

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

R QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED April 30, 2015.

E TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM _____ TO _____.

Commission File Number: 001-33125

SILVER BULL RESOURCES, INC.

(Exact name of registrant as specified in its charter)

Nevada

State or other jurisdiction of
incorporation or organization

91-1766677

(I.R.S. Employer
Identification No.)

925 West Georgia Street, Suite 1908

Vancouver, B.C. V6C 3L2

(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: 604-687-5800

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes R No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes R No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or smaller reporting company:

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company R

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No R

As of June 12, 2015, there were 159,072,657 shares of the Registrant's \$0.01 par value Common Stock ("Common Stock"), the Registrant's only outstanding class of voting securities.

SILVER BULL RESOURCES, INC.
(AN EXPLORATION STAGE COMPANY)

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PART I – FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

SILVER BULL RESOURCES, INC.
(AN EXPLORATION STAGE COMPANY)
CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

	<u>April 30,</u> <u>2015</u>	<u>October 31,</u> <u>2014</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,975,279	\$ 1,879,318
Value-added tax receivable, net of allowance for uncollectible taxes of \$106,707 and \$116,274 respectively (Note 6)	137,743	163,032
Income tax receivable	1,717	2,027
Other receivables	35,193	28,637
Prepaid expenses and deposits	146,988	219,717
Assets of discontinued operations held for sale (Note 4)	—	1,281,518
Total Current Assets	<u>2,296,920</u>	<u>3,574,249</u>
Office and mining equipment, net (Note 7)	330,028	363,519
Property concessions (Note 8)	5,563,263	5,563,263
Goodwill (Note 9)	18,495,031	18,495,031
TOTAL ASSETS	<u>\$ 26,685,242</u>	<u>\$ 27,996,062</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 194,912	\$ 253,419
Accrued liabilities and expenses	241,747	354,792
Income tax payable	14,000	10,000
Liabilities of discontinued operations held for sale (Note 4)	—	8,894
Total Current Liabilities	<u>450,659</u>	<u>627,105</u>
COMMITMENTS AND CONTINGENCIES (Notes 1, 10 and 14)		
STOCKHOLDERS' EQUITY (Notes 10, 11 and 12)		
Common stock, \$0.01 par value; 300,000,000 shares authorized, 159,072,657 and 159,072,657 shares issued and outstanding, respectively	1,590,726	1,590,726
Additional paid-in capital	124,982,164	124,921,150
Deficit accumulated during exploration stage	(100,556,982)	(99,301,107)
Other comprehensive income	218,675	158,188
Total Stockholders' Equity	<u>26,234,583</u>	<u>27,368,957</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 26,685,242</u>	<u>\$ 27,996,062</u>

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

SILVER BULL RESOURCES, INC.
(AN EXPLORATION STAGE COMPANY)

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS (Unaudited)

	Three Months Ended April 30,		Six Months Ended April 30,	
	2015	2014	2015	2014
REVENUES	\$ —	\$ —	\$ —	\$ —
EXPLORATION AND PROPERTY HOLDING COSTS				
Exploration and property holding costs	138,570	239,668	410,667	724,660
Depreciation and asset impairment	14,949	348,660	32,581	380,288
TOTAL EXPLORATION AND PROPERTY HOLDING COSTS	<u>153,519</u>	<u>588,328</u>	<u>443,248</u>	<u>1,104,948</u>
GENERAL AND ADMINISTRATIVE EXPENSES				
Personnel	131,114	152,183	285,164	333,126
Office and administrative	124,204	128,390	284,463	304,524
Professional services	65,063	77,525	165,445	178,260
Directors' fees	50,517	57,233	106,560	115,788
Provision for uncollectible value-added taxes	6,485	10,870	6,235	19,132
Depreciation	444	853	889	1,770
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	<u>377,827</u>	<u>427,054</u>	<u>848,756</u>	<u>952,600</u>
LOSS FROM OPERATIONS	(531,346)	(1,015,382)	(1,292,004)	(2,057,548)
OTHER INCOME (EXPENSES)				
Interest and investment income	382	4,320	640	6,749
Foreign currency transaction gain (loss)	12,763	20,648	(85,999)	5,377
Miscellaneous income	—	763	—	44,048
TOTAL OTHER INCOME (EXPENSES)	<u>13,145</u>	<u>25,731</u>	<u>(85,359)</u>	<u>56,174</u>
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(518,201)	(989,651)	(1,377,363)	(2,001,374)
INCOME TAX EXPENSE	3,070	7,386	4,641	10,933
LOSS FROM CONTINUING OPERATIONS	(521,271)	(997,037)	(1,382,004)	(2,012,307)
Loss from discontinued operations, net of income taxes (Note 4)	—	(272,167)	(159,277)	(334,286)
(Loss) gain on sale of assets of discontinued operations, net of income taxes (Note 4)	(10,963)	—	285,406	—
NET LOSS	<u>\$ (532,234)</u>	<u>\$ (1,269,204)</u>	<u>\$ (1,255,875)</u>	<u>\$ (2,346,593)</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Foreign currency translation adjustments	2,977	(566)	53,324	(1,666)
Realized foreign currency translation gain on sale of assets of discontinued operations (Note 4)	—	—	7,163	—
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	<u>2,977</u>	<u>(566)</u>	<u>60,487</u>	<u>(1,666)</u>
COMPREHENSIVE LOSS	<u>\$ (529,257)</u>	<u>\$ (1,269,770)</u>	<u>\$ (1,195,388)</u>	<u>\$ (2,348,259)</u>
BASIC AND DILUTED NET LOSS PER COMMON SHARE				
Loss from continuing operations	\$ —	\$ (0.01)	\$ (0.01)	\$ (0.01)
Loss from discontinued operations	—	—	—	—
Net loss	<u>\$ —</u>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>
BASIC AND DILUTED WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	<u>159,072,657</u>	<u>159,072,657</u>	<u>159,072,657</u>	<u>159,072,657</u>

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

SILVER BULL RESOURCES, INC.
(AN EXPLORATION STAGE COMPANY)
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (Unaudited)

	Common Stock		Additional Paid-in Capital	Deficit Accumulated During Exploration Stage	Other Comprehensive Income	Total
	Number of Shares	Amount				
Balance, October 31, 2014	159,072,657	\$ 1,590,726	\$ 124,921,150	\$ (99,301,107)	\$ 158,188	\$ 27,368,957
Stock option activity as follows:						
- stock based compensation for options issued to officers, employees, consultants and directors	—	—	61,014	—	—	61,014
Other Comprehensive Income	—	—	—	—	60,487	60,487
Net loss	—	—	—	(1,255,875)	—	(1,255,875)
Balance, April 30, 2015	159,072,657	\$ 1,590,726	\$ 124,982,164	\$ (100,556,982)	\$ 218,675	\$ 26,234,583

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

SILVER BULL RESOURCES, INC.
(AN EXPLORATION STAGE COMPANY)
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	Six Months Ended	
	April 30,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (1,255,875)	\$ (2,346,593)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and asset impairment	36,775	580,901
Provision for uncollectible value-added taxes	6,235	19,132
Gain on sale of assets of discontinued operations (Note 4)	(285,406)	—
Other income	—	(41,427)
Foreign currency transaction loss (gain)	176,430	(19,805)
Stock options issued for compensation	61,014	111,926
Changes in operating assets and liabilities:		
Value-added tax receivable	46	(4,306)
Income taxes receivable	77	—
Other receivables	(9,769)	28,429
Prepaid expenses and deposit	71,224	72,365
Accounts payable	(64,405)	(327,733)
Accrued liabilities and expenses	(70,042)	(57,288)
Income tax payable	4,000	9,678
Net cash used in operating activities	<u>(1,329,696)</u>	<u>(1,974,721)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Other assets	80,238	—
Proceeds from sale of equipment	—	85,970
Acquisition of property concessions	—	(247,845)
Net proceeds from sale of discontinued operations (Note 4)	1,362,883	—
Net cash provided by (used in) investing activities	<u>1,443,121</u>	<u>(161,875)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net cash provided by financing activities	—	—
Effect of exchange rates on cash and cash equivalents	(24,315)	6,854
Net increase (decrease) in cash and cash equivalents	89,110	(2,129,742)
Cash and cash equivalents, beginning of period	1,886,169*	5,251,003
Cash and cash equivalents end of period	<u>\$ 1,975,279</u>	<u>\$ 3,121,261</u>

*Cash and cash equivalents at October 31, 2014 included \$6,851 in assets of discontinued operations held for sale.

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

SILVER BULL RESOURCES, INC.
(AN EXPLORATION STAGE COMPANY)
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited) (CONTINUED)

	Six Months Ended	
	April 30,	
	2015	2014
SUPPLEMENTAL CASH FLOW DISCLOSURES:		
Income taxes paid	\$ 2,846	\$ 10,398
Interest paid	\$ —	\$ —
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Property concessions capitalized and included in accrued liabilities	\$ —	\$ 100,000

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

NOTE 1 – ORGANIZATION, DESCRIPTION OF BUSINESS AND LIQUIDITY

Silver Bull Resources, Inc. (the "Company") was incorporated in the State of Nevada on November 8, 1993 as the Cadgie Company for the purpose of acquiring and developing mineral properties. The Cadgie Company was a spin-off from its predecessor, Precious Metal Mines, Inc. On June 28, 1996, the Company's name was changed to Metalline Mining Company. On April 21, 2011, the Company's name was changed to Silver Bull Resources, Inc. The Company's fiscal year-end is October 31. The Company has not realized any revenues from its planned operations and is considered an exploration stage company. The Company has not established any reserves with respect to its exploration projects and may never enter into the development stage with respect to any of its projects.

The Company engages in the business of mineral exploration. The Company currently owns or has the option to acquire a number of property concessions in Mexico (collectively known as the "Sierra Mojada Property"). The Company conducts its operations in Mexico through its wholly-owned subsidiary corporations, Minera Metalin S.A. de C.V. ("Minera") and Contratistas de Sierra Mojada S.A. de C.V. ("Contratistas") and through Minera's wholly-owned subsidiary Minas de Coahuila SBR S.A. de C.V. ("Minas").

On April 16, 2010, Metalline Mining Delaware, Inc., a wholly-owned subsidiary of the Company, was merged with and into Dome Ventures Corporation ("Dome"). As a result, Dome became a wholly-owned subsidiary of the Company. Dome has a wholly-owned subsidiary Dome Asia Inc. ("Dome Asia"), which is incorporated in the British Virgin Islands. Dome Asia has a wholly-owned subsidiary incorporated in Gabon, African Resources SARM Gabon ("African Resources"), as well as a 99.99%-owned subsidiary, Dome Minerals Nigeria Limited, incorporated in Nigeria. In January 2015, the Company completed the sale of its subsidiary Dome International Global Inc. ("Dome International"), including Dome International's wholly-owned subsidiary Dome Ventures SARM Gabon ("Dome Gabon"), which held the Ndjole Prospect in Gabon (Note 4).

The Company's efforts have been concentrated in expenditures related to exploration properties, principally in the Sierra Mojada Property located in Coahuila, Mexico. The Company has not determined whether its exploration properties contain ore reserves that are economically recoverable. The ultimate realization of the Company's investment in exploration properties is dependent upon the success of future property sales, the existence of economically recoverable reserves, and the ability of the Company to obtain financing or make other arrangements for exploration, development, and future profitable production activities. The ultimate realization of the Company's investment in exploration properties cannot be determined at this time. Accordingly, no provision for any asset impairment that may result, in the event the Company is not successful in developing or selling these properties, has been made in the accompanying condensed consolidated financial statements, except as disclosed in Notes 4 and 8.

Liquidity, Financial Commitments and Management's Plans

Since its inception in November 1993, the Company has not generated revenue and has incurred a deficit of \$100,556,982. Accordingly, the Company has not generated cash flow from operations, and since inception the Company has relied primarily upon proceeds from private placements and registered direct offerings of the Company's equity securities and warrant exercises as the primary sources of financing to fund the Company's operations. As of April 30, 2015, the Company had working capital of \$1,846,261 and cash and cash equivalents of \$1,975,279. Management will continue to evaluate the Company's ability to raise additional capital, and if it determines that additional capital is unavailable or available on terms that the Company determines are unacceptable, then the Company will reduce exploration expenditures on the Company's property concessions and reduce general and administrative expenditures.

NOTE 2 – BASIS OF PRESENTATION

The Company's unaudited interim condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") and applicable rules of the U.S. Securities and Exchange Commission ("SEC") regarding interim reporting. All intercompany transactions and balances have been eliminated during consolidation. Certain information and note disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. The condensed consolidated balance sheet at October 31, 2014 was derived from the audited consolidated financial statements. Accordingly, these unaudited interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company's Annual Report on Form 10-K for the year ended October 31, 2014.

The unaudited interim condensed consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements, except as disclosed in Note 3. In the opinion of management, these unaudited interim condensed consolidated financial statements furnished herein include all adjustments, all of which are of a normal recurring nature, necessary for a fair statement of the results for the interim periods presented. Uncertainties with respect to estimates and assumptions are inherent in the preparation of the Company's condensed consolidated financial statements; accordingly, operating results for the six months ended April 30, 2015 are not necessarily indicative of the results that may be expected for the fiscal year ending October 31, 2015.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are defined in the Company's Annual Report on Form 10-K for the year ended October 31, 2014 filed on January 26, 2015, except as follows.

Recent Accounting Pronouncements Adopted in the Six Month Period Ended April 30, 2015

Effective November 1, 2014, the Company adopted Accounting Standards Update ("ASU") 2013-11, "Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carry Forward, a Similar Tax Loss, or a Tax Credit Carry Forward Exists." The updated guidance requires an entity to net its unrecognized tax benefits against the deferred tax assets for all same jurisdiction net operating loss carry forwards, a similar tax loss, or tax credit carry forwards. A gross presentation will be required only if such carry forwards are not available or would not be used by the entity to settle any additional income taxes resulting from disallowance of the uncertain tax provision. The adoption of this update did not have a material impact on the Company's financial position, results of operations or cash flows and disclosures at this time.

Effective November 1, 2014, the Company adopted ASU 2013-05, "Foreign Currency Matters (Topic 830): Parent's Accounting for the Cumulative Translation Adjustment." The updated standard clarifies the applicable guidance for a parent company's accounting for the release of the cumulative translation adjustment into net income upon derecognition of certain subsidiaries or groups of assets within a foreign entity or of an investment in a foreign entity. The adoption of this update did not have a material impact on the Company's financial position, results of operations or cash flows and disclosures at this time.

Recent Accounting Pronouncements Not Yet Adopted

In April 2015, the Financial Accounting Standards Board ("FASB") issued ASU 2015-03, "Simplifying the Presentation of Debt Issuance Costs," which requires that debt issuance costs related to a recognized debt liability be presented as a reduction to the carrying amount of that debt liability, not as an asset. These changes become effective prospectively for the Company's fiscal year beginning November 1, 2016. The Company has not determined the effects of this update on the Company's financial position, result of operations or cash flows and disclosures at this time.

In February 2015, the FASB issued ASU 2015-02, "Consolidation (Topic 810): Amendments to the Consolidation Analysis," which amends the consolidation requirements in ASC 810. These changes become effective prospectively for the Company's fiscal year beginning November 1, 2016. The Company has not determined the effects of this update on the Company's financial position, results of operations or cash flows and disclosures at this time.

In April 2014, the FASB issued ASU 2014-08, "Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity." Under ASU 2014-08, only disposals of a component or group of components of an entity representing a strategic shift that has (or will have) a major effect on an entity's operations and financial results are presented as discontinued operations. In addition, ASU 2014-08 requires expanded disclosures about discontinued operations that will provide additional information about the assets, liabilities, income, and expenses of discontinued operations. ASU 2014-08 also requires disclosure of the pre-tax income attributable to a disposal of a significant part of an organization that does not qualify for discontinued operations reporting. The update is effective prospectively for fiscal years, and interim periods within those years, beginning after December 15, 2014. The Company has not determined the effects of this update on the Company's financial position, results of operations or cash flows and disclosures at this time.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)." The updated guidance provides a five-step approach to be applied to all contracts with customers and requires expanded disclosures about revenue recognition. The update is effective for annual periods ending after December 15, 2017, and interim periods within annual periods beginning after December 15, 2017. Early application is permitted. The Company has not determined the effects of this update on the Company's financial position, results of operations or cash flows and disclosures at this time.

In August 2014, the FASB issued ASU 2014-15, "Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties About an Entity's Ability To Continue as a Going Concern." ASU 2014-15 is intended to define management's responsibility to evaluate whether there is substantial doubt about an organization's ability to continue as a going concern and to provide related footnote disclosures. The update provides guidance to an organization's management, with principles and definitions that are intended to reduce diversity in the timing and content of disclosures that are commonly provided by organizations today in the financial statement footnotes. The amendments are effective for annual periods beginning after December 15, 2016, and interim periods within annual periods beginning after December 15, 2016. Early application is permitted. The Company has not determined the effects of this update on the Company's financial position, results of operations or cash flows and disclosures at this time.

Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force) and the SEC did not or are not believed to have a material impact on the Company's present or future consolidated financial statements.

NOTE 4 – DISCONTINUED OPERATIONS

On January 23, 2015, the Company closed the sale to BHK Mining Corp. (formerly BHK Resources, Inc.) ("BHK") of 100% of the issued and outstanding securities of the Company's former subsidiary, Dome International, which holds, indirectly, a 100% interest in the Ndjole concession. Under the terms of the share purchase agreement, the Company received cash consideration of \$1,500,000 and reimbursement of the Company's expenses of \$75,000 in cash. In addition, the Company incurred transaction costs of \$212,117. As a result of this transaction, the Company realized a gain on the sale of assets of discontinued operation of \$285,406, net of income taxes.

During the six months ended April 30, 2014, the Company determined that the Ndjole concession was impaired as its carrying amount was not recoverable based on the implied fair value from the proposed sale proceeds. An impairment loss of \$187,981 was recognized.

The following table details selected financial information included in the (income) loss from discontinued operations for the three months and six months ended April 30, 2015 and 2014.

	For the Three Months Ended April 30,		For the Six Months Ended April 30,	
	2015	2014	2015	2014
Exploration and property holding costs	\$ —	\$ 86,102	\$ 85,542	\$ 139,144
Depreciation and asset impairment	—	195,166	3,305	198,843
Foreign currency transaction (gain) loss	—	(9,101)	70,430	(3,701)
Loss (gain) on sale of discontinued operations, net of taxes	10,963	—	(285,406)	—
Loss (income) from discontinued operations, net of income taxes	\$ 10,963	\$ 272,167	\$ (126,129)	\$ 334,286

The major classes of assets and liabilities of Dome International and its subsidiary Dome Gabon are presented as assets held for sale in the consolidated balance sheets are as follows:

	<u>April 30, 2015</u>	<u>October 31, 2014</u>
Assets		
Cash and cash equivalents	\$ —	\$ 6,851
Restricted cash	—	1,417
Value-added tax receivable	—	8,053
Prepaid expenses and deposits	—	6,796
Other assets	—	80,238
Office and mining equipment, net	—	9,536
Property concession	—	1,168,627
Total assets of discontinued operations held for sale	<u>\$ —</u>	<u>\$ 1,281,518</u>
Liabilities		
Accounts payable	\$ —	\$ 8,894
Total liabilities of discontinued operations held for sale	<u>\$ —</u>	<u>\$ 8,894</u>

NOTE 5 – LOSS PER SHARE

The Company had stock options and warrants to purchase common stock in the aggregate of 10,330,358 shares and 21,788,977 shares outstanding at April 30, 2015 and April 30, 2014, respectively. They were not included in the calculation of loss per share because they would have been considered anti-dilutive.

NOTE 6 – VALUE-ADDED TAX RECEIVABLE

Value-added tax ("VAT") receivable relates to VAT paid in Mexico and Gabon. The Company estimates net VAT of \$137,743 will be received within 12 months of the balance sheet date. The allowance for uncollectible VAT taxes was estimated by management based upon a number of factors including the length of time the returns have been outstanding, responses received from tax authorities, general economic conditions in Mexico and Gabon and estimated net recovery after commissions. During the six months ended April 30, 2015, a provision for uncollectible VAT of \$6,235 has been recorded.

A summary of the changes in the allowance for uncollectible VAT taxes for the six months ended April 30, 2015 is as follows:

Allowance for uncollectible VAT taxes – October 31, 2014	\$ 116,274
Provision of uncollectible VAT taxes	6,235
Foreign currency translation adjustment	(13,546)
Write-off VAT receivable	(2,256)
Allowance for uncollectible VAT taxes – April 30, 2015	<u>\$ 106,707</u>

NOTE 7 – OFFICE AND MINING EQUIPMENT

The following is a summary of the Company's office and mining equipment at April 30, 2015 and October 31, 2014, respectively:

	<u>April 30, 2015</u>	<u>October 31, 2014</u>
Mining equipment	\$ 504,451	\$ 504,451
Vehicles	81,261	81,261
Buildings and structures	191,966	191,966
Computer equipment and software	84,989	84,989
Well equipment	39,637	39,637
Office equipment	52,931	52,931
	<u>955,235</u>	<u>955,235</u>
Less: Accumulated depreciation	(625,207)	(591,716)
Office and mining equipment, net	<u>\$ 330,028</u>	<u>\$ 363,519</u>

NOTE 8 – PROPERTY CONCESSIONS

The following is a summary of the Company's property concessions in Sierra Mojada, Mexico as at April 30, 2015 and October 31, 2014, respectively:

Property concessions – October 31, 2014	<u>\$ 5,563,263</u>
Property concessions – April 30, 2015	<u>\$ 5,563,263</u>

During the six months ended April 30, 2014, the Company decided not to pursue further work on a concession in Sierra Mojada, Mexico. As a result, the Company has written off the capitalized property concession balance related to this concession of \$8,971.

During the six months ended April 30, 2014, the Company has written off the capitalized property concession balance related to the Mitzic concession of \$324,560 as the recoverability is highly uncertain.

NOTE 9 – GOODWILL

Goodwill represents the excess, at the date of acquisition, of the purchase price of the business acquired over the fair value of the net tangible and intangible assets acquired. At April 30, 2015 the Company did not elect to perform a qualitative assessment to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount and therefore performed the two-step goodwill impairment test. Based on this test the Company determined that the fair value of the reporting unit exceeded the carrying amount and no impairment was necessary.

The following is a summary of the Company's goodwill balance as at April 30, 2015 and October 31, 2014, respectively:

Goodwill – October 31, 2014	<u>\$ 18,495,031</u>
Goodwill – April 30, 2015	<u>\$ 18,495,031</u>

NOTE 10 – SHAREHOLDER RIGHTS PLAN

On June 11, 2007, the Board of Directors adopted a Shareholders' Right Plan through the adoption of a Rights Agreement, which became effective immediately. In connection with the adoption of the Rights Agreement, the Board of Directors declared a distribution of one Right for each outstanding share of the Company's common stock, payable to shareholders of record at the close of business on June 22, 2007. In accordance with the Rights Plan, one Right is attached to each share of Company common stock issued since that date. Each Right is attached to the underlying common stock and will remain with the common stock if the stock is sold or transferred. As of April 30, 2015, there are 159,072,657 shares outstanding with Rights attached.

In certain circumstances, in the event that any person acquires beneficial ownership of 20% or more of the outstanding shares of the Company's common stock, each holder of a Right, other than the acquirer, would be entitled to receive, upon payment of the purchase price, which is initially set at \$20 per Right, a number of shares of the Company's common stock having a value equal to two times such purchase price. The Rights will expire on June 11, 2017.

NOTE 11 - COMMON STOCK

No common stock was issued during the six months ended April 30, 2015 and April 30, 2014.

NOTE 12 - STOCK OPTIONS

The Company has two active stock option plans. Under the 2006 Stock Option Plan (the "2006 Plan"), the Company may grant non-statutory and incentive options to employees, directors and consultants for up to a total of 5,000,000 shares of common stock. Under the 2010 Stock Option and Stock Bonus Plan (the "2010 Plan"), the lesser of (i) 30,000,000 shares or (ii) 10% of the total shares outstanding are reserved for issuance upon the exercise of options or the grant of stock bonuses.

Options are typically granted with an exercise price equal to the closing market price of the Company's stock at the date of grant, have a graded vesting schedule over approximately one to two years and have a contractual term of two to 10 years.

No options were granted or exercised during the six months ended April 30, 2015 and April 30, 2014.

The following is a summary of stock option activity for the six months ended April 30, 2015:

Options	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding at October 31, 2014	11,422,144	\$ 0.50	3.00	—
Forfeited or Cancelled	(1,091,786)	0.60		
Outstanding at April 30, 2015	<u>10,330,358</u>	<u>\$ 0.49</u>	<u>2.44</u>	<u>\$ —</u>
Vested or Expected to Vest at April 30, 2015	<u>10,330,358</u>	<u>\$ 0.49</u>	<u>2.44</u>	<u>\$ —</u>
Exercisable at April 30, 2015	<u>8,402,858</u>	<u>\$ 0.54</u>	<u>2.09</u>	<u>\$ —</u>

The Company recognized stock-based compensation costs for stock options of \$61,014 and \$111,926 for the six months ended April 30, 2015 and 2014, respectively. The Company typically does not recognize any tax benefits for stock options due to the Company's recurring losses. The Company currently expects all outstanding options to vest. Compensation cost is revised if subsequent information indicates that the actual number of options that will vest is likely to differ from previous estimates.

Summarized information about stock options outstanding and exercisable at April 30, 2015 is as follows:

Options Outstanding				Options Exercisable		
Exercise Price	Number Outstanding	Weighted Ave. Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price	
\$ 0.26	2,712,500	4.03	\$ 0.26	1,149,999	\$ 0.26	
0.37	1,865,000	3.03	0.37	1,500,001	0.37	
0.44 – 0.73	5,110,000	1.58	0.58	5,110,000	0.58	
1.05 – 1.20	600,000	0.80	1.09	600,000	1.09	
2.18	42,858	2.72	2.18	42,858	2.18	
<u>\$ 0.26 - 2.18</u>	<u>10,330,358</u>	<u>2.44</u>	<u>\$ 0.49</u>	<u>8,402,858</u>	<u>\$ 0.54</u>	

As of April 30, 2015, there was \$66,952 of total unrecognized compensation costs related to non-vested share-based compensation arrangements granted under the qualified stock option plans. That cost is expected to be recognized over a weighted average period of 0.46 years.

NOTE 13 – FINANCIAL INSTRUMENTS

Fair Value Measurements

All financial assets and financial liabilities are recorded at fair value on initial recognition. Transaction costs are expensed when they are incurred, unless they are directly attributable to the acquisition of financial assets or the assumption of liabilities carried at amortized cost, in which case the transaction costs adjust the carrying amount.

The three levels of the fair value hierarchy are as follows:

- Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and
- Level 3 Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

Under fair value accounting, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. As of April 30, 2015 and October 31, 2014, the Company had no financial assets or liabilities required to be reported for fair value purposes.

The carrying amounts of the Company's financial instruments, including cash and cash equivalents, other receivables, accounts payable and accrued liabilities and expenses approximate fair value at April 30, 2015 and October 31, 2014 due to the short maturities of these financial instruments.

Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Company by failing to discharge its obligations. To mitigate exposure to credit risk on financial assets the Company has established policies to ensure liquidity of funds and ensure that counterparties demonstrate minimum acceptable credit worthiness.

The Company maintains its U.S. Dollar and Canadian Dollar ("SCDN") cash and cash equivalents in bank and demand deposit accounts with major financial institutions with high credit standings. Cash deposits held in the United States are insured by the Federal Deposit Insurance Corporation ("FDIC") for up to \$250,000 and SCDN cash deposits held in Canada are insured by the Canada Deposit Insurance Corporation ("CDIC") for up to SCDN 100,000. Certain United States and Canadian bank accounts held by the Company exceed these federally insured limits or are uninsured as they related to U.S. Dollar deposits held in Canadian financial institutions. As of April 30, 2015 and October 31, 2014, the Company's cash and cash equivalent balances held in United States and Canadian financial institutions included \$1,876,734 and \$1,681,759 respectively, which was not insured by the FDIC or CDIC. The Company has not experienced any losses on such accounts and management believes that using major financial institutions with high credit ratings mitigates the credit risk in cash and cash equivalents.

The Company also maintains cash in bank accounts in Mexico and Gabon. These accounts are denominated in the local currency and are considered uninsured. As of April 30, 2015 and October 31, 2014, the U.S. dollar equivalent balance for these accounts was \$15,509 and \$115,686, respectively.

Interest Rate Risk

The Company holds substantially all of the Company's cash and cash equivalents in bank and demand deposit accounts with major financial institutions. The interest rates received on these balances may fluctuate with changes in economic conditions. Based on the average cash and cash equivalent balances during the six months ended April 30, 2015, a 1% decrease in interest rates would have resulted in a reduction of approximately \$300 in interest income for the period.

Foreign Currency Exchange Risk

Certain purchases of labor, operating supplies and capital assets are denominated in SCDN, Mexican Peso ("MXN"), Central African Francs ("SCFA") or other currencies. As a result, currency exchange fluctuations may impact the costs of our operations. Specifically, the appreciation of the MXN, SCDN or SCFA against the U.S. dollar may result in an increase in operating expenses and capital costs in U.S. dollar terms. As of April 30, 2015, the Company maintained the majority of its cash balance in U.S. Dollars. The Company currently does not engage in any currency hedging activities.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Compliance with Environmental Regulations

The Company's activities are subject to laws and regulations controlling not only the exploration and mining of mineral properties, but also the effect of such activities on the environment. Compliance with such laws and regulations may necessitate additional capital outlays or affect the economics of a project, and cause changes or delays in the Company's activities.

Property Concessions in Mexico

To properly maintain property concessions in Mexico, the Company is required to pay a semi-annual fee to the Mexican government and complete annual assessment work.

In addition two of the concessions in the Sierra Mojada project are subject to options to purchase from existing third party concession owners. Pursuant to the option purchase agreements, the Company is required to make certain payments over the terms of these contracts to obtain full ownership of these concessions as set forth in the table below:

Nuevo Dulces Nombres (Centenario) and Yolanda III (2 concessions)

Payment Date	Payment Amount ^{(1) (2)}
June 2015	\$30,000
Monthly payment beginning August 2016 and ending July 2018	\$20,000 per month

- (1) Until July 2018, the Company has the option of acquiring Nuevo Dulces Nombres (100% interest) for \$4 million and Yolanda III (100% interest) for \$2 million plus a lump sum payment equal to any remaining monthly payments.
- (2) If a change of control occurs prior to May 30, 2016 the Company is required to make a payment of \$200,000 within 20 days of the change of control.

Royalty

The Company has agreed to pay a 2% net smelter return royalty on certain property concessions within the Sierra Mojada Property. Total payments under this royalty are limited to \$6.875 million (the "Royalty").

Litigation and Claims

In July 2014 a local cooperative named Sociedad Cooperativa de Exploración Minera Mineros Norteños, S.C.L. ("Mineros Norteños") filed an action before the First Court in Civil Matters in Chihuahua City, Mexico against the Company's subsidiary, Minera Metalin, claiming that the Company breached an agreement regarding the development of the Sierra Mojada Project. Mineros Norteños is seeking payment of the Royalty, including interest at a rate of 6% per annum from August 30, 2004, notwithstanding that no revenue has been produced from the applicable mining concessions. Mineros Norteños is also seeking payment of wages to the cooperative's members from August 30, 2004, notwithstanding that none of the individuals were ever hired or performed work for the Company. The Company and the Company's Mexican legal counsel believe that this claim is without merit and have asserted all applicable defenses. The Company has not accrued any amounts in the financial statements with respect to this claim.

From time to time, the Company is involved in other disputes, claims, proceedings and legal actions arising in the ordinary course of business. The Company intends to vigorously defend all claims against the Company, and pursue its full legal rights in cases where the Company has been harmed. Although the ultimate outcome of these proceedings cannot be accurately predicted due to the inherent uncertainty of litigation, in the opinion of management, based upon current information, no other currently pending or overtly threatened proceeding is expected to have a material adverse effect on the Company's business, financial condition or results of operations.

Office Lease Commitment

The Company entered into a five-year office lease agreement from April 1, 2012 to March 31, 2017 for the Company's corporate office in Vancouver, Canada. The monthly lease payment is \$CDN 7,743 until March 31, 2016, increasing to \$CDN 7,981 on April 1, 2016. As of April 30, 2015, one U.S. dollar approximates \$CDN 1.21.

NOTE 15 – SEGMENT INFORMATION

The Company operates in a single reportable segment: the exploration of mineral property interests. The Company has mineral property interests in Sierra Mojada, Mexico and Gabon, Africa.

Approximate financial information by geography is as follows:

	For the Three Months Ended April 30,		For the Six Months Ended April 30,	
	2015	2014	2015	2014
Net (loss) income for the period				
Mexico	\$ (168,000)	\$ (247,000)	\$ (455,000)	\$ (704,000)
Canada	(359,000)	(418,000)	(833,000)	(937,000)
Gabon	6,000	(332,000)	(94,000)	(371,000)
Loss from Continuing Operations	(521,000)	(997,000)	(1,382,000)	(2,012,000)
(Loss) Income from Discontinued Operations	(11,000)	(272,000)	126,000	(334,000)
Net Loss	\$ (532,000)	\$ (1,269,000)	\$ (1,256,000)	\$ (2,346,000)

The following table details allocation of assets included in the accompanying balance sheet at April 30, 2015:

	Canada	Mexico	Gabon	Total
Cash and cash equivalents	\$ 1,960,000	\$ 2,000	\$ 14,000	\$ 1,976,000
Value-added tax receivable, net	-	136,000	2,000	138,000
Other receivables	5,000	20,000	10,000	35,000
Prepaid expenses and deposits	71,000	77,000	-	148,000
Office and mining equipment, net	-	330,000	-	330,000
Property concessions	-	5,563,000	-	5,563,000
Goodwill	-	18,495,000	-	18,495,000
	\$ 2,036,000	\$ 24,623,000	\$ 26,000	\$ 26,685,000

The following table details allocation of assets included in the accompanying balance sheet at October 31, 2014:

	Canada	Mexico	Gabon	Total
Cash and cash equivalents	\$ 1,770,000	\$ 96,000	\$ 13,000	\$ 1,879,000
Value-added tax receivable, net	-	160,000	3,000	163,000
Other receivables	5,000	25,000	-	30,000
Prepaid expenses and deposits	140,000	79,000	1,000	220,000
Assets of discontinued operations held for sale	-	-	1,282,000	1,282,000
Office and mining equipment, net	1,000	363,000	-	364,000
Property concessions	-	5,563,000	-	5,563,000
Goodwill	-	18,495,000	-	18,495,000
	\$ 1,916,000	\$ 24,781,000	\$ 1,299,000	\$ 27,996,000

The Company has significant assets in Coahuila, Mexico. Although Mexico is generally considered economically stable, it is always possible that unanticipated events in Mexico could disrupt the Company's operations. Neither the Mexican government nor the Gabonese government requires foreign entities to maintain cash reserves in its respective country.

The following table details allocation of exploration and property holding costs for the exploration properties:

	For the Three Months Ended		For the Six Months Ended	
	April 30,		April 30,	
	2015	2014	2015	2014
Exploration and property holding (costs) recovery for the period				
Mexico Sierra Mojada	\$ (158,000)	\$ (242,000)	\$ (431,000)	\$ (727,000)
Gabon Mitzic	4,000	(346,000)	(12,000)	(378,000)
	<u>\$ (154,000)</u>	<u>\$ (588,000)</u>	<u>\$ (443,000)</u>	<u>\$ (1,105,000)</u>