KERMODE RESOURCES LTD.

FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

FOR THE YEAR ENDED OCTOBER 31, 2014

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Kermode Resources Ltd.

We have audited the accompanying financial statements of Kermode Resources Ltd., which comprise the statements of financial position as at October 31, 2014 and 2013 and the statements of comprehensive loss, cash flows and changes in equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the 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 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 financial statements present fairly, in all material respects, the financial position of Kermode 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 1 in the financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about the ability of Kermode Resources Ltd. to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Accountants

February 25, 2015

KERMODE RESOURCES LTD.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
AS AT

	October 31, 2014	October 31, 2013
ASSETS		
Current		
Cash	$ -	$ -
Receivables	3,066	8,488
Advances receivable (Note 4)	32,238	24,631
	35,304	33,119
Exploration and evaluation assets (Note 5)	837,645	599,384
	$ 872,949	$ 632,503
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 317,955	$ 281,388
Equity		
Share capital (Note 7)	9,185,432	8,889,816
Reserves (Note 7)	185,480	235,289
Deficit	(8,815,918)	(8,773,990)
	554,994	351,115
	$ 872,949	$ 632,503

Nature and continuance of operations (Note 1)

Approved and authorized by the Board on February 25, 2015.

"Donald G. Moore" Director *"D. Neil Briggs"* Director

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

KERMODE RESOURCES LTD.
STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
YEAR ENDED OCTOBER 31

	2014	2013
EXPENSES		
Management fees	$ -	$ 22,500
Office and sundry	34,622	130,891
Professional fees	35,908	137,543
Rent	17,742	119,851
Shareholder communications	6,220	3,248
Telephone	14,783	22,491
Transfer agent and filing fees	23,841	25,461
Travel and trade shows	13,005	33,964
	(146,121)	(495,949)
OTHER ITEMS		
Other income (Note 5)	25,000	-
Gain on settlement of debt (Note 6)	29,384	-
Recovery of flow-through premium (Note 8)	-	61,231
Write-off of exploration and evaluation assets (Note 5)	-	(295,045)
	54,384	(233,814)
Loss and comprehensive loss for the year	(91,737)	(729,763)
Basic and diluted loss per common share	$ (0.00)	$ (0.01)
Weighted average number of common shares outstanding	63,849,021	55,086,109

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

KERMODE RESOURCES LTD.
STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
YEAR ENDED OCTOBER 31

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	$ (91,737)	$ (729,763)
Items not affecting cash:		
Gain on settlement of debt	(29,384)	-
Recovery of flow-through premium	-	(61,231)
Write-off of exploration and evaluation assets	-	295,045
Changes in non-cash working capital items:		
Receivables	5,422	8,984
Accounts payable and accrued liabilities	110,780	236,722
Net cash used in operating activities	(4,919)	(250,243)
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation assets	(219,767)	(413,063)
Payment on advances receivable, net	(26,854)	(3,334)
Net cash used in investing activities	(246,621)	(416,397)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of common shares	251,540	715,000
Share issuance costs	-	(48,485)
Net cash provided by financing activities	251,540	666,515
Change in cash for the year	-	(125)
Cash, beginning of year	-	125
Cash, end of year	$ -	$ 125
Cash paid for interest during the year	$ -	$ -
Cash paid for income tax during the year	$ -	$ -

Supplemental disclosures with respect to cash flows (Note 9)

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

KERMODE RESOURCES LTD.
STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)

	Share Capital				
	Number	**Amount**	**Reserves**	**Deficit**	**Total**
Balance at October 31, 2012	46,997,373	$ 8,207,042	$ 291,138	$ (8,098,817)	$ 399,363
Issued for:					
Private placement	14,300,000	715,000	-	-	715,000
Share issued as finder's fee	400,000	20,000	-	-	20,000
Acquisition of exploration and evaluation asset	500,000	15,000	-	-	15,000
Share issue costs	-	(68,485)	-	-	(68,485)
Broker warrants expired	-	1,259	(1,259)	-	-
Options expired	-	-	(54,590)	54,590	-
Loss for the year	-	-	-	(729,763)	(729,763)
Balance at October 31, 2013	62,197,373	$ 8,889,816	$ 235,289	$ (8,773,990)	$ 351,115
Issued for:					
Private placement	1,280,800	251,540	-	-	251,540
Shares issued as settlement of debt	1,469,200	44,076	-	-	44,076
Share issued as finder's fee	450,000	22,500	-	-	22,500
Share issue costs	-	(22,500)	-	-	(22,500)
Options expired	-	-	(49,809)	49,809	-
Loss for the year	-	-	-	(91,737)	(91,737)
Balance at October 31, 2014	65,397,373	$ 9,185,432	$ 185,480	$ (8,815,918)	$ 554,994

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Kermode Resources Ltd. (the "Company") was incorporated under the laws of the Province of Alberta and was subsequently continued into British Columbia. The Company has one reportable segment consisting of the acquisition and exploration of minerals property interests in Canada. The Company has not yet determined whether its exploration and evaluation assets contain economic ore reserves.

The Company's registered and records office is 2900-595 Burrard Street, Vancouver, British Columbia, Canada.

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred ongoing losses. A number of alternatives including, but not limited to completing a financing, are being evaluated with the objective of funding ongoing activities and obtaining additional working capital. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future and repay its liabilities arising from normal business operations as they become due. These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

2. BASIS OF PREPARATION

Statement of Compliance

These financial statements, including comparatives have been prepared using accounting policies consistent with IFRS as issued by the International Accounting Standards Board ("IASB") and Interpretation issued by the International Financial Reporting Interpretations Committee ("IFRIC"). The financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and 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.

Critical accounting estimates

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

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

2. BASIS OF PREPARATION (cont'd…)

Critical accounting estimates (cont'd…)

i) The carrying value and the recoverability of exploration and evaluation assets, which are included in the statements of financial position. The cost model is utilized and the value of the exploration and evaluation assets is based on the expenditures incurred. At every reporting period, management assesses the potential impairment which involves assessing whether or not facts or circumstances exist that suggest the carrying amount exceeds the recoverable amount.

ii) The inputs used in calculating the fair value for share-based payments expense included in profit or loss and stock-based share issuance costs included in shareholders' equity. The share-based payments expense is estimated using the Black-Scholes options-pricing model as measured on the grant date to estimate the fair value of stock options. This model involves the input of highly subjective assumptions, including the expected price volatility of the Company's common shares, the expected life of the options, and the estimated forfeiture rate.

iii) The valuation of shares issued in non-cash transactions, including the settlement of debt. Generally, the valuation of non-cash transactions is based on the value of the goods or services received. When non-cash transactions are entered into with employees and those providing similar services, the non-cash transactions are measured at the fair value of the consideration given up using market prices.

iv) The recognition of deferred tax assets. The Company considers whether the realization of deferred tax assets is probable in determining whether or not to recognize these deferred tax assets.

3. SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

<u>Financial assets</u>

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or assets 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 the statement of comprehensive loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments - 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 investment 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 the statement of comprehensive loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments (cont'd...)

Financial assets (cont'd...)

Available-for-sale - 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 the statement of comprehensive loss.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

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 the statement of comprehensive loss.

Other financial liabilities: This category includes promissory notes, amounts due to related parties and accounts payables and accrued liabilities, all of which are recognized at amortized cost.

The Company has classified its cash as fair value through profit and loss and receivables and advances receivable as loans and receivables. The Company's accounts payable are classified as other financial liabilities.

Financial instruments measures at fair value are classified into one of the 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.

See Note 10 for relevant disclosures

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Exploration and evaluation assets

Exploration and evaluation assets include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. All costs related to the acquisition, exploration and development of mineral properties are capitalized by property as an intangible asset. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Impairment

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Provisions

a) *Environmental rehabilitation provisions*

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of exploration and evaluation assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an environmental rehabilitation obligation is recognized at its fair value in the period in which it is incurred if a reasonable estimate of cost can be made. The Company records the present value of estimated future cash flows associated with reclamation as a liability when the liability is incurred and increases the carrying value of the related assets for that amount. Subsequently, these capitalized asset retirement costs are amortized over the life of the related assets. At the end of each period, the liability is increased to reflect the passage of time (accretion expense) and changes in the estimated future cash flows underlying any initial estimates (additional rehabilitation costs). The Company recognizes its environmental liability on a site-by-site basis when it can be reliably estimated.

Environmental expenditures related to existing conditions resulting from past or current operations and from which no current or future benefit is discernible are charged to profit or loss. The Company had no rehabilitation obligations as at October 31, 2014 and October 31, 2013.

b) *Other provisions*

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. An amount equivalent to the discounted provision is capitalized within tangible fixed assets and is amortized over the useful lives of the related assets. The increase in the provision due to passage of time is recognized as interest expense.

Loss per share

Basic loss per share is computed by dividing net loss attributable to common shareholders by the weighted average number of shares outstanding during the year. Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Share-based payments

The Company grants stock options and compensatory warrants to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share capital.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

If and when the stock options are exercised, the applicable amounts of reserves are transferred to share capital. When vested options are forfeited or not exercised at the expiry date the amount previously recognized in share-based payments is transferred from reserves to deficit.

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 using the liability method, providing 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 or liabilities that affect neither accounting or 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 does not recognize that excess.

Flow-through shares

Canadian Income Tax legislation permits an enterprise to issue securities referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related resource expenditures. The Company accounts for flow through shares whereby the premium paid for the flow through shares in excess of the market value of the shares without flow through features at the time of issue is credit to other liabilities and included income at the same time the qualifying expenditures are made.

Government grants

The Company periodically receives financial assistance under government incentive programs. Government assistance relating to capital expenditures is reflected as a reduction of the cost of such assets.

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

New standards yet adopted

The following new standards, amendments to standards and interpretations have been issued but are not effective during the year ended October 31, 2014:

- IFRS 10 (Amendment) New standard to establish principles for the presentation and preparation of consolidated financial statements when an entity controls multiple entities(i)
- IAS 32 (Amendment) Financial Instruments: Presentation re: offsetting financial assets and financial liabilities(i)
- IAS 36 (Amendment) Impairment of assets re: recoverable amount disclosures for non-financial assets(i)

(i) Effective for annual periods beginning on or after January 1, 2014

New standards not yet adopted

The following new standard has been issued but is not effective during the year ended February 28, 2014.

- IFRS 9 New financial instruments standard that replaces IAS 39 for classification and measurement of financial assets(i)

(i) Tentative effective date is January 1, 2018

The Company anticipates that the application of these standards, amendments and interpretations will not have a material impact on the results and financial position of the Company.

4. ADVANCES RECEIVABLE

		October 31, 2014		October 31, 2013
Balance, beginning of year	$	24,631	$	198,270
Advances		71,509		264,839
Repayments and expenses incurred on behalf of the Company		(63,902)		(438,478)
Balance, end of year	$	32,238	$	24,631

The Company advances funds to a management company, owned by a spouse of a director, by way of a loan agreement. The management company incurs administration expenditures and settles certain exploration expenditures on behalf of the Company. The maximum amount extendible under the loan is $250,000 and the balance is non-interest bearing.

(Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS

	Eastgate Gold
Acquisition costs:	
Balance, at October 31, 2013	$ 554,161
Addition	219,191
Balance, at October 31, 2014	773,352
Exploration costs:	
Balance, at October 31, 2013	45,223
Fees and licenses	18,494
Travel	576
Incurred during year	19,070
Balance, at October 31, 2014	64,293
Total costs	$ 837,645

	Buzz Lake	Eastgate Gold	Total
Acquisition costs:			
Balance, at October 31, 2012	$ -	$ 314,360	$ 314,360
Addition	-	239,801	239,801
Balance, at October 31, 2013	-	554,161	554,161
Exploration costs:			
Balance, at October 31, 2012	-	44,161	44,161
Assaying	12,977	-	12,977
Drilling	209,129	-	209,129
Fees and licenses	-	1,062	1,062
Field expenditures & equipment	54,931	-	54,931
Geophysics	15,787	-	15,787
Mapping	2,221	-	2,221
Incurred during year	295,045	1,062	296,107
Written-off	(295,045)	-	(295,045)
Balance, at October 31, 2013	-	45,223	45,223
Total costs	$ -	$ 599,384	$ 599,384

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

Title to mineral properties

Title to mineral properties involves certain inherent risks due to the 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 mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing.

Eastgate Gold

The Company entered into a Mineral Property Option and Joint Venture Agreement with Blue Ridge Gold LLC, (a private Nevada company)("Blue Ridge"). The Eastgate Gold property is comprised of mineral claims located northeast of the Rawhide Mine, and east of Fallon in Churchill, County, Nevada. The Company may acquire up to a 100% interest in the property.

During the year ending October 31, 2012 the Company paid $100,000 to Blue Ridge and issued 2,000,000 common shares valued at $160,000 with additional payments of $1,220 cash and 200,000 common shares (valued at $16,000) as finder's fee. The Company staked additional claims and reimbursed the optionor for certain other costs.

In order to acquire its initial 30% interest, the Company shall make the following additional payments to Blue Ridge:

- $200,000 (paid) and 500,000 common shares (issued; valued at $15,000) of the Company by May 15, 2013
- $200,000 (paid) by May 15, 2014

The following payments are required to earn further 15% incremental interests:

- $200,000 by May 15, 2015 for an aggregate 45% interest
- $200,000 by May 15, 2016 for an aggregate 60% interest
- $200,000 by May 15, 2017 for an aggregate 75% interest

Once the Company has earned a 75% interest, Blue Ridge shall elect to either (a) enter into a joint venture with the Company and maintain a 25% interest in the Property; or (b) grant the Company the option to acquire the remaining 25% interest in the property through the payment of $200,000 or 200,000 shares of the Company (at Blue Ridge's election) for each additional 5% interest, exercisable over 5 years.

If the Company acquires at least a 75% interest and no joint venture is formed, the Company will issue an additional 3,000,000 shares to Blue Ridge upon the earlier of (a) commencing commercial production; or (b) disposing of the majority of its interest in the property to a third party purchaser pursuant to an asset sale, merger, amalgamation, take-over or similar corporate reorganization.

Blue Ridge will retain a 3% NSR royalty, which the Company can buy down to 2% for $1,000,000.

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

Eastgate Gold (cont'd…)

During the year ended October 31, 2013 the Company entered into an agreement, later amended, with Demerara Gold Corp ("Demerara"), whereby the Company granted Demerara the right and option to acquire up to a 51% interest in the Eastgate Gold property. In order to acquire its initial 21% interest, Demerara entered into the following transactions:

- Subscribe to 8,000,000 units of the Company at a price of $0.05/unit for proceeds of $400,000 (completed – Note 7). Each unit includes 1 common share and 1 common share purchase warrant exercisable at $0.125 until May 15, 2014.
- Subscribe to a private placement of 750,000 units at a price of $0.30 per unit for $225,000 (completed – Note 7). Each unit includes 1 common share and 1 share purchase warrant exercisable at $0.30 per share until April 1, 2015.

Demerara did not complete the remaining terms of its option agreement, consequently the option was terminated.

Buzz Lake

The Company acquired a 100% interest in the property, located in the Snow Lake-Wekusko Region in west central Manitoba. The Company issued 1,400,000 shares (valued at $140,000) and paid $40,000, subject to a 2.0% net smelter returns royalty, of which 1.5% may be purchased by the Company in consideration of $500,000 for each 0.5%. Costs of $295,045 were charged to operations, during the 2013 fiscal year, as the Company no longer intends to continue with the property.

Jackson's Arm, Newfoundland

The Company acquired a 100% interest in certain mineral claims, located in Newfoundland. Due to a delay in exploration work, the Company wrote off all costs ($3,407,074) associated with the Property during fiscal 2010. During the fiscal year 2014 the Company entered into an agreement with Atlantic Minerals Ltd. ("Atlantic") for an option to purchase 10 claims from Jackson's Arm Property and received $25,000. Atlantic elected not to exercise their option to acquire the claims after the initial drill program was completed.

6. RELATED PARTY TRANSACTIONS

During the year ended October 31, 2014, the Company entered into the following transactions with related parties not disclosed elsewhere in the financial statements:

a) Paid or accrued $8,595 (2013 - $50,929) for professional fees to officers of the Company.

b) Paid or accrued $Nil (2013 - $66,000) for professional fees to a company controlled by a spouse of a director.

c) Paid or accrued $Nil (2013 - $22,500) in management fees to a former director of the Company.

d) Paid or accrued $Nil (2013 - $25,000) in share issuance costs to a former director of the Company.

The balance receivable as at October 31, 2014 is $32,238 (October 31, 2013 - $24,631) from a company owned by a spouse of a director (Note 4). The directors of the Company had accounts payable balance of $73,460 owed which was settled with 1,469,200 shares valued at $44,076 resulting in a gain on settlement of $29,384.

(Expressed in Canadian Dollars)

6. RELATED PARTY TRANSACTIONS (cont'd...)

The key management personnel of the company are the Directors, Chief Executive Officer, and the Chief Financial Officer. Compensation of the Company's key management personnel is comprised of the following:

		October 31, 2014		October 31, 2013
Professional Fees	$	8,595	$	50,929
Management Fees		-		22,500
Total Expense	$	8,595	$	73,429

As at October 31, 2014, the Company owes $17,526 (2013- $Nil) in accounts payable to various related parties.

7. SHARE CAPITAL AND RESERVES

Authorized share capital

As at October 31, 2014, the authorized share capital of the Company is an unlimited number of common shares without par value. All issued shares, consisting only of common shares are fully paid.

Issued share capital

As at October 31, 2014, the Company had 65,397,373 common shares issued and outstanding.

Private placements

During the year ended October 31, 2014, the Company:

a) Completed a private placement of 530,800 common shares at $0.05 per share for gross proceeds of $26,540.

b) Completed a private placement of 750,000 units at $0.30 per unit for gross proceeds of $225,000 the second unit financing pursuant to an option-out agreement on the Eastgate Gold property (Note 5). Each unit consists of 1 common share and 1 share purchase warrant exercisable at $0.30 expiring April 28, 2015. The Company issued 450,000 finders shares valued at $22,500 as finders fees on the placement.

During the year ended October 31, 2013, the Company:

a) Completed a private placement of 6,300,000 common shares at $0.05 per share for gross proceeds of $315,000.

b) Completed a private placement of 8,000,000 units at $0.05 per unit for gross proceeds of $400,000 pursuant to an option-out agreement on the Eastgate Gold property (Note 5). Each unit consists of 1 common share and 1 share purchase warrant exercisable at $0.125 expiring May 15, 2014. The Company paid cash and other finders fees of $23,485 and issued 400,000 finders shares valued at $20,000 as finders fees on the placement.

(Expressed in Canadian Dollars)

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

Stock options

During the year ended October 31, 2010, the Company adopted a 10% rolling stock option plan whereby the Company can reserve approximately 10% of its outstanding shares for issuance to officers and directors, employees and consultants. Under the plan, the exercise price of each option shall be equal or greater than the closing market price of the Company's stock on the day prior to the date of grant. These options are subject to approval from the TSX Venture Exchange ("TSX-V"), can be granted for a maximum term of 10 years, and vest at the discretion of the Board of Directors.

Stock options and warrants

Stock option and warrant transactions are summarized as follows:

	Warrants		Stock Options	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding, October 31, 2012	195,000	$ 0.08	3,908,000	$ 0.12
Granted	8,000,000	0.125	-	-
Expired	(195,000)	0.08	(530,000)	0.15
Outstanding, October 31, 2013	8,000,000	0.125	3,378,000	0.11
Granted	750,000	0.30	-	-
Expired	(8,000,000)	0.125	(928,000)	0.10
Outstanding and exercisable, October 31, 2014	750,000	$ 0.30	2,450,000	$ 0.11

As at October 31, 2014, incentive stock options and warrants were outstanding as follows:

	Number of Shares	Exercise Price	Expiry Date
Stock options	840,000	$0.11	January 18, 2016
	1,610,000	0.11	August 29, 2016
	2,450,000		
Warrants	750,000	0.30	April 28, 2015

(Expressed in Canadian Dollars)

8. INCOME TAXES

A reconciliation of income taxes (recovery) at statutory rates with the reported taxes for the year ended October 31, 2014 is as follows:

	2014	2013
Loss before income taxes	$ (91,737)	$ (729,763)
Expected income tax (recovery)	$ (24,000)	$ (187,000)
Change in statutory rates and other	3,000	(64,000)
Permanent difference	(8,000)	-
Impact of flow through shares	-	63,000
Share issuance costs	(11,000)	(11,000)
Change in unrecognized deductible temporary differences	40,000	199,000
Income tax recovery	$ -	$ -

The significant components of the Company's unrecognized temporary differences and tax losses are as follows:

	2014	Expiry Date Range	2013
Exploration and evaluation assets	$ 1,783,000	N/A	$ 1,799,000
Investment tax credit	19,000	2020 -2033	-
Equipment	14,000	N/A	14,000
Share issue costs	50,000	2034-2038	43,000
Non-capital losses	3,321,000	2014-2034	3,183,000
	$ 5,187,000		$ 5,039,000

During the year ended October 31, 2012, the Company issued 3,700,000 flow-through shares for proceeds of $296,000 with a fair value of $185,000 resulting in a flow-through premium liability of $74,000. The Company incurred $51,077 in allowable expenditures resulting in a recovery of flow-through premium of $12,769. The Company was required to incur an additional $244,923 (completed) pursuant to flow-through expenditure requirements. The flow-through premium liability has a balance of $Nil as at October 31, 2014 and 2013 and a flow-through premium of $61,231 was recorded for the year ended October 31, 2013.

9. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

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

a) reclassifying $49,809 from reserves to deficit on the expiration of stock options
b) realizing advances receivable of $60,882 through accounts payable and accrued liabilities
c) issuing 450,000 common shares valued at $22,500 as part of finder's fees for financing
d) issuing 1,469,200 to settle accounts payable of $73,460

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

e) reclassifying $54,590 from reserves to deficit on the expiration of stock options
f) reclassifying $1,259 from reserves to share capital on the expiration of warrants
g) accruing $116,845 of exploration and evaluation assets through accounts payable and accrued liabilities
h) realizing advances receivable of $176,973 through accounts payable and accrued liabilities
i) issuing 500,000 common shares valued at $15,000 as part of property acquisition payment
j) issuing 400,000 common shares valued at $20,000 as part of finder's fees for financing

10. FINANCIAL AND CAPITAL RISK MANAGEMENT

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 the Company's receivables, advances receivable and accounts payable and accrued liabilities approximate their carrying values due to the short-term nature of these instruments. The Company's cash is measured at fair value using Level 1 inputs.

The Company is exposed to varying degrees to a variety of financial instrument related risks:

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to receivables and advances receivable. Management believes that the credit risk concentration with respect to financial instruments included in receivables is remote because these receivables are due primarily from a government agency and the credit risk from the advances receivable is addressed with the security and guarantee.

10. FINANCIAL AND CAPITAL RISK MANAGEMENT (cont'd...)

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when they come due. As at October 31, 2014, the Company had a cash balance of $Nil (October 31, 2013 - $Nil) available to settle current liabilities of $317,955 (October 31, 2012 - $281,388). All of the Company's financial liabilities are subject to normal trade terms.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. These fluctuations may be significant.

a) Interest rate risk

The Company has cash balances held with financial institutions. The Company's current policy is to invest excess cash in short-term treasury bills issued by the Government of Canada and its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

b) Foreign currency risk

The Company does not have any balances denominated in a foreign currency and believes it has no significant foreign currency risk.

c) Price risk

The Company is exposed to price risk with respect to commodity prices. Changes in commodity prices will impact the economics of development of the Company's mineral properties. The Company closely monitors commodity prices to determine the appropriate course of action to be taken.

Capital management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital that it manages as shareholders' equity.

The property in which the Company currently has an interest is in the exploration stage; as such the Company has historically relied on the equity markets to fund its activities. Current financial markets are very difficult and there is no certainty with respect to the Company's ability to raise capital. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management.