CONDENSED INTERIM FINANCIAL STATEMENTS

For the three months ended January 31, 2015

(Expressed in Canadian Dollars – Unaudited)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

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

The accompanying unaudited condensed interim financial statements have been prepared by and are the responsibility of management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of condensed interim financial statements by an entity's auditor.

TOWER RESOURCES LTD.
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars – Unaudited)

	January 31, 2015	October 31, 2014
	$	$
ASSETS		
Current		
Cash	614,145	709,013
Receivables (Note 3)	15,700	33,695
Prepaid expenses and deposits (Note 14)	17,461	22,948
	647,306	765,656
Property and equipment (Note 4)	18,907	20,552
Exploration and evaluation assets (Note 5)	3,534,281	3,507,754
Exploration and evaluation assets - oil and gas (Note 6)	1	1
Reclamation bonds (Note 7)	100,000	100,000
	4,300,495	**4,393,963**
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current		
Accounts payable and accrued liabilities (Note 8)	79,770	114,023
Rehabilitation obligation (Note 6)	13,000	13,000
	92,770	127,023
Shareholders' equity		
Share capital (Note 9)	12,969,917	12,915,649
Reserves (Note 9)	648,302	665,827
Deficit	(9,410,494)	(9,314,536)
	4,207,725	4,266,940
	4,300,495	**4,393,963**

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)
COMMITMENT (Note 14)
SUBSEQUENT EVENTS (Note 16)

Approved and authorized on behalf of the Board:

“Mark Vanry”
Mark Vanry, Director

“Steve Vanry”
Steve Vanry, Director

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

TOWER RESOURCES LTD.
CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars – Unaudited)

	For the three months ended January 31, 2015	2014
	$	$
Expenses		
Accounting and audit	460	2,500
Consulting fees	5,000	-
Depreciation	1,988	1,927
Legal fees	1,816	2,443
Management fees	22,500	7,500
Office and miscellaneous	24,379	47,670
Share-based compensation (Note 9)	36,743	20,462
Transfer agent and filing fees	1,821	1,903
Travel and promotion	151	688
Wages and salaries	2,318	5,270
	(97,176)	(90,363)
Net oil and gas gain	85	639
Interest income	1,133	2,225
Reversal of flow-through premium liability	-	52,849
	(1,218)	55,713
Loss and comprehensive loss for the period	**(95,958)**	**(34,650)**
Basic and diluted loss per share	**(0.00)**	**(0.00)**
Weighted average number of common shares outstanding	**49,058,308**	**33,687,656**

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

TOWER RESOURCES LTD.
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars – Unaudited)

	For the three months ended January 31, 2015	2014
	$	$
Cash flows used in operating activities		
Loss for the period	(95,958)	(34,650)
Items not affecting cash:		
Depreciation	1,988	1,927
Share-based compensation	36,743	20,462
Reversal of flow-through premium liability	-	(52,849)
Changes in non-cash working capital items:		
Receivables	17,995	218,294
Prepaid expenses	5,487	4,041
Accounts payable and accrued liabilities	(19,422)	(35,251)
	(53,167)	(121,974)
Cash flows used in investing activities		
Acquisition of equipment	(343)	-
Exploration and evaluation assets expenditures	(41,358)	(488,974)
	(41,701)	(488,974)
Decrease in cash	(94,868)	(367,000)
Cash, beginning of period	709,013	852,899
Cash, end of period	**614,145**	**485,899**
Non-cash transactions		
Shares issued for exploration and evaluation assets acquisition	-	6,000
Exploration and evaluation assets expenditures in accounts payable and accrued liabilities at period end	359	453
Reclassification from reserves to deficit due to expiration of stock options	-	154,811
Expiration of agents' warrants	54,268	-

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

TOWER RESOURCES LTD.
CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars – Unaudited)

	Number of Shares Issued	Share Capital	Reserves	Deficit	Total Shareholders' Equity
		$	$	$	$
Balance at October 31, 2013	**33,633,308**	**12,160,901**	**855,940**	**(8,453,211)**	**4,563,630**
Shares issued for exploration and evaluation assets	200,000	6,000	-	-	6,000
Stock options expired	-	-	(154,811)	154,811	-
Share-based compensation	-	-	20,462	-	20,462
Loss for the period	-	-	-	(34,650)	(34,650)
Balance at January 31, 2014	**33,833,308**	**12,166,901**	**721,591**	**(8,333,050)**	**4,555,442**
Issuance of shares	15,000,000	750,000	-	-	750,000
Share issuance costs	-	(15,627)	-	-	(15,627)
Shares issued for exploration and evaluation assets	225,000	14,375	-	-	14,375
Stock options expired	-	-	(64,103)	64,103	-
Stock options cancelled	-	-	(31,110)	31,110	-
Share-based compensation	-	-	39,449	-	39,449
Loss for the period	-	-	-	(1,076,699)	(1,076,699)
Balance at October 31, 2014	**49,058,308**	**12,915,649**	**665,827**	**(9,314,536)**	**4,266,940**
Expiration of agents' warrants	-	54,268	(54,268)	-	-
Share-based compensation	-	-	36,743	-	36,743
Loss of the period	-	-	-	(95,958)	(95,958)
Balance at January 31, 2015	**49,058,308**	**12,969,917**	**648,302**	**(9,410,494)**	**4,207,725**

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Nature of operations

Tower Resources Ltd. ("the Company") is incorporated under the laws of British Columbia, Canada. The Company trades on the TSX Venture Exchange ("TSX-V") under the symbol TWR. The Company's head office, principal address and registered and records office is located at 912 – 1112 West Pender Street, Vancouver, BC V6E 4J6.

Going concern

The Company's principal business activities include the acquisition and exploration of exploration and evaluation assets domiciled in Canada. The Company has not yet determined whether any of these exploration and evaluation assets contain ore reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production. To date, the Company has not earned any revenues and is considered to be in the exploration stage.

These condensed interim financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since inception and the ability of the Company to continue as a going-concern depends upon its ability to raise adequate financing and/or to achieve profitable operations. These financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

The continuance of the Company's operations is dependent on obtaining sufficient additional financing in order to realize the recoverability of the Company's investments in exploration and evaluation assets, which is dependent upon the existence of economically recoverable reserves and market prices for the underlying minerals. 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. Management estimates it will require additional financing within the next twelve months. Accordingly, these material uncertainties may cast significant doubt upon the entity's ability to continue as a going concern.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies used in the preparation of these condensed interim financial statements.

Statement of compliance

These condensed interim financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Accounting Standards ("IAS") 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB").

This condensed interim financial report does not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the annual audited financial statements of the Company for the year ended October 31, 2014. The accounting policies applied in preparation of these condensed interim financial statements are consistent with those applied and disclosed in the Company's financial statements for the year ended October 31, 2014.

These condensed interim financial statements were authorized by the Board of Directors on April 1, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of presentation

The condensed interim financial statements have been prepared on an accrual basis and are based on historical costs, except for certain financial assets which are measured at fair value. In addition, these condensed interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Use of estimates

The preparation of financial statements in conformity with IFRS 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 revenues and expenses during the period.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include the valuation of share-based compensation and income taxes.

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

Economic recoverability and probability of future economic benefits of exploration and evaluation assets
Management has determined that exploration, evaluation, and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessment of economic recoverability and probability of future economic benefits including, geologic and other technical information, a history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, the quality and capacity of existing infrastructure facilities, evaluation of permitting and environmental issues and local support for the project.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments are as follows:

Valuation of share-based compensation
The Company uses the Black-Scholes Option Pricing Model for valuation of share-based compensation. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

Income taxes
In assessing the probability of realizing income tax assets, management makes estimates related to expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

(Expressed in Canadian Dollars – Unaudited)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New or revised accounting standards not yet adopted

A number of new standards, amendments to standards and interpretations applicable to the Company are not yet effective for the three months ended January 31, 2015 and have not been applied in preparing these condensed interim financial statements. The Company does not expect there to be any changes as a result of the new or revised standards which will be effective to the Company's financial statements for the year ending October 31, 2016 or later:

a. IFRS 9 – Financial Instruments: Classification and Measurement applies to classification and measurement of financial assets and liabilities as defined in IAS 39. It is tentatively effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

3. RECEIVABLES

	January 31, 2015	October 31, 2014
	$	$
Sales tax recoverable	12,891	16,966
BC mining exploration tax credit	-	10,067
Interest receivable	344	4,384
Other receivable	2,465	2,278
	15,700	**33,695**

(Expressed in Canadian Dollars – Unaudited)

4. PROPERTY AND EQUIPMENT

	Computer hardware	Computer software	Equipment and furniture	Total
	$	$	$	$
Cost:				
At October 31, 2013	15,919	31,545	10,701	58,165
Additions	3,150	6,000	7,438	16,588
At October 31, 2014	19,069	37,545	18,139	74,753
Additions	-	-	343	343
At January 31, 2015	19,069	37,545	18,482	75,096
Depreciation:				
At October 31, 2013	11,253	27,711	2,997	41,961
Charge for the year	3,120	6,835	2,285	12,240
At October 31, 2014	14,373	34,546	5,282	54,201
Charge for the period	587	750	651	1,988
At January 31, 2015	14,960	35,296	5,933	56,189
Net book value:				
At October 31, 2014	4,696	2,999	12,857	20,552
At January 31, 2015	**4,109**	**2,249**	**12,549**	**18,907**

(Expressed in Canadian Dollars – Unaudited)

5. EXPLORATION AND EVALUATION ASSETS

	JD	Baez	Waterloo	Rabbit North	Total
	$	**$**	**$**	**$**	**$**
Balance, October 31, 2013	2,375,889	248,255	478,637	488,875	3,591,656
Acquisition costs	48,375	-	768	56,470	105,613
Deferred costs					
Assays	-	-	-	13,502	13,502
Consulting services	2,500	-	-	252,187	254,687
Equipment rental	-	-	-	321	321
Field supplies	3,099	-	-	3,780	6,879
Food (recovery)	(220)	-	-	6,033	5,813
Geologist	-	-	-	210,996	210,996
Site development	3,810	-	-	-	3,810
Travel (recovery)	(3,343)	-	-	13,201	9,858
Vehicle (recovery)	(524)	-	-	40,774	40,250
Total costs incurred during the year	53,697	-	768	597,264	651,729
B.C. mining exploration tax credit recoverable	(7,973)	(1,646)	(448)	-	(10,067)
Write-off of exploration and evaluation assets	-	(246,608)	(478,956)	-	(725,564)
Balance, October 31, 2014	**2,421,613**	**1**	**1**	**1,086,139**	**3,507,754**
Acquisition costs	244	-	-	-	244
Deferred costs					
Assays	-	-	-	183	183
Consulting services	10,000	-	-	15,000	25,000
Travel	1,063	-	-	37	1,100
Total costs incurred during the period	11,307	-	-	15,220	26,527
Balance, January 31, 2015	**2,432,920**	**1**	**1**	**1,101,359**	**3,534,281**

(Expressed in Canadian Dollars – Unaudited)

5. EXPLORATION AND EVALUATION ASSETS (continued)

JD PROPERTY

On September 7, 2011, the Company entered into an option agreement to acquire the JD gold - silver property, comprised of certain mineral claims, located in the Omineca mining division of British Columbia. Certain terms of the agreement were later amended on January 28, 2015. Under the terms of the amended agreement, the Company may acquire a 100% interest in the property by making cash payments of $200,000, issuing 1,875,000 common shares over a 6-year period, in addition to funding aggregate exploration expenditures of $5,000,000 over a total 84-month period as follows:

Date	*Cash Payments*	*Number of Shares*	*Work Commitment*
	$		**$**
September 26, 2011 *(issued)*	-	125,000	-
November 15, 2011 *(incurred)*	-	-	60,000
September 1, 2012 *(incurred)*	-	-	60,000
December 16, 2012 *(paid, issued, and incurred)*	45,000	150,000	80,000
December 16, 2013 (*paid, issued and incurred – Note 9*)	40,000	200,000	500,000
December 11, 2014 *(paid, issued and incurred subsequently – Note 16)*	20,000	350,000	1,000,000
December 11, 2015	40,000	350,000	-
December 11, 2016	55,000	350,000	1,500,000
December 11, 2017	-	350,000	-
December 11, 2018	-	-	1,800,000

The option agreement is subject to a 2% net smelter return royalty ("NSR"), 1% of which can be purchased by the Company for $3,000,000. The Company will be responsible to file the related cash-in-lieu or assessment work documentation with the Province of British Columbia. Once the Company has earned the 100% interest, it will pay an advance royalty of $40,000 per year until it commences commercial production.

On April 11, 2012, the Company entered into an option agreement to acquire a 100% interest in the Belle property located in the Omineca mining division of British Columbia adjoining the Company's JD property. Under the terms of the option agreement, the Company may acquire a 100% interest in the property by making a cash payment of $14,000 and issuing 150,000 common shares of the Company as follows:

Date	*Cash Payments*	*Number of Shares*
	$	
April 23, 2012 *(paid and issued)*	14,000	25,000
April 23, 2013 *(issued)*	-	25,000
April 23, 2014 *(issued – Note 9)*	-	25,000
April 23, 2015	-	25,000
April 23, 2016	-	50,000

The agreement is subject to a 2% NSR, of which 1% can be purchased by the Company for $2,000,000.

BAEZ PROPERTY

This property is located in British Columbia and was acquired for nominal staking costs.

During the year ended October 31, 2014, the Company suspended exploration activity related to this property and accordingly, management wrote-down the property to $1.

(Expressed in Canadian Dollars – Unaudited)

5. EXPLORATION AND EVALUATION ASSETS (continued)

WATERLOO PROPERTY

On October 18, 2011, the Company entered into an option agreement to acquire the Waterloo property, comprised of certain mineral claims, located in the Osoyoos mining division of British Columbia. Under the terms of the option agreement, the Company may acquire a 75% interest in the property by making cash payments of $70,000 and issuing 400,000 common shares to the vendor, in addition to funding aggregate exploration expenditures of $2,000,000 over a total 42-month period as follows:

Date	*Cash Payments*	*Number of Shares*	*Work Commitment*
	$		**$**
December 23, 2011 *(paid and issued)*	45,000	400,000	-
December 23, 2012 *(paid and incurred)*	25,000	-	100,000
May 13, 2014	-	-	700,000
May 13, 2015	-	-	1,200,000

The option agreement is subject to a 2% NSR, of which 1% can be purchased by the Company for $3,000,000. Upon completing and delivering a Feasibility Study, the Company will be deemed to have exercised the second option and to have earned an additional 25% Interest (for an aggregate 100% interest).

Once the Company has earned the 100% interest, it will pay an advance royalty of $40,000 per year until it commences commercial production.

The Company did not meet the work commitment of $700,000 due on or before May 13, 2014; however, the Company is currently in discussion with the optionor to have this work commitment extended. During the year ended October 31, 2014, management wrote-down the property to $1 as the Company failed to meet the above work commitment.

The Vice-President of Exploration of the Company has an interest in the vendor.

RABBIT NORTH PROPERTY

On July 11, 2013, the Company entered into an option agreement to acquire the Rabbit North property, comprised of certain mineral claims, located in the Kamloops mining division of British Columbia. The option agreement was approved by TSX-V on July 24, 2013. Under the terms of the option agreement, the Company may acquire a 100% interest in the property by making cash payments of $170,000 and issuing 1,000,000 common shares over 4-year period, in addition to funding aggregate exploration expenditures of $2,000,000 over a total 60-month period as follows:

Date	*Cash Payments*	*Number of Shares*	*Work Commitment*
	$		**$**
June 6, 2013 *(paid)*	5,000	-	-
August 7, 2013 *(paid and issued)*	5,000	200,000	-
July 24, 2014 (*paid, issued and incurred – Note 9*)	20,000	200,000	150,000
July 24, 2015	30,000	200,000	-
July 24, 2016	50,000	200,000	600,000
July 24, 2017	60,000	200,000	-
July 24, 2018	-	-	1,250,000

The option agreement is subject to a 3% NSR, of which 2% can be purchased by the Company for $3,500,000.

(Expressed in Canadian Dollars – Unaudited)

6. EXPLORATION AND EVALUATION ASSETS - OIL AND GAS

	January 31, 2015 and October 31, 2014 Acquisition Costs
Poplar Winstar Strachan	$ 1

POPLAR WINSTAR STRACHAN

On December 4, 2006, the Company entered into an agreement to participate in the Winstar Strachan 8-10-38-10 W5M well in the West Central area of Alberta. The Company paid $300,000 to earn an equalization interest of approximately 1.2367 %. During the year ended October 31, 2009, the Company wrote down the value of the property to the estimated recoverable amount of $1.

Rehabilitation obligations of $13,000 have been recorded based on the Company's proportionate share of obligations estimated by the operators of the properties. The estimated values of the obligations have not been discounted as they are immaterial and an estimate of the timing of the future cash flows is not determinable.

7. RECLAMATION BONDS

In relation to the JD, Waterloo, Baez and Rabbit North properties, the Company has posted reclamation bonds totaling $100,000 (October 31, 2014 - $100,000).

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	January 31, 2015	**October 31, 2014**
	$	**$**
Accounts payable	35,877	41,231
Accrued liabilities	10,000	33,000
Due to related parties (Note 10)	33,893	39,792
	79,770	**114,023**

9. SHARE CAPITAL AND RESERVES

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

During the year ended October 31, 2014:

In January 2014, the Company issued 200,000 common shares valued at $6,000 pursuant to the JD property option agreement (Note 5).

In April 2014, the Company issued 25,000 common shares valued at $2,375 pursuant to the Belle property option agreement (Note 5).

(Expressed in Canadian Dollars – Unaudited)

9. SHARE CAPITAL AND RESERVES (continued)

Issued share capital (continued)

In April 2014, the Company completed a non-brokered private placement of 15,000,000 units at a price of $0.05 per unit for net proceeds of $734,373, net of share issue costs of $15,627. Each unit is comprised of one common share and one-half share purchase warrant with each whole warrant entitling the holder to purchase one additional common share of the Company for $0.10 per share up to April 1, 2016. The Company may accelerate the expiry date of the warrants to within 30 days if the common shares of the Company close at over $0.20 for 10 consecutive trading days and gives notice of the same in writing to the holder of the warrants.

In July 2014, the Company issued 200,000 common shares valued at $12,000 pursuant to the Rabbit North property option agreement (Note 5).

Stock options

On November 19, 2010, the Company adopted an incentive stock option plan (the "Plan"). The Plan provides that the aggregate number of shares of the Company's capital stock issuable pursuant to options granted under the Plan may not exceed ten percent of the issued and outstanding common shares of the Company at the time an option is granted. Options granted under the Plan will have a maximum term of five years. The exercise price of options granted under the Plan shall be set by the Board of Directors on the effective date of the option and will not be less than the Discounted Market Price as defined by the TSX-V. Vesting of the options shall be at the discretion of the Board of Directors.

During the three months ended January 31, 2015, the Company granted 900,000 (January 31, 2014 – 425,000) incentive stock options with a fair value of $29,261 (January 31, 2014 - $14,275) using the Black-Scholes option pricing model. The Company expensed $36,743 (January 31, 2014 - $20,462) as share-based compensation which was the value of stock options vested during the period.

The fair value of options granted is estimated on the grant date using the Black-Scholes option pricing model using the following variables:

	For the three months ended January 31,	
	2015	**2014**
Risk-free interest rate	**1.51%**	1.97%
Expected option life in years	**5 years**	5 years
Expected stock price volatility	**167%**	188%
Expected forfeiture rate	**0%**	0%

(Expressed in Canadian Dollars – Unaudited)

9. SHARE CAPITAL AND RESERVES (continued)

Stock options (continued)

A summary of stock options activities are as follows:

	Number of options	Weighted average exercise price
		$
Outstanding at October 31, 2013	2,893,750	0.32
Granted	950,000	0.06
Expired	(643,750)	0.40
Cancelled	(100,000)	0.35
Outstanding at October 31, 2014	3,100,000	0.23
Granted	900,000	0.05
Outstanding at January 31, 2015	4,000,000	0.18

The Company has outstanding options entitling the holder to purchase an aggregate of common shares at January 31, 2015 as follows:

Exercise Price	Number Outstanding	Number Exercisable	Expiry Date
$			
0.35	900,000	900,000	September 29, 2016
0.35	100,000	100,000	December 9, 2016
0.45	50,000	50,000	April 5, 2017
0.30	250,000	250,000	May 24, 2017
0.30	400,000	400,000	October 25, 2017
0.13	450,000	450,000	April 9, 2018
0.05	425,000	265,625	December 17, 2018
0.06	525,000	196,875	July 7, 2019
0.05	900,000	900,000	November 4, 2019
	4,000,000	3,512,500	

Warrants

During the three months ended January 31, 2015, 6,950,687 warrants and 342,825 agents' warrants expired unexercised. The Company reversed $54,268 in connection with the expired agents' warrants.

A summary of share purchase warrant activities are as follows:

	Number of warrants	Weighted average exercise price
		$
Outstanding and exercisable at October 31, 2013	14,793,512	0.40
Issued	7,500,000	0.10
Outstanding and exercisable at October 31, 2014	22,293,512	0.30
Expired	(7,293,512)	0.40
Outstanding and exercisable at January 31, 2015	15,000,000	0.25

(Expressed in Canadian Dollars – Unaudited)

9. SHARE CAPITAL AND RESERVES (continued)

Warrants (continued)

The Company has outstanding warrants entitling the holders to purchase an aggregate of common shares at January 31, 2015 as follows:

Exercise Price	Number Outstanding	Expiry Date
$		
0.40	7,500,000	November 2, 2015
0.10	7,500,000	*April 1, 2016
	15,000,000	

* The Company may accelerate the expiry date of these warrants to within 30 days if the common shares close at over $0.20 for 10 consecutive trading days and gives notice of the same in writing to the holder of the warrants.

10. RELATED PARTY TRANSACTIONS

The Company entered into transactions with related parties during the three months ended January 31, 2015:

a) "Office and miscellaneous" includes rent recovery of $3,000 from a company related by a common director. Also included in "office and miscellaneous" is rent of $nil (January 31, 2014 - $20,905) and other office expenses of $nil (January 31, 2014 - $401) paid or accrued to a company previously related by common directors and officers.

Summary of key management personnel compensation (includes officers and directors of the Company):

	For the three months ended January 31, 2015	2014
	$	$
Management fees	22,500	7,500
Office and miscellaneous	7,500	7,500
Consulting fees	5,000	-
Exploration and evaluation assets expenditures	25,000	45,000
Share-based compensation	35,804	11,898
	95,804	**71,898**

Amounts owing to related parties (including key management personnel) included in accounts payable and accrued liabilities total $33,893 (October 31, 2014 - $39,792)

11. SEGMENTED INFORMATION

The Company has one geographic segment, being Canada, and one operating segment, being the acquisition and exploration of exploration and evaluation assets.

12. FINANCIAL INSTRUMENTS AND 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 Company's financial instruments consist of cash, receivables, reclamation bonds, and accounts payable and accrued liabilities. The fair value of these financial instruments, other than cash, approximates their carrying values. Cash is measured at fair value using level 1 inputs.

The Company is exposed to a variety of financial risks by virtue of its activities including credit, liquidity, interest rate, foreign currency and price risk.

Credit risk

The Company is exposed to industry credit risks arising from its cash holdings and receivables. The Company manages credit risk by placing cash with major Canadian financial institutions. The Company's receivables primarily consist of sales tax recoverable due from the Federal Government of Canada. Management believes that credit risk related to these amounts is nominal.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient funds to meet its financial obligations when they are due. To manage liquidity risk, the Company reviews additional sources of capital and financing to continue its operations and discharge its commitments. The Company has sufficient cash to settle current liabilities.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As of January 31, 2015, the Company held demand deposits with a face value of $55,000 (October 31, 2014 - $485,000). A change in interest rates of 1% would change income by $550 (October 31, 2014 - $4,850) per annum.

Foreign currency risk

The Company is not significantly exposed to foreign currency risk on fluctuations related to items that are denominated in a foreign currency.

Price risk

The Company has limited exposure to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities.

13. 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 exploration and evaluation assets. 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 share capital, options and warrants.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company has historically relied on the equity markets to fund its activities. 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 is not subject to externally imposed capital restrictions.

14. COMMITMENT

On September 22, 2014, the Company entered into a commercial lease agreement for an office space in Vancouver, B.C. for a term of two years which commenced on October 1, 2014 and expires on September 30, 2016. As at January 31, 2015, a security deposit of $5,894 (October 31, 2014 - $5,894) was paid and included in prepaid expenses and deposits. The annual lease commitments are $33,566 and $30,769 for 2015 and 2016, respectively.

15. ABANDONED TRANSACTION

In January 2015, the Company and Kaizen Discovery ("Kaizen") entered into an Exclusivity Agreement as an initial step towards a proposed transaction that would see Kaizen acquire 100% of the outstanding common shares of the Company in an all-share transaction. The exclusivity period lasted for 45 days and expired on March 15, 2015 or until the execution of a definitive Arrangement Agreement.

The proposed exchange ratio was 0.232 of a Kaizen common share for each common share of the Company. The exchange ratio implied a value of $0.065 for each common share of the Company based on a Kaizen share price of $0.28. If the transaction was entered into and completed on these terms, 11,381,527 new Kaizen shares would have been issued to shareholders of the Company, representing approximately 6.7% of the issued and outstanding pro-form Kaizen common shares.

The final terms and conditions of the arrangement were subject to approval of the boards of directors of Kaizen and the Company, the shareholders of the Company, as well as the applicable regulatory authorities, including the TSX-V Exchange and the Supreme Court of British Columbia. Both Kaizen and the Company were permitted to not proceed with the transaction if they were not satisfied with their due diligence investigations.

Subsequent to January 31, 2015, the Company and Kaizen elected not to proceed with the proposed transaction (Note 16).

16. SUBSEQUENT EVENTS

In February 2015, the Company issued 350,000 common shares in connection with the JD property option agreement (Note 5).

In March 2015, the Company and Kaizen elected not to proceed with the proposed transaction (Note 15).