
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
Private placement	5,200,000	260,000	-	-	260,000
Share issue costs	-	(14,300)	-	-	(14,300)
Finder's fees	-	(5,716)	5,716	-	-
Shares issued for property	500,000	7,500	-	-	7,500
Share-based payments	-	-	62,085	-	62,085
Loss for the year	-	-	-	(1,486,949)	(1,486,949)
Balance - October 31, 2014	132,308,327	\$23,107,269	\$ 3,769,563	\$ (22,740,513)	\$ 4,136,319

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

BITTERROOT RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2014 AND 2013
(Expressed in Canadian Dollars)

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 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 effective as of October 31, 2014.

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.

BITTERROOT RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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.

BITTERROOT RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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%

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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 year.

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 year. 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.

BITTERROOT RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2014 AND 2013
(Expressed in Canadian Dollars)

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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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, and due to related party and loan payable 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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.

New accounting standards and interpretations

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 Interests 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 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

IFRS 10, IFRS 12, IAS 27, Exception from Consolidation for "Investment Entities". IFRS 10 is amended to define an "investment entity" and introduce an exception from consolidation for investment entities. IFRS 12 and IAS 27 are amended to introduce disclosures that an investment entity needs to make.

IAS 32, Financial Instruments: Presentation. Amended to clarify 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.

Effective for annual periods beginning on or after January 1, 2015:

IFRS 7, Financial Instruments – Disclosure. Amended to require additional disclosures on transition from IAS 39 to IFRS 9.

Effective (proposed) for annual periods beginning on or after January 1, 2018:

IFRS 9, Financial Instruments – Classification and Measurement. IFRS 9 is a new standard on financial instruments that will replace IAS 39, Financial Instruments: Recognition and Measurement.

IFRS 9 addresses classification and measurement of financial assets and financial liabilities as well as derecognition of financial instruments. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss.

IFRS 15, Revenue from Contracts with Customers: IFRS 15 is a new standard to establish principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single model in order to depict the transfer of promised goods or services to customers. IFRS 15 supersedes IAS 11, Construction Contracts, IAS 18, Revenue, IFRIC 13, Customer Loyalty Programs, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfers of Assets from Customers, and SIC-31, Revenue – Barter Transactions involving Advertising Service.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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 costs	53,532	-	-	53,532
Claims, leases and permits	5,098	2,750	-	7,848
Consulting and professional	168,771	206	-	168,977
Drilling	407,514	-	-	407,514
Field supplies	6,003	-	-	6,003
Fuel	3,486	-	-	3,486
Geochemistry	1,508	-	-	1,508
Geophysics	65,953	-	-	65,953
Ground transportation	8,656	-	-	8,656
Other	18,792	1,680	-	20,472
Room and board	10,249	-	-	10,249
Share-based payments	14,606	-	-	14,606
Travel and freight	11,261	-	-	11,261
Expenditures during the year	775,429	4,636	-	780,065
Write-down of exploration and evaluation assets	(164,193)	(976,654)	-	(1,140,847)
Balance - October 31, 2014	\$ 4,416,441	\$ -	\$ -	\$ 4,416,441

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.

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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 Norwich target, located on the Company's 100%-owned mineral rights in Michigan.

Federal Mineral Rights

During the year ended October 31, 2013, two Federal prospecting permits were forfeited. As a result, the Company wrote-down \$46,272 of exploration costs related to this property. The Company currently holds no Federal prospecting permits.

State Mineral Rights

During the year ended October 31, 2014, the Company released State of Michigan metallic minerals leases covering 1,498 acres. As a result, the Company wrote down total costs of \$164,193. The Company currently holds state leases covering 880 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. During the year ended October 31, 2013, the Company released 640 acres and aggregate rental payments were reduced to US\$214,000. During the year ended October 31, 2014, the Company released the remaining 600 acres of mineral rights held under lease from a third party. As a result, the Company wrote-down \$64,152 of costs related to these lands during the year ended October 31, 2013.

During the year ended October 31, 2014, the Company's Michigan subsidiary entered into an agreement whereby it purchased an arms-length company's entire interest in a 40-acre minerals lease in Baraga County, Michigan. The Company issued 500,000 units (valued at \$7,500), with each unit consisting of one common share and one common share purchase warrant, exercisable for two years at \$0.10, plus made a one-time \$7,500 cash payment to the arms-length company. The lease requires annual advance royalty payments of US\$100 per acre and the lessor retains a 3% NSR royalty.

Mineral Rights Purchase Agreement

In September 2013, the Company, through its subsidiary, entered into a 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 year ended October 31, 2014.

During the year ended October 31, 2014, the Company incurred exploration expenditures of \$775,429 (October 31, 2013 - \$1,171,456) relating to the Michigan properties and wrote down total costs of \$164,193 (October 31, 2013 - \$1,310,039).

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4. EXPLORATION AND EVALUATION ASSETS (cont'd)

North Brenda Property, B.C., Canada

During the year ended October 31, 2014, the Company incurred exploration expenditures of \$4,636 (October 31, 2013 - \$12,324) relating to the 100%-owned North Brenda property. During the year ended October 31, 2014, the Company did not explore the North Brenda claim block and wrote-down \$976,654 (2013 - \$1,076,998) of costs related to the North Brenda property. The vendors retain a 2% net smelter returns royalty, of which the Company can purchase half by paying \$1,000,000.

Windy Property, Nunavut, Canada

During the year ended October 31, 2013, the Company ceased exploration on the 100%-owned Windy property in Nunavut and wrote-down \$357,208 of costs related to the Windy Property. The claims were allowed to lapse during the year ended October 31, 2014.

Other

The Company owns 100% interests in the GK Property claims. During the year ended October 31, 2014 the Company forfeited all the claims comprising the SPN Property 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 October 31, 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	525	459	490	1,474
Balance – October 31, 2014	9,888	7,500	8,729	26,117
Carrying amounts				
October 31, 2013	1,748	2,340	2,407	6,495
October 31, 2014	\$ 1,223	\$ 1,881	\$ 1,917	\$ 5,021

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6. LOAN PAYABLE

During the year ended October 31, 2014, the Company received loan proceeds of \$67,500 from a family member of a director.

Subsequent to year end, the Company finalized the loan agreement related to the proceeds advanced during the year as well as an additional \$14,000 advanced subsequent to year end. The loan bears interest at a rate of 12% per annum and is payable on demand. Subject to registration, the loan will be secured by a general security agreement over all of the present and subsequently acquired assets of the Company. The terms of the loan are to be applied retrospectively to the total outstanding balance of \$81,500.

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

- (i) 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 share issue costs in relation to the private placement.
- (ii) Issued 500,000 units consisting of 500,000 common shares (valued at \$7,500) and 500,000 warrants exercisable at \$0.10 for two years for an exploration and evaluation asset.

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

- (i) 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	5,945,000	0.10
Expired	(12,798,150)	0.15
Balance - October 31, 2014	5,945,000	\$ 0.10

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

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

Warrants (cont'd)

The following share purchase warrants were outstanding at October 31, 2014:

Number of Warrants	Exercise Price \$	Expiry Date
5,445,000	0.10	March 4, 2015
500,000	0.10	September 15, 2016
5,945,000		

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

	Year ended October 31, 2014	Year ended October 31, 2013
Volatility	170.58%	147%
Risk-free interest rate	1.05%	1.19%
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.

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	2,000,000	0.10
Forfeited	(100,000)	0.10
Cancelled	(50,000)	0.10
Expired	(1,745,000)	0.15
Balance - October 31, 2014	10,285,000	\$ 0.11

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

Options (cont'd)

The following stock options were outstanding and exercisable at October 31, 2014:

Range of Exercise Price	Options Outstanding and Exercisable	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
(\$)		(years)	(\$)
0.00 – 0.10	5,630,000	2.89	0.10
0.11 – 0.20	4,655,000	2.23	0.11
	10,285,000	2.59	0.11

The weighted average fair value of each stock option granted during the year was \$0.03 (2013 - \$0.09), calculated using the Black-Scholes option-pricing model on the grant date using the following weighted average assumptions:

	Year ended October 31, 2014	Year ended October 31, 2013
Volatility	148.56%	148%
Risk-free interest rate	1.60%	1.80%
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, 2014 was \$62,085 (2013 - \$133,281). Share-based payments of \$14,606 (2013 - \$57,204) were capitalized to exploration and evaluation assets for options granted to field consultants and \$47,479 (2013 - \$76,077) was expensed to operations for options granted to directors and officers of the Company.

8. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions during the year ended October 31, 2014 included:

- The Company issued 245,000 broker warrants valued at \$5,716 as a share issue cost in connection with the private placement during the year.
- Included in exploration and evaluation assets is \$159,830 which relates to accounts payable and accrued liabilities.
- Included in exploration and evaluation assets is \$14,606 which relates to share-based payments.
- Issued 500,000 common shares valued at \$7,500 for an exploration and evaluation asset.

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

- The Company issued 265,650 broker warrants valued at \$5,956 as share issue costs in connection with the private placement during the year.
- Included in exploration and evaluation assets is \$62,124 which relates to accounts payable and accrued liabilities.
- Included in exploration and evaluation assets is \$57,204 which relates to share-based payments.

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9. RELATED PARTY TRANSACTIONS

Key management personnel are the persons responsible for the planning, directing and controlling the activities of the Company and include both executive and non-executive directors, and entities controlled by such persons. The Company considers all Directors and Officers of the Company to be key management personnel.

The following is a summary of related party transactions and balances during the year October 31, 2014, not disclosed elsewhere in the financial statements:

- (a) Management fees of \$120,000 (2013 - \$102,000) were incurred from a company controlled by a Director of the Company.
- (b) Share-based payments include stock options granted to directors and officers recorded at fair value of \$47,479 (2013 - \$76,077).

As at October 31, 2014, the Company owed \$43,534 (October 31, 2013 - \$nil) to a company controlled by a director in common. During the year ended October 31, 2014, the Company received a loan from a family member of a director in the aggregate amount of \$67,500 (Note 6).

10. 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, 2014	October 31, 2013
Canada	\$ -	\$ 972,018
U.S.A.	4,416,441	3,805,205
Total exploration and evaluation assets	\$ 4,416,441	\$ 4,777,223

11. 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, 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.

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

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.

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.

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12. 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.

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

2015	\$	8,770
	\$	8,770
		8,770

13. 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,	
	2014	2013
Accounting profit (loss) before income taxes	\$ (1,486,949)	\$ (3,126,555)
Combined federal and provincial statutory income tax rate	26.0%	25.6%
Income tax expense (recovery) at statutory tax rates	\$ (387,000)	\$ (800,000)
Non-deductible expenditures and non-taxable revenues	12,000	19,000
Impact of future income tax rates applied versus current statutory rate	6,000	(205,000)
Impact of flow through shares	-	-
Share issue costs	(4,000)	(10,000)
Adjustment to prior years provision versus statutory tax returns	342,000	-
Change in unrecognized deductible temporary differences and other	31,000	996,000
Total	\$ -	\$ -

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

	Years ended October 31,	
	2014	2013
Deferred income tax asset		
Exploration and evaluation assets	\$ 662,000	\$ 1,324,000
Share issue costs	18,000	27,000
Non-capital losses	1,192,000	1,010,000
Capital assets	7,000	7,000
Total	\$ 1,879,000	\$ 2,368,000

The Company has non-capital losses for Canadian income tax purposes of approximately \$4,585,000 which may be carried forward and applied against taxable income. These losses, if not utilized, will expire through to 2034.

Subject to certain restrictions, the Company has further resource development and exploration expenditures of approximately \$2,495,000 available to reduce taxable income in future years.

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