

GRANDE PORTAGE RESOURCES LTD.
(An Exploration Stage Company)
Consolidated Financial Statements
January 31, 2015 and 2014

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MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements and all information in the quarterly report are the responsibility of the Board of Directors and management. These financial statements have been prepared by management in accordance with International Financial Reporting Standards. Management maintains the necessary systems of internal controls, policies and procedures to provide assurance that assets are safeguarded and that the financial records are reliable and form a proper basis for the preparation of financial statements.

The Board of Directors ensures that management fulfils its responsibilities for financial reporting and internal control through an Audit Committee. This committee, which reports to the Board of Directors, meets with the independent auditors and reviews the financial statements.

The financial statements for the three-month period ended January 31, 2015 and 2014 are unaudited and prepared by Management.

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

“Ian Klassen” (signed)
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Ian Klassen
President, CEO and Director

Vancouver, British Columbia
March 24, 2015

“Harold (Hardy) Forzley” (signed)
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Harold Forzley
Chief Financial Officer

GRANDE PORTAGE RESOURCES LTD.
CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
AS AT JANUARY 31, 2015 AND OCTOBER 31, 2014
(Expressed in Canadian Dollars)

	Note	January 31, 2015 \$	October 31, 2014 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		12,636	42,941
Marketable securities	7	36,133	60,859
Amounts receivable		2,767	24,883
Prepaid expenses		433	13,270
Asset held for sale	10	-	9,000
		51,969	150,953
RECLAMATION BONDS	6	33,500	33,500
EQUIPMENT	10	1,159	1,252
EXPLORATION AND EVALUATION ASSETS	8	4,066,192	4,052,043
		4,152,820	4,237,748
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		104,829	97,490
Decommissioning liability	9	3,000	12,000
		107,829	109,490
SHAREHOLDERS' EQUITY			
SHARE CAPITAL		17,722,547	17,722,547
RESERVES		1,744,517	1,744,517
DEFICIT		(15,422,073)	(15,338,806)
		4,044,991	4,128,258
		4,152,820	4,237,748

Nature of Operations and Going Concern (Note 1)
Subsequent Event (Note 16)

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS:

<u>"Ian Klassen"</u> Ian Klassen	Director	<u>"Harold Forzley"</u> Harold Forzley	Director
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The accompanying notes are an integral part of these consolidated financial statements

GRANDE PORTAGE RESOURCES LTD.
CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS
FOR THE THREE-MONTH PERIOD ENDED JANUARY 31, 2015 AND 2014
(Expressed in Canadian Dollars)

	Note	2015	2014
		\$	\$
EXPENSES			
Management fees	12	40,500	43,500
Legal and accounting	12	18,327	19,500
Rent		4,500	4,500
Office and miscellaneous		2,463	3,893
Regulatory and transfer agent fees		2,722	2,891
Investor and shareholder relations		475	606
Amortization		94	976
Travel and promotion		334	1,386
Foreign exchange gain		(424)	-
LOSS BEFORE OTHER ITEMS		(68,991)	(77,252)
OTHER ITEMS			
Unrealized gain (loss) on marketable securities	7	114,654	11,374
Investment income		348	7,104
Interest income		2	66
Loss on sale of marketable securities	7	(129,280)	(69,237)
NET LOSS AND COMPREHENSIVE LOSS		(83,267)	(127,945)
LOSS PER SHARE – BASIC AND DILUTED		(0.001)	(0.02)
WEIGHTED-AVERAGE NUMBER OF COMMON SHARES OUTSTANDING		69,502,392	69,352,392

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

GRANDE PORTAGE RESOURCES LTD.
CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE-MONTH PERIOD ENDED JANUARY 31, 2015 AND 2014
(Expressed in Canadian Dollars)

	Issued Capital		Contributed	Deficit	Total
	Shares	Amount	Surplus		
		\$	\$	\$	\$
Balance, October 31, 2013	69,352,392	17,719,547	1,744,517	(8,546,522)	10,917,542
Shares issued for property	-	-	-	-	-
Comprehensive loss	-	-	-	(127,945)	(127,945)
Balance, January 31, 2014	69,352,392	17,719,547	1,744,517	(8,674,467)	10,789,597

	Issued Capital		Contributed	Deficit	Total
	Shares	Amount	Surplus		
		\$	\$	\$	\$
Balance, October 31, 2014	69,352,392	17,722,547	1,744,517	(15,338,806)	4,128,258
Shares issued for property	-	-	-	-	-
Comprehensive loss	-	-	-	(83,267)	(83,267)
Balance, January 31, 2015	69,502,392	17,722,547	1,744,517	(15,422,073)	4,044,991

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

GRANDE PORTAGE RESOURCES LTD.
CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
FOR THE THREE-MONTH PERIOD ENDED JANUARY 31, 2015 AND 2014
(Expressed in Canadian Dollars)

	2015	2014
	\$	\$
OPERATING ACTIVITIES		
Net loss	(83,267)	(127,945)
Items not involving cash:		
Amortization	93	976
Loss on sale of marketable securities	129,280	69,237
Unrealized (gain) loss on marketable securities	(114,654)	(11,374)
Changes in non-cash working capital balances	(68,548)	(69,106)
Amounts receivable	22,116	7,370
Prepaid expenses	12,837	19,947
Accounts payable and accrued liabilities	7,339	(25,706)
	(26,256)	(67,495)
INVESTING ACTIVITIES		
Proceeds from sale of marketable securities	10,100	35,580
Mineral property recoveries / refunds	-	6,537
Expenditures on exploration and evaluation assets	(14,149)	(29,145)
	(4,049)	12,972
CHANGE IN CASH AND CASH EQUIVALENTS	(30,305)	(54,523)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	42,941	158,870
CASH AND CASH EQUIVALENTS, END OF YEAR	12,636	104,347
NON-CASH INVESTING AND FINANCING ACTIVITY		
Common shares issued for exploration and evaluation assets	-	-
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	-	-
Income taxes paid	-	-

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

GRANDE PORTAGE RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED JANUARY 31, 2015 AND 2014
(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Grande Portage Resources Ltd. (the “Company”) was incorporated under the Business Corporations Act of British Columbia. The Company is an exploration stage public company whose principal business activities are the exploration for and development of natural resource properties, namely gold, in Alaska and British Columbia. The Company’s shares are listed for trading on the TSX Venture Exchange under the symbol GPG.

The address of the Company’s corporate office and principal place of business is #501 - 595 Howe Street, Vancouver, British Columbia, V6C 2T5.

The Company is in the process of exploring its exploration and evaluation assets and has not yet determined whether they contain reserves that are economically recoverable. The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, confirmation of the Company’s interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development and upon future profitable production or proceeds from the disposition thereof.

The Company incurred a net loss of \$83,267 (2014 - \$127,945) for the three-month period ended January 31, 2015 and has an accumulated deficit of \$15,422,073 (October 31, 2014 - \$15,338,806) which has been funded primarily by the issuance of equity. The Company’s ability to continue as a going concern is dependent upon the generation of profits from exploration and evaluation assets, obtaining additional financing or maintaining continued support from its shareholders and creditors. These factors raise significant doubt on the Company’s ability to continue as a going concern. While the Company has been successful in obtaining financing in the past, there is no assurance that such financing will continue to be available or be available on favourable terms in the future. An inability to raise additional financing may impact the future assessment of the Company as a going concern. In the event that additional financial support is not received or operating profits are not generated, the carrying values of the Company’s assets may be adversely affected.

These consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying consolidated financial statements. In assessing the appropriateness of the going concern assumption management is required to consider all available information about the future, which is at least, but not limited to, twelve months from the year end date. Management has carried out an assessment of the going concern assumption and has concluded that it is appropriate that the consolidated financial statements are prepared on a going concern basis. Accordingly, these consolidated financial statements do not reflect any adjustments to the carrying value of assets and liabilities, or the impact on the consolidated statements of loss and consolidated statements of financial position classifications that would be necessary were the going concern assumption not appropriate.

GRANDE PORTAGE RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED JANUARY 31, 2015 AND 2014
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2. BASIS OF PREPARATION

a) Statement of Compliance

These unaudited condensed consolidated interim financial statements have been prepared in accordance the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interim Financial Reporting IAS 34.

These consolidated interim financial statements do not include all the information and disclosures required in annual financial statements and should be read in conjunction with the Company’s October 31, 2014 annual consolidated financial statements.

These consolidated interim financial statements were reviewed by the Audit Committee and approved and authorized for issuance by the Board of Directors on March 24, 2015.

b) Consolidation and Measurement

These consolidated interim financial statements include the accounts of the Company and its wholly owned subsidiary, GPG Alaska Resources Inc. All material inter-company balances and transactions have been eliminated upon consolidation.

These consolidated interim financial statements are prepared on an accrual basis and are based on historical costs except for certain financial instruments which are measured at fair value as explained in the accounting policies set out in Note 4. The consolidated interim financial statements are presented in Canadian dollars unless otherwise noted. The preparation of consolidated interim financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

GRANDE PORTAGE RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED JANUARY 31, 2015 AND 2014
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3. APPLICATION OF NEW ACCOUNTING STANDARDS

Accounting standards adopted in the current period

As of November 1, 2013, the Company adopted the new and amended IFRS pronouncements in accordance with transitional provisions outlined in the respective standards. The Company has adopted these new and amended standards without any significant effect on its consolidated financial statements.

IFRS 10 – Consolidated Financial Statements - IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 *Consolidation - Special Purpose Entities* and parts of IAS 27 *Consolidated and Separate Financial Statements*.

IFRS 11 Joint Arrangements – IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities - Non-monetary Contributions by Venturers*. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture under IFRS 11 must be accounted for using the equity method.

IFRS 12 – Disclosure of Interests in Other Entities - IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles, and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13 – Fair Value Measurement - IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

IAS 1 – Presentation of Financial Statements - In June 2011, the IASB issued an amendment to IAS 1, which requires entities to separately present items in other comprehensive income based on whether or not they may be recycled to profit or loss in future periods.

IAS 32 Financial Instruments: Presentation - In December 2011, the IASB issued an amendment to clarify the meaning of the offsetting criterion and the principle behind net settlement, including identifying when some gross settlement systems may be considered equivalent to net settlement. Earlier application is permitted when applied with a corresponding amendment to IFRS 7.

Amendments to other standards - In addition, there have been other amendments to existing standards, including IAS 27 *Separate Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to IFRS 13.

GRANDE PORTAGE RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED JANUARY 31, 2015 AND 2014
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3. APPLICATION OF NEW ACCOUNTING STANDARDS (continued)

New accounting standards issued but not yet effective

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or the International Financial Reporting Interpretations Committee (“IFRIC”) that are mandatory for future accounting periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

The following standards will be effective for annual periods beginning on or after November 1, 2014:

IAS 36 – *Impairment of Assets* – In May 2013, the IASB issued an amendment to address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

IFRS 8 – *Operating Segments* – In December 2013, the IASB issued an amendment to address the disclosure of the judgements made by management in applying the aggregation criteria to operating segments and clarify that reconciliations of segment assets are only required if segment assets are reported regularly.

IFRIC 21 – *Levies* – IFRIC 21 provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and those where the timing and amount of the levy is certain.

The following standard will be effective for annual periods beginning on or after November 1, 2018:

IFRS 9 – *Financial Instruments* - In November 2009, as part of the IASB project to replace IAS 39 *Financial Instruments: Recognition and Measurement*, the IASB issued the first phase of IFRS 9 *Financial Instruments*, that introduces new requirements for the classification and measurement of financial assets. The standard was revised in October 2010 to include requirements regarding classification and measurement of financial liabilities.

The extent of the impact of adoption of these standards and interpretations on the consolidated financial statements of the Company has not been determined.

4. SIGNIFICANT ACCOUNTING POLICIES

a) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, balances with banks and highly liquid market investments with original terms of maturity of less than ninety days at time of acquisition, or which are redeemable at the option of the Company.

GRANDE PORTAGE RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED JANUARY 31, 2015 AND 2014
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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Exploration and Evaluation Assets

Exploration and evaluation activities involve the search for minerals, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

All exploration and evaluation costs incurred prior to obtaining licenses are expensed in the period in which they are incurred. Once a license to explore an area has been secured, expenditures on exploration and evaluation activities are capitalized as exploration and evaluation assets and are classified as intangible assets. Such expenditures include, but are not limited to, exploration license expenditures, leasehold property acquisition costs, evaluation costs including drilling costs directly attributable to a property, and directly attributable general and administrative costs including share-based payments to geologists. General exploration costs not related to specific exploration and evaluation property are expensed as incurred. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

From time to time the Company may acquire or dispose of a mineral property pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received.

Recorded costs of mineral properties and deferred exploration costs are not intended to reflect present or future values of resource properties. The recorded costs are subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, that change in future conditions could require a material change in the recognized amount. Exploration and evaluation assets are tested for impairment and no amortization is taken during the exploration and evaluation phase.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, capitalized costs of the related property are reclassified as mining assets. Upon commencement of commercial production, are amortized using the units of production method over estimated recoverable reserves

Exploration costs renounced due to flow-through share subscription agreements remain capitalized, however, for corporate income tax purposes, the Company has no right to claim these costs as tax deductible expenses. The Company's entitlement to mineral exploration tax credits are accounted for on an accrual basis to reduce the exploration costs.

i) *Impairment*

Impairment is assessed at the level of cash-generating units. Management regularly assesses carrying values of non-producing properties and properties for which events and circumstances may indicate possible impairment. Impairment of a property is generally considered to have occurred if one of the following factors are present; the rights to explore have expired or are near to expiry with no expectation of renewal, no further substantive expenditures are planned or budgeted, exploration and evaluation work is discontinued in an area for which commercially viable quantities have not been discovered, indications that in an area with development likely to proceed the carrying amount is unlikely to be recovered in full be development or sale. The related property costs are written down to management's estimate of their net recoverable amount.

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

GRANDE PORTAGE RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Expressed in Canadian Dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Exploration and Evaluation Assets (continued)

ii) *Decommissioning liabilities*

An obligation to incur decommissioning and site rehabilitation costs occurs when environmental disturbance is caused by exploration, evaluation, development or on-going production.

Decommissioning and site rehabilitation costs arising from the installation of plant and other site preparation work, discounted to their net present value, are provided when the obligation to incur such costs arises and are capitalized into the cost of the related asset. These costs are charged against operations through depreciation of the asset and unwinding of the discount on the provision.

Depreciation is included in operating costs while the unwinding of the discount is included as a financing cost. Changes in the measurement of a liability relating to the decommissioning or site rehabilitation of plant and other site preparation work are added to, or deducted from, the cost of the related asset.

The costs for the restoration of site damage, which arises during production, are provided at their net present values and charged against operations as extraction progresses.

Changes in the measurement of a liability, which arises during production, are charged against operating profit. The discount rate used to measure the net present value of the obligations is the pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the obligation.

c) Equipment

Equipment is recorded at cost less accumulated amortization and impairment. Amortization is calculated at the following annual rates:

Vehicles	- 30% declining-balance
Exploration Equipment	- 20% declining-balance

Amortization on additions during the year is calculated at one-half of the annual rate. Useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than the estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the statement of loss.

Where an item of equipment comprises significant components with different useful lives, the components are accounted for as separate items of equipment. Subsequent costs to replace parts of an item of equipment are recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and the cost of the item can be measured reliably.

d) Income taxes

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years.

GRANDE PORTAGE RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED JANUARY 31, 2015 AND 2014
(Expressed in Canadian Dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Income taxes (continued)

Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting not taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

e) Basic and diluted loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings/loss per share does not adjust the loss attributable to common shareholders or the weight average number of common shares outstanding when the effect is anti-dilutive.

f) Share-based payment transactions

The Company grants share options to acquire common shares of the Company to directors, officers, employees and consultants. The fair value of share-based payments to employees is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period for employees using the graded method. Fair value of share-based payments for non-employees is recognized and measured at the date the goods or services are received based on the fair value of the goods or services received. If it is determined that the fair value of goods and services received cannot be reliably measured, the share-based payment is measured at the fair value of the equity instruments issued using the Black-Scholes option pricing model.

For both employees and non-employees, the fair value of share-based payments is recognized as either an expense or as mineral property interests with a corresponding increase in option reserves. The amount recognized as expense is adjusted to reflect the number of share options expected to vest. Consideration received on the exercise of stock options is recorded in capital stock and the related share-based payment in option reserves is transferred to capital stock.

g) Investment Income

Investment income consists of dividends and interest. Interest income derived from cash and cash equivalents and short-term investments is recognized on an accrual basis as earned at the stated rate of interest.

h) Government Assistance

Mining exploration tax credits for certain exploration expenditures incurred are treated as a reduction of the exploration and development costs of the respective mineral property.

GRANDE PORTAGE RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED JANUARY 31, 2015 AND 2014
(Expressed in Canadian Dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Flow-through shares

Resource expenditures for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. At the time flow-through shares are issued, there may be a potential premium paid on the flow-through shares calculated based on the share issuance price and the market price at the time of closing. A liability is recognized for the premium on the flow-through shares and is subsequently reversed and recorded as other income or deferred tax expense as the Company incurs qualifying Canadian exploration expenses.

In instances where the Company has issued flow-through shares by way of a unit offering, the proceeds are allocated first to capital stock based on the fair value of the common shares at the time the units are priced and any residual value is allocated to the warrants reserve first based on the fair value of the warrant component on grant date using the Black-Scholes option pricing model. Any remaining residual value is then recognized as a liability for the premium on the flow-through shares.

j) Share issuance cost

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred financing costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred financing costs related to financing transactions that are not completed are charged to expenses.

k) Marketable Securities

Investments in publicly traded companies listed on an active stock exchange are recorded at fair value based upon the closing bid price at the year end date. If an active market does not exist, the investments are recorded at fair value using a valuation techniques based upon management's estimates which consider reliable and observable market inputs. The amounts at which investments in publicly traded companies could be disposed of may differ from fair value as a result of a number of factors including, but not limited to, premiums paid for large blocks of shares or discounts due to a lack of liquidity.

l) Financial instruments

All financial assets are initially recorded at fair value and classified into one of four categories: held to maturity, available for sale, loans and receivable or at fair value through profit or loss ("FVTPL"). All financial liabilities are initially recorded at fair value and classified as either FVTPL or other financial liabilities. Financial instruments comprise cash and cash equivalents, marketable securities, amounts receivable, and accounts payable. The Company does not use any derivative or hedging instruments. Transaction costs related to financial instruments other than at FVTPL are capitalized as part of the cost of the financial instrument.

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FOR THE THREE-MONTH PERIOD ENDED JANUARY 31, 2015 AND 2014
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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Financial instruments (continued)

At initial recognition management has classified financial assets and liabilities as follows:

i) Financial assets

The Company has classified its cash and cash equivalents and marketable securities at FVTPL. A financial instrument is classified at FVTPL if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at FVTPL are measured at fair value and changes therein are recognized in income.

ii) Loans and receivables

These assets are financial assets with fixed or determinable payments that are not quoted in an active market. These assets are recognized initially at fair value plus any directly attributable transaction costs, and are subsequently measured at amortized cost using the effective interest method less any impairment losses. The Company has classified its amounts receivable as loans and receivables.

iii) Financial liabilities

The Company has classified its accounts payable as other financial liabilities. Other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost using the effective interest rate method. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit and loss over the period to maturity using the effective interest rate method. Other financial liabilities are classified as current or non-current based on their maturity date.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

vi) Impairment of financial assets

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED JANUARY 31, 2015 AND 2014
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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

n) Foreign Currency Translation

The functional currency of both the Company and its subsidiary, being the currency of the primary economic environment in which the Company operates, is the Canadian dollar. Foreign denominated monetary assets and liabilities are translated at the year-end rates of exchange. Non-monetary items are translated using the exchange rates prevailing at the date of the transaction. Revenues and expenses are translated using average rates of exchange during the year. Exchange gains or losses arising from currency translation are recognized in the consolidated statement of comprehensive loss.

o) Assets held for sale

Properties are classified as held for sale when the asset or disposal group is available for sale in present condition, and the sale is highly probable. A sale is highly probable if management is committed to a plan to sell, is actively locating a buyer at a sale price that is reasonable in relation to the current fair value of the asset or disposal group, and the sale is expected to be completed within a one-year period. Assets held for sale are stated at the lower of their carrying amount and fair value less costs to sell. Assets held for sale are classified as current.

p) Use of estimates and judgements

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses for the periods reported. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources.

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

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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Use of estimates and judgements (continued)

i) Exploration and evaluation assets

The application of the Company's accounting policy for exploration and evaluation assets requires judgment in determining whether indicators of impairment exists, considering estimates and assumptions around the oil and gas reserves, oil and gas prices and future costs required to develop and decommission those reserves. Estimates and assumptions made may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the carrying amount exceeds the recoverable amount, the amount capitalized is written down to the recoverable amount in the profit or loss in the period the new information becomes available.

ii) Estimated reclamation provisions

The Company's provision for decommissioning liabilities represents management's best estimate of the present value of the future cash outflows required to settle estimated reclamation and closure costs at the end of mine's life. The provision reflects estimates of future costs, inflation, movements in foreign exchange rates and assumptions of risks associated with the future cash outflows, and the applicable risk free interest rates for discounting the future cash outflows. Changes in the above factors can result in a change to the provision recognized by the Company.

Changes to reclamation and closure cost obligations are recorded with a corresponding change to the carrying amounts of related mining properties. Adjustments to the carrying amounts of related mining properties can result in a change to future depletion expense.

iii) Share-based payment transactions

Management uses the Black-Scholes pricing model to determine the fair value of stock options and standalone share purchase warrants issued. This model requires assumptions of the expected future price volatility of the Company's common shares, expected life of options and warrants, future risk-free interest rates and the dividend yield of the Company's common shares.

iv) Impairment of exploration and evaluation assets

Management considers both external and internal sources of information in assessing whether there are any indications that the Company's exploration and evaluation assets are impaired. External sources of information management considers include changes in the market, economic and legal environment in which the Company operates that are not within its control and affect the recoverable amount of its mining interests. Internal sources of information management consider include the manner in which exploration and evaluation assets are being used or are expected to be used and indications of economic performance of the assets.

In determining the recoverable amounts of the Company's exploration properties, management makes estimates of the discounted future pre-tax cash flows expected to be derived from the Company's exploration properties, and the appropriate discount rate.

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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Use of estimates and judgements (continued)

v) *Income taxes*

Management exercises judgment to determine the extent to which deferred tax assets are recoverable, and can therefore be recognized in the statements of financial position and comprehensive income or loss.

vi) *Going concern*

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgement. The management monitor future cash requirements to assess the Company's ability to meet these future funding requirements. Further information regarding going concern is outlined in Note 1.

vii) *Impairment of equipment*

Management considers both external and internal sources of information in assessing whether there are any indications that the Company's equipment is impaired. External sources of information management considers include changes in the market, economic and legal environment in which the Company operates that are not within its control and affect the recoverable amount of its equipment. Internal sources of information management consider include the manner in which the equipment is being used or is expected to be used and indications of economic performance of the equipment.

5. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Company's financial instruments are categorized in a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's financial instruments include cash and cash equivalents, marketable securities, amounts receivable and accounts payable.

The fair value of cash and cash equivalents and marketable securities are determined based on "Level 1" inputs, which consist of quoted prices in active markets for identical assets. As at October 31, 2014, the Company believes that the carrying values of accounts payable approximate their fair values because of their nature and relatively short maturity dates or durations.

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5. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

Assets measured at fair value on a recurring basis were presented on the Company's consolidated statements of financial position as of January 31, 2015 as follows:

	Fair Value Measurements Using			January 31, 2015 \$
	Quoted Prices in Active Markets For Identical Instruments (Level 1) \$	Significant Other Observable Inputs (Level 2) \$	Significant Unobservable Inputs (Level 3) \$	
Financial Assets:				
Cash and cash equivalents	12,636	–	–	12,636
Marketable securities	36,133	–	–	36,133

a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations.

Concentration of credit risk exists with respect to the Company's cash and cash equivalents, and marketable securities as all are placed with two major Canadian financial institutions. The Company is not exposed to significant credit risk on its cash and cash equivalents and marketable securities as all have been placed with major financial institutions.

b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. At January 31, 2015, the Company had a working capital deficit of \$55,860 (October 31, 2014 - \$41,463). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. As at January 31, 2015, the Company does not have adequate working capital to discharge its existing financial obligations and will need to acquire additional funding in order to meet its current obligations.

c) Interest Rate Risk

The Company is not subject to any significant interest rate risk. In management's opinion, the Company's interest rate risk is minimal as its cash equivalents may be redeemed upon demand without significant penalty.

d) Foreign Currency Risk

The Company's currency risk exposures arise from transactions denominated in foreign currencies. The Company's foreign exchange risk arises primarily with respect to the United States dollars ("USD"). The Company incurs exploration expenditures denominated in the USD. Fluctuations in the exchange rates between United States dollars and Canadian dollars could have a material effect on the Company's business, financial condition and results of operations. The Company does not engage in any hedging activity.

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5. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

e) Commodity Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities may be subject to risks associated with fluctuations in the market price of commodities. Management closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

f) Market Risk

The Company's financial instruments include marketable securities which are publicly traded and therefore subject to the risks related to the fluctuation in market prices. The Company closely monitors market values to determine the most appropriate course of action.

6. RECLAMATION BONDS

The Company has placed Guaranteed Interest Certificates ("GICs") in trust as reclamation deposits pursuant to a condition of receiving consent from a government agency to explore its resource property interests. At January 31, 2015, the Company has three GICs ranging in principal from \$3,500 to \$15,000 with nominal interest rates ranging from 0.75% and 1.05%. The GICs mature between April 7, 2015 and July 5, 2015 and will be renewed indefinitely until the Company has ceased exploration on the related resource property and inspections reveal no environmental disturbance. All the reclamation bonds as at January 31, 2015 are related to the Merry/New Merry Widow property.

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7. MARKETABLE SECURITIES

At January 31, 2015:

Investees	Shares	Cost	Fair Value
Public Companies:		\$	\$
Lightstream Resources Ltd. (formerly PetroBakken Energy Ltd.)	3,660	63,938	2,782
Quaterra Resources Inc.	699,400	493,692	27,976
Auracle Resources Ltd.	75,000	22,500	375
Total		580,130	31,133

At January 31, 2014:

Investees	Shares	Cost	Fair Value
		\$	\$
Public Companies:			
Lightstream Resources Ltd. (formerly PetroBakken Energy Ltd.)	27,660	483,204	171,769
Quaterra Resources Inc.	1,001,400	706,868	60,084
Auracle Resources Ltd.	75,000	22,500	750
Total		1,212,572	232,603

Marketable securities have been recorded at their fair value as of January 31, 2015 in accordance with the Company's policy described in Note 4(k). For the three-month period ended January 31, 2015, the Company recorded unrealized gain on investments of \$114,654 (2013 – \$11,374).

During the three-month period ended January 31, 2015, the Company sold the marketable securities and realized a loss of \$129,280 (2013 – \$69,237).

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8. EXPLORATION AND EVALUATION ASSETS

	Herbert Glacier
	\$
Balance, October 31, 2014	4,052,043
Acquisition costs:	
Shares	-
Cash	-
Property taxes	-
	-
Deferred exploration costs:	
Assay & recording	-
Camp supplies / advances	365
Claim maintenance fees	3,952
Geological fees	-
Travel	-
Warehouse rental	9,832
	14,149
8. Total additions	14,149
Balance, January 31, 2015	4,066,192

Herbert Glacier

Pursuant to an agreement dated June 16, 2010, as amended on June 12, 2012, (the "Option Agreement") with Quaterra Alaska, Inc. ("Quaterra"), the Company was granted and has exercised an option to acquire a 65% interest in a mining lease dated November 1, 2007 (the "Mining Lease") for the Herbert Glacier gold property, consisting of 84 mining claims, located 20 miles north of Juneau, Alaska. The Company was required to incur at least USD\$1,250,000 (incurred) under the Option Agreement in exploration expenditures on the property to acquire its 65% interest. In addition, the Mining Lease requires minimum annual advance royalty payments due November 1 of each year, with the amount of USD\$12,000 per year for Years 1-4, USD\$20,000 for Years 5-10, and USD\$30,000 per year thereafter, provided that before the tenth year of the lease such advance royalties will be adjusted for inflation.

On October 24, 2011, the Company entered into a joint operation with Quaterra (the "JVA") with their initial joint interests being Quaterra 35% and the Company 65%. Under the JVA, the Company's subsidiary is appointed as operator of the project. Pursuant to the JVA, Quaterra and the Alaska subsidiary were required to contribute a value of \$673,077 and \$1,250,000, respectively, as Initial Contributions. These initial values were contributed in full by both parties as at October 31, 2012. Each party is also required to contribute its proportionate share of costs for all future exploration and development work. As at January 31, 2015, included in receivables was \$Nil (2014 - \$Nil) balance due from Quaterra for its 35% share in additional exploration costs incurred on the Herbert Glacier property.

A party's interest in the project will be diluted in the event of non-payment of its share, in accordance with the terms of the JVA. By operation of the dilution formula in the JVA, if a non-contributing party's interest falls below 10%, then such non-contributing party's interest will be converted into a 1% net smelter returns royalty (the "NSR"). The contributing party has the option at any time to acquire the NSR for USD \$1.0 million.

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8. EXPLORATION AND EVALUATION ASSETS (continued)

All advance royalties will be shared on a proportionate share basis with Quaterra, based on the share of the Company and Quaterra in the Mining Lease, and will be credited towards any net smelter returns (“NSR”) royalty paid upon the commencement of commercial production. The Mining Lease provides for a sliding scale royalty of up to a 5% NSR, when the price of gold exceeds USD \$601 per oz. As at January 31, 2015, all advance royalty payments had been made to date.

During the three-month period ended January 31, 2015, Quaterra gave the Company a notification of its election not to participate in future programs on the property.

Realization of assets

The investment in and expenditures on exploration and exploration assets comprise a significant portion of the Company’s assets. Realization of the Company’s investment in these assets is dependent upon the establishment of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal.

Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore. The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values. These costs will be depleted over the useful lives of the properties upon commencement of commercial production or written off if the properties are abandoned or the claims allowed to lapse.

Environmental

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company’s operations may cause additional expenses and restrictions.

If the restrictions adversely affect the scope of exploration and development on the resource property interests, the potential for production on the property may be diminished or negated.

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its property interests and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former property interests that may result in material liability to the Company.

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9. DECOMMISSIONING LIABILITIES

The Company is subject to various regulatory and statutory requirements relating to the protection of the environment. At January 31, 2015, the Company recorded a provision for site restoration costs or potential environmental liabilities in the amount of \$3,000 (October 31, 2014 - \$12,000) with respect to the Merry Widow/New Merry Widow property. The obligation is recognized based on the future reclamation costs estimated by management.

The Company intends to settle its decommissioning liabilities by providing certain equipment in exchange for the amounts owed.

As the restoration costs are expected to be incurred within twelve months after the year-end date, the value of the decommissioning liability of \$3,000 represents the present value of future cash outflows related to these expenses and as a result the amount was not discounted.

10. EQUIPMENT

	Cost	Accumulated Amortization	Impairment	2015 Net Book Value	2014 Net Book Value
	\$	\$	\$	\$	\$
Vehicles	12,000	10,748	-	1,159	1,656
Exploration equipment	38,670	25,205	13,465	-	15,990
	50,670	35,952	13,465	1,159	18,621

As disclosed in Note 9, the Company intends to settle its decommissioning liabilities by exchanging certain exploration equipment and vehicles.

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11. SHARE CAPITAL

a) Authorized
Unlimited number of common shares without par value

b) Issued

69,502,392 shares issued and outstanding at January 31, 2015 (October 31, 2014: 69,502,392)

(i) During the year ended October 31, 2014, the Company issued 150,000 shares as required by the option agreement relating to the Merry Widow Property and Pass Property (Note 8 (a)).

(ii) During the year ended October 31, 2013, the Company issued 110,000 shares as required by the option agreements relating to the Merry Widow Property and Pass Property (Notes 8(a) and (c)).

c) Stock options

Effective October 31, 2012, the Company adopted a revised rolling stock option plan under whereby a maximum of 10% of the issued shares will be reserved for issuance under the plan. The stock option plan provides for the granting of stock options to directors, officers, employees, consultants, consultant company or management company employees, and eligible charitable organizations. Shares issuable under the plan to insiders, to any one Optionee, consultants, and investor relation persons are restricted up to a limit of 10%, 5%, 2% and 2%, respectively, of the Company's total number of issued and outstanding shares per year. An option shall be granted as fully vested, unless a vesting schedule is imposed by the board as a condition of the grant date and provided that if the option is being granted to an eligible period who is providing investor relating activities to the Company, than the option must vest in stages over at least a one-year period and not more than ¼ of such options may be vested in any three month period.

Details of the status of the Company's stock options as at January 31, 2015 are as follows:

	Number of Options	Weighted-Average Exercise Price
		\$
Balance, October 31, 2013	4,650,000	0.16
Expired	(150,000)	0.15
Balance, October 31, 2014 and January 31, 2015	4,500,000	0.17

The Company applies the fair value method using the Black-Scholes option pricing model in accounting for stock options granted to employees. Stock options granted to non-employee are valued using the Black-Scholes Option Pricing Model as the fair values of services received were not reliably measurable.

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11. SHARE CAPITAL (continued)

c) Stock options (continued)

As at January 31, 2015, the following stock options were outstanding and exercisable:

Outstanding Number of Options	Expiry Date	Exercise Price
325,000	August 23, 2015	\$0.20
550,000	April 29, 2016	\$0.15
1,300,000	February 3, 2017	\$0.19
1,900,000	June 19, 2017	\$0.15
50,000	September 20, 2017	\$0.15
375,000	October 29, 2017	\$0.15
4,500,000		

The weighted average remaining contractual life of stock options outstanding at January 31, 2015 is 2.04 years (2014 – 2.96 years).

12. RELATED PARTY TRANSACTIONS AND KEY PERSONNEL COMPENSATION

Included in accounts payable at January 31, 2015 is \$75,075 (2014 - \$Nil) owing for services to companies controlled by directors of the Company. These amounts are unsecured, non-interest bearing, and are due on demand.

During the three-month period ended January 31, 2015, the Company incurred the following related party transactions:

- a) \$327 (2014 - \$Nil) in legal fees to a law firm of which a Partner is a director of the Company;
- b) The Company has identified its directors and senior officers as its key management personnel. No post-employment benefits, other long-terms benefits and termination benefits were made during the three-month period ended January 31, 2015 and 2014. Short-term key management compensation consists of the following for the three-month period ended January 31, 2015 and 2014:

	2015	2014
	\$	\$
Management fees	40,500	43,500
Share-based compensation	-	-
Total	40,500	43,500

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13. CAPITAL MANAGEMENT

The Company defines capital as all components of shareholders' equity. 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, exploration and development 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 is not subject to any externally imposed capital requirements.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. 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. There have been no changes to the Company's approach to capital management during the three-month period ended January 31, 2015.

14. SEGMENTED INFORMATION

The Company operates in one reportable operating segment, being the acquisition and exploration of resource properties. The Company operates in both Canada and the U.S.A. The Company's exploration and evaluation assets in geographic locations are as follows:

	2015	2014
	\$	\$
Canada	-	6,432,663
U.S.A.	4,066,192	4,001,499
	4,066,192	10,433,762

15. SUBSEQUENT EVENT

There are no subsequent events to report.