HI HO SILVER RESOURCES INC.

FINANCIAL STATEMENTS

(UNAUDITED)

(Stated in Canadian dollars)

OCTOBER 31, 2014

In accordance with National Instrument 51-102 Part 4, *Continuous Disclosure Obligations,* subsection 4.3(3)(a), **WE HERBY GIVE NOTICE** that our financial statements for the interim period ended October 31, 2014, which follows this notice, have not been reviewed by an auditor.

HI HO SILVER RESOURCES INC.
STATEMENTS OF FINANCIAL POSITION
(Stated in Canadian dollars)
(UNAUDITED)

	October 31 2014	July 31 2014
ASSETS		
Current		
Cash	$ 30	$ 34
Sales tax receivable	8,210	7,835
Prepaid expenses and deposits	8,569	8,569
	16,809	16,438
Equipment (Note 4)	7,849	7,299
Reclamation deposits (Note 5(i))	3,500	3,500
Exploration and evaluation assets (Note 5)	716,034	687,034
	727,383	697,833
	$ 744,192	$ 714,271
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 248,166	$ 353,629
Due to related parties (Note 8)	407,986	737,389
Loans payable (Note 10)	-	59,600
Promissory note payable (Note 10)	51,580	51,580
Preferred share subscriptions received (Note 6(b))	295,000	65,000
Provisions (Note 7)	265,099	265,099
	1,267,831	1,532,297
SHAREHOLDERS' EQUITY (DEFICIT)		
Common shares (Note 6(b))	9,098,228	8,787,027
Warrants (Note 6(c))	781,286	517,453
Common share subscriptions received (Note 6(b))	-	314,000
Common shares committed for issuance (Note 6(e))	16,200	16,200
Equity reserves	4,596,544	4,596,544
Deficit	(15,015,897)	(15,049,250)
	(523,639)	(818,026)
	$ 744,192	$ 714,271

Nature of operations and going concern (Note 1)
Commitments and contingencies (Note 11)
Events after the reporting period (Note 13)

Approved on behalf of the Board:

/s/ Peter Collier — Director

/s/ Dennis McKnight — Director

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

(Stated in Canadian dollars)

FOR THE THREE MONTHS ENDED OCTOBER 31		2014		2013
OPERATING EXPENSES				
Accounting, audit and legal	$	5,000	$	8,000
Amortization (Note 4)		1,146		1,005
Consulting, salaries and benefits		9,800		7,000
Investor relations, promotion, travel and conferences		8,088		1,557
Listing, exchange and transfer fees		2,252		1,365
Management fees (Note 8)		52,500		60,000
Office, administration and miscellaneous		1,993		8,095
Project examination costs		10,700		-
Rent		15,002		9,012
Share-based compensation (Note 6)		-		174,000
Telecommunications		1,606		3,756
		(108,087)		(273,790)
OTHER ITEMS				
Gain on shares issued for debt (Note 6(c))		141,440		-
		141,440		-
GAIN (LOSS) AND COMPREHENSIVE GAIN (LOSS) FOR THE PERIOD	$	33,353	$	(273,790)
Basic and diluted gain (loss) per common share	$	0.00	$	(0.00)
Weighted average number of common shares outstanding Basic and diluted		113,958,960		95,367,647

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

HI HO SILVER RESOURCES INC.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)
(Stated in Canadian dollars)
(UNAUDITED)

For the Three Month Periods Ended October 31, 2014 and 2013

	Number of Shares	Amount	Warrants	Common Share Subscriptions Received	Common Shares Committed for Issuance	Equity Reserves	Deficit	Total Shareholders' Equity (Deficit)
Balance, July 31, 2013	**95,367,647**	**$8,575,027**	**$ 386,453**	**$ 69,000**	**$ -**	**$4,429,544**	**$ (13,519,979)**	**$ (59,955)**
Share units received but not issued	-	-	-	300,000				300,000
Commission paid on subscriptions received	-	-	-	(5,000)	-	-	-	(5,000)
Share-based compensation	-	-	-	-	-	174,000	-	174,000
Loss for the period	-	-	-	-	-	-	(273,790)	- 273,790
Balance, October 31, 2013	**95,367,647**	**$8,575,027**	**$ 386,453**	**$ 364,000**	**$ -**	**$4,603,544**	**$ (13,793,769)**	**$ 135,255**
Balance, July 31, 2014	**112,267,647**	**$8,787,027**	**$ 517,453**	**$ 314,000**	**$ 16,200**	**$4,596,544**	**$ (15,049,250)**	**$ (818,026)**
Private placement (Note 6(b))	15,560,080	311,201	263,833	(84,000)	-	-	-	491,034
Reclassification to preferred shares	-	-	-	(230,000)	-	-	-	(230,000)
Gain for the period	-	-	-	-	-	-	33,353	33,353
Balance, October 31, 2014	**127,827,727**	**$9,098,228**	**$ 781,286**	**$ -**	**$ 16,200**	**$4,596,544**	**$ (15,015,897)**	**$ (523,639)**

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

(Stated in Canadian dollars)

FOR THE THREE MONTHS ENDED OCTOBER 31	2014	2013
CASH FLOWS USED IN OPERATING ACTIVITIES		
Gain (loss) for the period	$ 33,353	$ (273,790)
Items not affecting cash:		
Amortization	1,146	1,005
Consulting fees paid in shares	6,300	-
Gain on shares issued for debt	(141,440)	-
Share-based compensation	-	174,000
Interest on loan to related party	-	2,170
Net change in non-cash working capital items:		
Sales tax receivable	(375)	(2,211)
Accounts payable and accrued liabilities	6,840	(524)
Due to related parties	49,185	28,600
Loan advances	45,500	-
Prepaid expenses and deposits	-	(7,393)
	509	(78,143)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Equipment	(513)	-
Exploration and evaluation asset costs	-	(6,570)
Investment in Ascot Mining Plc	-	(210,050)
	(513)	(216,620)
CASH FLOWS FROM FINANCING ACTIVITIES		
Share subscriptions received, net of commission	-	295,000
	-	295,000
CHANGE IN CASH	(4)	237
CASH, BEGINNING OF PERIOD	34	158
CASH, END OF PERIOD	$ 30	$ 395

Supplemental Disclosure of Cash Flow Information (Note 9)

1. NATURE OF OPERATIONS AND GOING CONCERN

Hi Ho Silver Resources Inc. (the "Company") was incorporated under the Canada Business Corporations Act on April 7, 2005. The address of the Company's corporate office and its registered office is located at Suite 201, 1090 West Pender Street, Vancouver, British Columbia, Canada, V6E 2N7.

The Company currently has interests in exploration and evaluation properties in British Columbia, California and Quebec. Substantially all of the Company's efforts are devoted to financing and exploring these properties. There has been no determination whether the exploration properties in which the Company holds an interest contain mineral reserves which are economically recoverable.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise alternative financing, as necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, unregistered claims, other land claims and non-compliance with regulatory and environmental requirements.

These 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 develop profitable operations and to continue to raise adequate financing. Management is actively targeting sources of additional financing through alliances with financial, exploration and mining entities, or other business and financial transactions which would assure continuation of the Company's operation and exploration programs. In order for the Company to meet its liabilities as they come due and to continue its operations, the Company is solely dependent upon its ability to generate such financing.

There can be no assurance that the Company will be able to continue to raise funds, in which case the Company may be unable to meet its obligations. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the statements of financial position. As the Company does not have sufficient working capital to meet its projected minimum financial obligations for the next fiscal year, there is material uncertainty that exists that 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. STATEMENT OF COMPLIANCE

The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The condensed interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting ("IAS 34").

The condensed interim financial statements were authorized for issue on January 22, 2015 by the Board of Directors of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

The condensed interim financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair values. In addition these financial statements have been prepared using the accrual basis of accounting.

The condensed interim financial statements are presented in Canadian dollars, which is also the functional currency of the Company.

The condensed interim financial statements should be read in conjunction with the Company's most recent annual financial statements of July 31, 2014. These condensed interim financial statements follow the same accounting policies and methods of application as our most recent annual financial statements.

A number of new standards and amendments to standards and interpretations are not yet effective for the period ended October 31, 2014 and have not been applied in preparing these condensed interim financial statements. Additionally, there have been a number of new standards and amendment to standards and interpretations that came into effect subsequent to the annual statements. However, none of these new accounting pronouncements had any impact on the preparation of these condensed interim financial statements.

4. EQUIPMENT

Equipment is recorded at cost and amortized over 3 years on a straight-line basis. The following tables summarize equipment costs for the period from July 31, 2014 to October 31, 2014:

	Computer Equipment	General Equipment	Total
Costs			
Balance, July 31, 2014	$ 20,824	$ -	$ 20,824
Additions	-	1,696	1,696
Balance, October 31, 2014	$ 20,824	$ 1,696	$ 22,520
Accumulated depreciation			
Balance, July 31, 2014	$ 13,525	$ -	$ -
Additions	1,005	141	1,146
Balance, October 31, 2014	$ 14,530	$ 141	$ 1,146
Net Book Value			
October 31, 2014	$ 6,294	$ 1,555	$ 7,849
July 31, 2014	$ 7,299	$ -	$ 20,824

(Stated in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS

The following tables summarize costs of expenditures on exploration and evaluation assets for the period ended October 31, 2014 and the year ended July 31, 2014:

Costs of expenditures on exploration and evaluation assets continuity schedule for the three months ended October 31, 2014:

Acquisition Costs	Fairview South Okanagan	San Bernardino	Grassett Dome	Total
July 31, 2014	$ 160,526	$ 60,000	$ 152,000	$ 372,526
Additions	-		15,000	15,000
October 31, 2014	$ 160,526	$ 60,000	$ 167,000	$ 387,526

Deferred Exploration Costs	Fairview South Okanagan	San Bernardino	Grassett Dome	Total
July 31, 2012	$ 314,508	$ -	$ -	$ 314,508
Additions	6,000	-	8,000	14,000
October 31, 2014	$ 320,508	$ -	$ 8,000	$ 328,508
October 31, 2014	**$ 481,034**	**$ 60,000**	**$ 175,000**	**$ 716,034**

(Stated in Canadian dollars)

Costs of expenditures on exploration and evaluation assets for the year ended July 31, 2014:

Acquisition Costs		Mt. Thomlinson		Inlet		Kitsault		Fairview South Okanagan		Cherryville		LaRonge		San Bernardino		Grassett Dome		Total
July 31, 2013	$	17,446	$	152,533	$	14,582	$	159,456	$	81,295	$	44,000	$	-	$	-	$	469,312
Additions		1,700		-		1,476		1,070		-		-		60,000		152,000		216,246
Impairment		(19,146)		(152,533)		(16,058)		-		(81,295)		(44,000)		-		-		(313,032)
July 31, 2014	$	-	$	-	$	-	$	160,526	$	-	$	-	$	60,000	$	152,000	$	372,526

Deferred Exploration Costs		Mt. Thomlinson		Inlet		Kitsault		Fairview South Okanagan		Cherryville		LaRonge		San Bernardino		Grassett Dome		Total
July 31, 2013	$	4,938	$	-	$	-	$	278,285	$	-	$	130,501	$	-	$	-	$	413,724
Additions		-		-		-		36,223		-		-		-		-		36,223
Impairment	-	4,938.00		-		-		-		-		(130,501)		-		-		(135,439)
July 31, 2014	$	-	$	-	$	-	$	314,508	$	-	$	-	$	-	$	-	$	314,508
July 31, 2014	**$**	**-**	**$**	**-**	**$**	**-**	**$**	**475,034**	**$**	**-**	**$**	**-**	**$**	**60,000**	**$**	**152,000**	**$**	**687,034**

(a) Mt. Thomlinson Property

On December 23, 2010, the agreement to acquire the Mt. Thomlinson Property in British Columbia from Molystar Resources Inc. ("Molystar") formally closed and the property was transferred to the Company's name. In consideration for the property, the Company issued 4,750,000 common shares valued at $0.055 per share, based on the market price of the shares at the time of issue ($261,250) and assumed certain obligations of Molystar totaling $28,000. An NSR of 2% is attached to the property.

A finder's fee in the amount of 237,500 common shares was included as part of the agreement. These shares were issued February 28, 2011, valued at $0.055 per share ($13,063), based on the market price of the shares at the time of issue.

During the year ended July 31, 2013, the Company incurred $10,647 (2012 - $60,463) in deferred exploration costs.

As at July 31, 2013, certain of the tenures were due for renewal, and the Company was not in a position to make the renewal due to lack of available funds. Accordingly, approximately 88% of the tenures were forfeited, and the Company wrote down the carrying value of its interest in the Property in the amount of $352,710.

The Company had entered into negotiations with its former President to exchange their interest in the property in return for settling an amount owing to the former President. The total amount to be settled was expected to be $200,000, and an additional impairment provision of $28,003 was made effective July 31, 2013 to reduce the carrying value of the property on a pro-rata basis to the expected selling price of the interest.

The negotiations were not successful, and accordingly, the Company wrote off the remaining costs associated with the property as at July 31, 2014. The Company continues to hold 2 claims on this property.

(b) Inlet Claims

The Company purchased these claims, located in British Columbia from TA Mineral Resources Ltd. as to 80% and Quadra Coastal Resources Ltd. as to 20%. The Claims were acquired for 10,000,000 common shares valued at $300,000 based on the market price of the shares at the time of issue. A further 900,000 common shares valued at $27,000 based on the market price of the shares at the time of issue, were issued to unrelated parties as finders' fees.

During the year ended July 31, 2012, the Company paid a total of $10,000 for re-acquisition costs associated with certain of the tenures within the Claims, and incurred $2,338 in acquisition costs associated with payments in lieu of exploration work completed.

During the year ended July 31, 2013, the Company paid $825 for tenure renewals.

The Company had entered into negotiations with its former President to exchange their interest in the property in return for settling an amount owing to the former President. The total amount to be settled was expected to be $200,000, and an impairment provision of $190,811 was made effective July 31, 2013 to reduce the carrying value of the property on a pro-rata basis to the expected selling price of the interest.

The claims were later allowed to lapse and the Company wrote off all costs associated with the property effective July 31, 2014.

(c) Kitsault Claims

On February 2, 2012, the Company entered into an agreement to acquire a series of mineral tenures from Wild West Gold Corp. for cash consideration of $25,000 (paid).

During the year ended July 31, 2012, the Company incurred $15,329 in acquisition costs associated with payments in lieu of exploration work completed.

During the year ended July 31, 2013, the Company paid $5,000 for tenure renewals.

As at July 31, 2013, certain of the tenures were due for renewal, and the Company was not in a position to make the renewal due to lack of available funds. Accordingly, approximately 28% of the tenures were forfeited, and the Company wrote down the carrying value of its interest in the Property in the amount of $12,505.

The Company had entered into negotiations with its former President to exchange their interest in the property in return for settling an amount owing to the former President. The total amount to be settled was expected to be $200,000, and an additional impairment provision of $18,242 was made effective July 31, 2013 to reduce the carrying value of the property on a pro-rata basis to the expected selling price of the interest.

The claims were later allowed to lapse and the Company wrote off all costs associated with the property effective July 31, 2014.

(d) Fairview South Okanagan Property

On August 24, 2012, the Company entered into an option agreement with William McKinney, Turnagain Resources Inc. and Knight-Castle Mercantile Inc. to acquire a 100% interest in a series of claims, collectively referred to as the Fairview South Okanagan Property, located in British Columbia. As consideration for the interest, the Company made cash payment of $25,000 and issued a total of 3,000,000 common shares. The value of the shares was recorded at $120,000, representing the fair value of the shares at the time of issuance. The Company also incurred $5,000 in legal and paid a $5,000 finder's fee in association with acquiring the interest.

During the year ended July 31, 2014, the Company incurred $36,223 (2013 – $278,285) for consulting and exploration services performed on the project and incurred $1,070 (2013 – $4,456) in maintaining tenures.

During the three months ended October 31, 2014, the Company incurred $6,000 for consulting and exploration services performed on the project.

(e) La Ronge Property

On October 25, 2012, the Company entered into an option agreement with Peter Knudsen, Chris Knudsen and Scott Knudsen to acquire a 100% interest in a series of claims located in Saskatchewan, collectively referred to as the La Ronge Property. As consideration for the interest, the Company is committed to the following:

a) 4,600,000 common shares on signing (3,500,000 shares which were issued in payment of a four hole drilling program on the claims) (completed);
b) an additional 700,000 common shares, a cash payment of $30,000, and cumulative exploration expenditures of $200,000 on or before the first anniversary of the agreement;
c) an additional 800,000 common shares, an additional cash payment of $39,000, and cumulative exploration expenditures of $300,000 on or before the second anniversary of the agreement;
d) and an additional 1,000,000 common shares, an additional cash payment of $45,000 and cumulative exploration expenditures of $500,000 on or before the third anniversary of the agreement.

The optionors will retain a 3% NSR, which the Company can purchase at any time for a cash payment of $1,500,000.

The value of the shares issued on signing was recorded at $164,000, representing the fair value of the shares at the time of issuance and the estimated value of a four hole drilling program. During the year ended July

31, 2013, only two of the four drill holes were completed. Accordingly, the Company recorded the value of one half of the shares issued for the drill program ($60,000) as shares issued for future services, all of which was subsequently written off during the year ended July 31, 2014. The Company recognized a total of $130,501 in exploration costs during the year ended July 31, 2013, which included the other half of the shares issued for drilling services.

During the year ended July 31, 2014, the Company failed to make certain option payments and expenditure requirements and was in default of the agreement. The Company wrote off all costs associated with the property effective July 31, 2014.

(f) Cherryville Property

On January 21, 2013 the Board of Directors approved an option agreement with Chris Knudsen pursuant to which the Company received a 100% interest in a series of tenures collectively known as the Cherryville Property, located in Cherryville, BC. In consideration for those rights, the Company agreed to:

a) issue 2,000,000 common shares upon signing (issued);

b) incur $8,000 in exploration expenditures by November 1, 2013 (not incurred);

c) issue a further 2,000,000 common shares on or before February 8, 2014 (not issued);

d) pay another $10,000 on or before June 30, 2014 (not paid);

e) expend a further $40,000 on exploration before November 1, 2014 (not incurred);

f) pay $15,000 during 2015;

g) issue 1,700,000 common shares in 2015;

h) expend $60,000 in exploration expenditures in 2015;

i) pay an additional $20,000 during 2016;

j) issue 1,500,000 common shares in 2016; and

k) expend $100,000 in exploration expenditures in 2015.

The value of the shares issued on signing was recorded at $80,000, representing the fair value of the shares at the time of issuance.

During the year ended July 31, 2014, the Company failed to make certain option payments and expenditure requirements and was in default of the agreement. The Company wrote off all costs associated with the property effective July 31, 2014.

(g) San Bernardino Claims

On May 27, 2014, the Company acquired a 100% interest in 6 placer claims located in San Bernardino County, California from Clearbrook Water Company Ltd. and 0998601 BC Ltd. In consideration for the claims, the Company issued 5,000,000 common shares and a further 1,000,000 common shares as a finder's fee. The common shares were valued at $60,000, being the fair value of the common shares at the time of issuance.

(h) Grasset Dome Property

On June 12, 2014, the Company acquired a 100% interest in 3 mineral claim applications within the Detour trend of the Abitibi Region in Northwestern Quebec from Rusty V Resources and 0998601 BC Ltd. In consideration for the claims, the Company issued 6,000,000 common shares and a further 600,000 common shares as a finders' fee. The common shares were valued at $66,000, being the fair value of the common shares at the time of issuance. On June 8, 2014, the Company completed staking additional claims Contiguous to the initial claims purchased.

On July 29, 2014 the Company completed a further purchase of 15 additional mineral claim applications from the same vendors. In consideration for the additional claims, the Company issued 4,000,000 common shares and a further 300,000 common shares as a finders' fee. The common shares were valued at $86,000, being the fair value of the common shares at the time of issuance.

During the year ended July 31, 2014, the Company wrote off two of the reclamation deposits as they had abandoned their interest in these projects. The Company will attempt to have the deposits refunded, but their collectability is not assured as at October 31, 2014.

(i) Reclamation deposits

During the year ended July 31, 2012, the Company advanced a total of $10,500 in reclamation deposits to the British Columbia Ministry of Energy and Mines. The deposits will be held as security associated with any future reclamation work that may be required on three of the Company's property interests.

(j) Investment in Ascot Mining Plc

On October 17, 2013, the Company entered into an agreement with Ascot Mining Plc ("Ascot"), a UK Company with mineral tenures in Costa Rica. Under the terms of the agreement the Company paid US$200,000 and received 125,157 preference shares, convertible into 5,333,333 common shares, representing 4.7% of the issued common shares of Ascot.

The second and final payment under the agreement, was to be made on or before February 12, 2014, and required a payment of US$5,800,000 for which the Company would receive 3,754,717 preference shares. Upon final completion and conversion to common shares, the investment would represent 59.69% of the issued common shares of Ascot.

The Company failed to make the second payment under the terms of the agreement with Ascot. The property was considered impaired and all costs were written off as at July 31, 2014.

6. SHARE CAPITAL

(a) Common Shares

Authorized:
An unlimited number of common shares
An unlimited number of preferred shares

(b) Private Placements

For the three month period ending October 31, 2014:

On October 20, 2014, the Company completed a non-brokered private placement of 15,560,080 units at a price of $0.05 per unit for gross proceeds of $778,004. Each unit consisted of one common share and one common share purchase warrant, entitling the holder to purchase one common share for 2 years at an exercise price of $0.10 each. The proceeds from the private placement have been bifurcated using the relative fair value method resulting in $263,833 being recorded in warrants as the estimated value of the warrants. The fair value of the warrants has been estimated as of the date of the issuance using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 1.04%, dividend yield of 0%, volatility of 200% and expected life of 2 years.

(Stated in Canadian dollars)

As the market value of the shares at the time of issue was $0.02 per share, $311,202 was allocated to the common shares. Of the remaining $202,970, $141,440 was recorded as gain on issuance and classified as other income on the statement of operations and $61,529 reduced the value of assets acquired or expenses incurred.

Finally, of the total proceeds, only $84,000 was represented by cash and all of that was received prior to July 31, 2014. ($260,000 of the balance of common share subscriptions received as at July 31, 2014 were reclassified as preferred share subscriptions, a liability item.) Accordingly, no cash was received on the private placement during the three months ended October 31, 2014. The balance of $694,000 was used to reduce accounts payable and accrued charges, due to related parties and loans payable.

For the year ending July 31, 2014:

On August 9, 2013, the Company announced a private placement of up to 5,000,000 participating convertible redeemable Series "A" preferred shares at $1.00 each. Each share carries a participating dividend of 50% of the gross net margins on proceeds from the sale of reserves generated from the Company's investment in Ascot, payable quarterly until participating dividends equal to the issue price have been earned. At that time the dividend will be set at 40% per annum. Each share will be convertible into that number of common shares equal to the quotient of the issue price and unpaid dividends divided by the greater of $0.05 or 80% of the average of the closing prices of the common shares during the 10 trading days immediately preceding the notice of conversion.

On October 9, 2013, $50,000 was received on this preferred share financing and, as allowed under the terms of the subscription agreement, was designated as flow-through shares to be expended on the Fairview South Okanagan Property. Commissions of $5,000 were paid in connection with this private placement.

On October 24, 2013, a further $250,000 in proceeds was received on this preferred share financing but was not designated as flow-through. The Company spent US$ 200,000 of the proceeds to purchase convertible preference shares of Ascot Mining Plc as described in Note 5(j).

The shares have not yet been issued in connection with this preferred share financing and have been recorded as a liability item on the Company's statement of financial position as at October 31, 2014.

On April 25, 2014, $15,000 was received on another financing, originally announced on July 2, 2013 and on which $69,000 was received prior to the July 31, 2013 year end.

(c) Warrants

A summary of warrant activity for the three month period ended October 31, 2014 and the year ended July 31, 2014 is as follows:

Grant Date	**Expiry Date**	**Number of Warrants**	**Exercise Price**	**Estimated Grant date Fair Value (Net of costs)**
Balance July 31, 2013 and 2014		18,555,714	$ 0.07	$ 386,453
Granted October 20, 2014	October 20, 2016	15,560,080	$ 0.10	$ 263,833
Balance, October 31, 2014		34,115,794		$ 650,286

(Stated in Canadian dollars)

A summary of warrants outstanding as at October 31, 2014

Grant Date	**Expiry Date**	**Number of Warrants**	**Price**	
February 27, 2012	February 27, 2016	9,181,714	$ 0.10	$ 176,094
April 4, 2013	April 4, 2015	1,970,000	0.05	$ 37,586
May 23, 2013	May 23, 2015	7,404,000	0.05	$ 172,773
October 20, 2014	October 20, 2016	15,560,080	0.10	$ 263,833
Balance, October 31, 2014		**34,115,794**	**$ 0.09**	$ 650,286

(d) Stock Options

The Company has established a stock option plan pursuant to which options to purchase common shares may be granted to certain officers, directors and employees of the Company as well as persons providing ongoing services to the Company. The maximum number of common shares reserved for issuance upon the exercise of options is not to exceed 20% of the total number of common shares outstanding immediately prior to such an issuance. No more than 5% of the issued shares of the Company may be granted to any one insider and no more than 10% of the issued and outstanding shares may be issued to insiders in aggregate during any 12-month period. No more than 2% of the issued shares of the Company may be granted to any one consultant during any 12-month period. The options are non-transferable and non-assignable and may be granted for a term not exceeding five years. The exercise price of options equals the market price of the Company's stock on the date of grant. Under the plan, the Board of Directors has the choice of either vesting or allowing options issued to be exercisable upon issuance. Options are normally issued for two to five-year terms.

There were no stock options granted under the stock option plan during the three months ended October 31, 2014.

On October 17, 2013, the Company issued 8,700,000 stock options to directors, officers, consultants and employees of the Company. Each option allows the holder to acquire one common share of the Company at a price of $0.06 per share for a period of 5 years, expiring October 16, 2018. The total value of the options was determined to be $174,000 using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	1.85%
Expected life	5 years
Expected volatility	410.79%
Expected dividend yield	0.00%

The value of the options was later reduced to $167,000, based on a maximum volatility of 200%.

(Stated in Canadian dollars)

A summary of stock option activity for the three months ended October 31, 2014 and the year ended July 31, 2014 is as follows:

	Options Outstanding	Weighted Average Exercise Price
Balance, exercisable and outstanding July 31, 2013	9,300,000	$ 0.07
Options granted	8,700,000	0.06
Options cancelled	(6,650,000)	0.07
Balance, exercisable and outstanding July 31, 2014 and October 31, 2014	11,350,000	$ 0.06

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

Grant Date	No. of options outstanding and exercisable	Expiry Date	Exercise price	Estimated Grant Date Fair Value
July 15, 2010	400,000	July 15, 2015	$0.05	$ 12000
February 4, 2011	500,000	February 3, 2016	0.06	25,500
February 21, 2011	400,000	February 20, 2016	0.06	20,400
January 9. 2012	1,750,000	January 8, 2017	0.08	69,900
January 13, 2012	300,000	January 12, 2017	0.08	12,000
October 17, 2013	8,700,000	October 16, 2018	$0.06	174,000
October 31, 2014	**11,350,000**		**$0.07**	**$ 293,400**

As at October 31, 2014 the weighted average remaining expected life of issued and outstanding options was 3.32 years. (July 31, 2014 – 3.57 years).

(e) Common Shares Committed for Issuance

During the year ended July 31, 2014, the Company agreed to issue a total of 1,620,000 common shares to an arm's length party as compensation for loans issued to the Company. The commitment has been accrued at a fair value equal to the market price of the Company's common shares as at July 31, 2014 of $0.01 per share for a total amount of $16,200.

7. PROVISIONS

The Company raised capital through the issuance of flow-through shares in 2012, which provided indemnity to the shareholders for additional taxes payable if the Company was unable to, or failed to, renounce the qualifying expenditures as agreed, without limiting the recourse of the subscriber. The Company was not able to spend $527,315 of the flow-through funds raised. The Company is exposed to costs for the indemnification of the shareholders and Part XII.6 tax liability. The Company estimated the potential shareholder indemnification liability in the amount of $205,653 and the Part XII.6 liability as $59,446 at July 31, 2013. To estimate the potential indemnification liability, management used a combined tax rate of 39% of unspent flow-through funds raised. The accrued amounts are subject to measurement uncertainty due to the tax filing positions of the subscribers, their tax rates and the amount of personal taxes that may be payable and the interpretation of the indemnity agreements, which will not be known until potentially affected subscribers are reassessed for their tax positions by the Canada Revenue Agency and these amounts become known to the Company. There has been no change in the estimate since its original calculation.

(Stated in Canadian dollars)

8. RELATED PARTY TRANSACTIONS AND BALANCES

Due from/to Related Parties

During the three months ended October 31, 2014, $7,500 (2013 - $15,000) was recorded as management fees provided by companies controlled by an officer and former officer of the Company (No amounts were paid to the former office for the three months ended October 31, 2014). As at October 31, 2014, $12,750 was owing for fees to the same entities and were included in amounts due to related parties (2013 - $55,350).

During the three months ended October 31, 2014, $45,000 was recorded as management fees to an officer and director of the Company (October 31, 2013 - $45,000). As at October 31, 2014, $123,721 was owing to this individual and a company controlled by him (October 31, 2013 - $7,821).

The balance owing to a shareholder and a company controlled by the shareholder, amounted to $383,780 as at October 31, 2014 (October 31, 2013 - $383,780).

All amounts due to related parties are unsecured, non-interest bearing and due on demand. As disclosed in Note 9, $367,588 in amounts owing to the related parties was reduced through the private placement share issuance of October 20, 2014.

On June 20, 2013, the Company borrowed $30,000 from a director. Under the loan agreement, the Company paid a financing fee to the director of 300,000 common shares (valued at $0.05 per share) and agreed to pay interest at the rate of 20% per annum. The principal of the loan was repaid during the year ended July 31, 2014 but $3,635 interest remains outstanding as at July 31, 2014 and October 31, 2014.

A summary of the aforementioned related party transactions, management fees and other compensation earned directly by key members of the Company's management is as follows:

Three months ended October 31	**2014**	2013
Management fees	**$ 52,500**	$ 60,000
Interest	**-**	2,170
Share-based compensation expense	**-**	122,000
Total compensation	**$ 52,500**	$ 184,170

9. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The significant non-cash investing and financing transactions during the three months ended October 31, 2014 were as follows:

(a) The Company issued debt and extinguished the following:

(i) $6,300 in consulting fees incurred during the three months ended October 31, 2014;

(ii) $14,000 in exploration and evaluation costs incurred during the three months ended October 31, 2014;

(iii) Loans payable of $105,100 ($59,600 as at July 31, 2015);

(iv) Amounts due to related parties of $367,588);

(v) Accounts payable and accrued charges, not included above of $147,604;

(vi) Amounts due to related parties of $367,588); and

(vii) Equipment costs of $1,183.

(b) A total of $15,000 in exploration and evaluation assets costs were included in accounts payable and accrued liabilities as at October 31, 2014;

(c) The Company paid $Nil for interest and income taxes.

The significant non-cash investing and financing transactions during the three months ended October 31, 2013 were as follows:

(c) A total of $6,334 in exploration and evaluation assets costs were included in accounts payable and accrued liabilities as at October 31, 2013;

(d) The Company granted 8,700,000 stock option valued at $174,000;

(e) A total of 2,107 in interest was included in loan to related party as at October 31, 2013; and

(f) The Company paid $Nil for interest and income taxes.

10. LOANS PAYABLE AND PROMISSORY NOTES PAYABLE

Loans payable

As at July 31, 2014, the Company had loans payable to arm's length parties in the gross amount of $59,600. The loans are free of interest, unsecured and payable on demand. The loans were extinguished through the common share issuance on October 20, 2014.

Promissory note

During the year ended July 31, 2014, the Company entered into a promissory note agreement with a vendor who had previously provided exploration services on the Company's Fairview South Okanagan and English Bay Properties. Pursuant to the agreement, $51,580 was converted from accounts payable to a formalized promissory note repayable at the earlier of:

a) Receipt of approximately $100,000 or more in financing by the Company; or
b) Any specific investment received by the Company specifically for the continued work on the Fairview South Okanagan Property.

The promissory note is free of interest and unsecured and remains outstanding as at October 31, 2014.

(Stated in Canadian dollars)

11. COMMITMENTS AND CONTINGENCIES

Environmental Contingencies

The Company's mining and exploration activities are subject to various federal and provincial laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

Flow-through Expenditures

On February 27, 2012, pursuant to the issuance of 9,181,428 flow-through units, the Company renounced $642,700 of qualified exploration expenditures to flow-through shareholders which it was to expend by December 31, 2012. As at that date, the Company spent $115,385.

The Company has agreed to indemnify the subscribers for any tax related amounts that become payable by the subscriber as a result of the Company not meeting its expenditure commitments. The amount estimated is disclosed in Note 7.

12. SEGMENTED INFORMATION

The Company has two reportable operating segments, being the acquisition and exploration of mineral properties in Canada and the United States. The Company's capital assets by location are as follows:

	Property and Equipment	Exploration & Evaluation Assets
October 31, 2014		
Canada	$ 7,849	$ 656,034
United States	-	60,000
	$ 7,849	$ 716,034

	Property and Equipment	Exploration & Evaluation Assets
July 31, 2014		
Canada	$ 7,299	$ 627,034
United States	-	60,000
	$ 7,299	$ 687,034

13. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the period end of October 31, 2914:

The Company was issued a Cease Trade Order in respect of the Company's securities by the Ontario Securities Commission ("OSC") on December 29, 2014 based on the Company's failure to file annual financial statements for the year ended July 31, 2014 by the deadline of November 28, 2014.