**ORESTONE MINING CORP.**
*(An Exploration Stage Company)*

**Condensed Consolidated Interim Financial Statements**

**For the nine months ended October 31, 2014**

(Expressed in Canadian Dollars)

(Unaudited)

## NOTICE OF NO AUDITOR REVIEW OF

## CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

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

The Company's independent auditor has not performed a review of these 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.

**ORESTONE MINING CORP.**
(An Exploration Stage Company)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

| | Notes | October 31, 2014 | January 31, 2014 |
|---|---|---|---|
| | | (Unaudited) | (Audited) |
| | | $ | $ |
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | 3 | 144,236 | 454,786 |
| Marketable securities | 4 | 6,143 | - |
| Receivables | 5, 9 | 45,147 | 54,543 |
| Mineral exploration tax credit recoverable | 7 | 62,279 | 62,279 |
| Prepaids | | 28,930 | 32,070 |
| | | 286,735 | 603,678 |
| **Non-current Assets** | | | |
| Equipment | 6 | 189 | 272 |
| Exploration and evaluation assets | 7 | 3,741,822 | 3,733,792 |
| Deposits | 7 | 42,800 | 42,800 |
| Reclamation bonds | 7 | 29,000 | 29,000 |
| | | 3,813,811 | 3,805,864 |
| | | 4,100,546 | 4,409,542 |
| **LIABILITIES** | | | |
| **Current** | | | |
| Trade and other payables | 8 | 36,796 | 55,292 |
| | | 36,796 | 55,292 |
| **SHAREHOLDERS' EQUITY** | | | |
| Share capital | 10 | 6,148,828 | 6,142,828 |
| Reserves | 10 | 1,395,934 | 1,380,382 |
| Deficit | | (3,481,012) | (3,168,960) |
| | | 4,036,750 | 4,354,250 |
| | | 4,100,546 | 4,409,542 |

**Nature and continuance of operations** (Note 1)
**Commitments** (Note 12)

These consolidated financial statements were authorized for issue by the Board of Directors on December 8, 2014.

They are signed on the Company's behalf by:

| | | | |
|---|---|---|---|
| *"David Hottman"* | Director | *"Gary Nordin"* | Director |
| David Hottman | | Gary Nordin | |

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

**ORESTONE MINING CORP.**
(An Exploration Stage Company)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian dollars; Unaudited)

| | Notes | For the three months ended October 31, 2014 | For the three months ended October 31, 2013 | For the nine months ended October 31, 2014 | For the nine months ended October 31, 2013 |
|---|---|---|---|---|---|
| | | $ | $ | $ | $ |
| **EXPENSES** | | | | | |
| Depreciation | 6 | 28 | 12 | 83 | 36 |
| Filing fees | | 813 | 3,915 | 11,316 | 15,865 |
| Investor relations | | 4,543 | 14,991 | 17,512 | 46,919 |
| Management and consulting fees | 9 | - | 5,000 | - | 14,500 |
| Office, rent and miscellaneous | 9 | 19,203 | 23,457 | 67,951 | 96,914 |
| Project search | | - | - | - | 22,146 |
| Professional fees | | 6,193 | 9,395 | 14,312 | 22,797 |
| Salaries and benefits | 9 | 36,484 | 37,024 | 110,007 | 130,593 |
| Share-based payments | 10 | 1,712 | 24,629 | 15,552 | 146,842 |
| | | 68,976 | 118,423 | 236,733 | 496,612 |
| **OTHER ITEMS** | | | | | |
| Interest income | | (598) | (2,105) | (2,846) | (7,750) |
| Loss on debt settlement | 4 | - | - | 7,371 | - |
| Unrealized loss on marketable securities | 4 | 1,228 | - | 4,913 | - |
| Write-off of exploration and evaluation assets | 7 | 65,881 | - | 65,881 | - |
| | | 66,511 | (2,105) | 75,319 | (7,750) |
| **COMPREHENSIVE LOSS** | | 135,487 | 116,318 | 312,052 | 488,862 |
| **LOSS PER COMMON SHARE – Basic and Diluted** | 11 | $0.004 | $0.003 | $0.008 | $0.013 |

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

**ORESTONE MINING CORP.**
(An Exploration Stage Company)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian dollars)

| | | | | Reserves | | | | |
|---|---|---|---|---|---|---|---|---|
| Issued and outstanding: | Notes | Number of shares | Share capital | Warrants | Agent's Warrants | Share-based payments | Deficit | Total shareholders' equity |
| **Balance as at January 31, 2013 (Audited)** | | 35,792,823 | $ 6,006,679 | $ 719,307 | $ 98,399 | $ 386,306 | $ (2,597,809) | $ 4,612,882 |
| Shares issues: | | | | | | | | |
| For cash | 10 | 1,779,410 | 139,144 | 12,106 | - | - | - | 151,250 |
| Share issue costs | 10 | - | (2,995) | - | - | - | - | (2,995) |
| Share-based payments | 10 | - | - | - | - | 146,842 | - | 146,842 |
| Comprehensive loss for the period | | - | - | - | - | - | (488,862) | (488,862) |
| **Balance as at October 31, 2013 (Unaudited)** | | 37,572,233 | $ 6,142,828 | $ 731,413 | $ 98,399 | $ 533,148 | $ (3,086,671) | $ 4,419,117 |
| Share-based payments | 10 | - | - | - | - | 17,422 | - | 17,422 |
| Comprehensive loss for the period | | - | - | - | - | - | (82,289) | (82,289) |
| **Balance as at January 31, 2014 (Audited)** | | 37,572,233 | $ 6,142,828 | $ 731,413 | $ 98,399 | $ 550,570 | $ (3,168,960) | $ 4,354,250 |
| Shares issues: | | | | | | | | |
| For mineral properties acquisition | 7, 10 | 200,000 | 6,000 | | - | - | - | 6,000 |
| Share-based payments | 10 | - | - | - | - | 15,552 | - | 15,552 |
| Comprehensive loss for the period | | - | - | - | - | - | (312,052) | (312,052) |
| **Balance as at October 31, 2014 (Unaudited)** | | 37,772,233 | $ 6,148,828 | $ 731,413 | $ 98,399 | $ 566,122 | $ (3,481,012) | $ 4,063,750 |

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

**ORESTONE MINING CORP.**
(An Exploration Stage Company)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
For the nine months ended October 31,
(Expressed in Canadian dollars; Unaudited)

| | 2014 | 2013 |
|---|---|---|
| | $ | $ |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Net loss | (312,052) | (488,862) |
| Non-cash operating items: | | |
| Depreciation | 83 | 36 |
| Share-based payments | 15,552 | 146,842 |
| Loss on debt settlement | 7,371 | - |
| Unrealized loss on marketable securities | 4,913 | - |
| Write-of off exploration and evaluation assets | 65,881 | - |
| | (218,252) | (341,984) |
| Changes in non-cash working capital items: | | |
| Receivables | 9,396 | 43,209 |
| Mining tax credit recoverable | - | 238,341 |
| Prepaids | 3,140 | 12,417 |
| Trade and other payables | (18,516) | (12,899) |
| Due to related parties | - | (10,000) |
| Net cash used in operating activities | (224,232) | (70,916) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchase of equipment | - | (320) |
| Exploration and evaluation assets | (86,318) | (549,131) |
| Net cash used in investing activities | (86,318) | (549,451) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from issuance of common shares | - | 151,250 |
| Share issue costs | - | (2,995) |
| Net cash provided by financing activities | - | 148,255 |
| **CHANGE IN CASH AND CASH EQUIVALENTS** | (310,550) | (472,112) |
| **CASH AND CASH EQUIVALENTS, BEGINNING** | 454,786 | 1,037,813 |
| **CASH AND CASH EQUIVALENTS, ENDING** | 144,236 | 565,701 |

| **SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS** | | |
|---|---|---|
| Exploration and evaluation assets in accounts payable and accrued liabilities | $ 849 | $ 2,370 |

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

(Expressed in Canadian dollars)

## 1. NATURE AND CONTINUANCE OF OPERATIONS

Orestone Mining Corp. (the "Company") was incorporated under the Business Corporations Act (British Columbia) on April 30, 2007 and its principal business activity is the acquisition and exploration of mineral properties. The address of the Company's registered and head office is 19th floor, 885 West Georgia Street, Vancouver, BC, Canada V6C 3H4. During the year ended January 31, 2013, the Company completed a 4:1 share consolidation. All references to number of shares and per share amounts have been retroactively restated to reflect the share consolidation. The Company's shares are listed on the TSX Venture Exchange and trade under the symbol "ORS".

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to raise adequate financing to develop its exploration and evaluation assets, and to commence profitable operations in the future. To date the Company has not generated any significant revenues and is considered to be in the exploration stage. These uncertainties may cast significant doubt about the Company's ability to continue as a going concern.

Management's plan includes continuing to pursue additional sources of financing through equity offerings, seeking joint venture partners to fund exploration, monitoring exploration activity and reducing overhead costs. Should the Company be unable to realize on its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the consolidated financial statement of financial position. These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

| | October 31, 2014 | January 31, 2014 |
|---|---|---|
| Deficit | $ (3,481,012) | $(3,168,960) |
| Working capital | $249,939 | $548,386 |

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

**Statement of compliance**

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance and compliance with International Accounting Standards ("IAS") 34 "Interim Financial Reporting" ("IAS 34") using accounting policies consistent with IFRS issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

**Basis of preparation**

These condensed consolidated interim financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's January 31, 2014 consolidated annual financial statements.

These condensed consolidated interim financial statements, including comparatives, have been prepared on the basis of IFRS that are published at the time of preparation.

**Significant estimates and assumptions**

The preparation of these financial statements in conformity with IAS 34 requires management to make estimates, and assumptions that affect the reported amounts and other disclosures in these financial statements. 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. Actual results may differ from these estimates under different assumptions and conditions.

(Expressed in Canadian dollars)

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Critical accounting estimates are estimates and assumptions made by management that may result in material adjustments to the carrying amount of assets and liabilities within the next financial year. Critical estimates used in the preparation of these financial statements include, among others, the recoverability of receivables and mineral tax credit recoverable, recoverability time of tax receivables, impairment of assets, measurement of share-based payments and valuation of reclamation obligations.

**Significant judgments**

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies.

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments. Critical accounting judgments include the expected economic lives of and the estimated future operating results and net cash flows from exploration and evaluation assets and equipment.

The most significant judgments in applying accounting policies to
the Company's financial statements include:

- the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty; and
- the classification / allocation of expenditures as exploration and evaluation expenditures or operating expenses.

These unaudited interim financial statements do not include all note disclosures required by IFRS for annual financial statements, and therefore should be read in conjunction with the annual financial statements for the year ended January 31, 2014. In the opinion of management, all adjustments considered necessary for fair presentation of the Company's financial position, results of operations and cash flows have been included. Operating results for the nine month period ended October 31, 2014 are not necessarily indicative of the results that may be expected for the year ending January 31, 2015.

## 3. CASH AND CASH EQUIVALENTS

| | October 31, 2014 | January 31, 2014 |
|---|---|---|
| | $ | $ |
| Cash on hand | 144,236 | 42,884 |
| Short-term investment | - | 411,902 |
| | 144,236 | 454,786 |

Cash equivalents are comprised of highly-liquid instruments issued by commercial banks which are readily convertible into known amounts of cash.

(Expressed in Canadian dollars)

## 4. MARKETABLE SECURITIES

On June 28, 2014 the Company received 368,520 shares at $0.05 as payment from Galileo Petroleum Ltd. ("Galileo") pursuant to a debt settlement of $18,426 owed to the Company, the fair value of the Galileo shares was $7,371 and the Company recorded a loss on debt settlement of $7,371. On October 20, 2014 Galileo consolidated its stock on a three per one consolidation basis. As at October 31, 2014, the Company owns 122,840 shares of Galileo. For the nine months ended October 31, 2014, the Company recorded an unrealized loss of $ 4,913 with respect to these shares (2013 - $Nil).

## 5. RECEIVABLES

Receivables consist of the following:

| | October 31, 2014 | January 31, 2014 |
|---|---|---|
| | $ | $ |
| Due from JV partners (Note 7) | 7,638 | 26,443 |
| Government taxes receivable | 2,786 | 128 |
| Other | 6,773 | 2,673 |
| Related parties receivable (Note 9) | 27,950 | 25,299 |
| | 45,147 | 54,543 |

## 6. EQUIPMENT

| | **Computer equipment** | **Total** |
|---|---|---|
| | **$** | **$** |
| **Cost** | | |
| Balance as at January 31, 2013 | - | - |
| Dissolution of subsidiary | 320 | 320 |
| Balance as at January 31, 2014 | 320 | 320 |
| Change in assets | - | - |
| Balance as at October 31, 2014 | 320 | 320 |
| **Accumulated depreciation** | | |
| Balance as at January 31, 2013 | - | - |
| Depreciation for the year | 48 | 48 |
| Balance as at January 31, 2014 | 48 | 48 |
| Depreciation for the year | 83 | 83 |
| Balance as at October 31, 2014 | 131 | 131 |
| **Carrying amounts** | | |
| At January 31, 2013 | - | - |
| At January 31, 2014 | 272 | 272 |
| At October 31, 2014 | 189 | 189 |

## 7. EXPLORATION AND EVALUATION ASSETS

**Estrella de Oro Property**

On January 16, 2014, the Company signed a five year option agreement ("the Agreement") with Kootenay Silver Inc. ("Kootenay") to earn a 60 percent interest in the 700-hectare Estrella de Oro gold exploration property located in Sonora State, Mexico, approximately 200 kilometers southeast of the city of Hermosillo.

## 7. EXPLORATION AND EVALUATION ASSETS (cont'd)

**Estrella de Oro Property (cont'd)**
The option payments consisted of staged cash payments totaling USD$150,000, expenditures of USD$2,000,000 and the issuance of 200,000 common shares of the Company upon regulatory approval (issued).

On October 2014, the Company completed testing targets developed through previous soil, geochemistry, geological mapping and surface sample work, and determined that the property lacked the potential. The Company then advised Kootenay that it would not be proceeding with the option agreement and wrote off $65,881 (2013 - $Nil) of project expenditures on the Estrella de Oro Property.

**Captain Property**
The Company owns a 100% interest in certain mineral claims comprising the Captain Property located near Fort St. James, British Columbia.

At October 31, 2014, included in mineral tax credit recoverable is $60,791 (January 31, 2014 - $60,791) relating to the Captain property.

As of October 31, 2014, the Company has $29,000 (January 31, 2014 - $29,000) reclamation bonds to the Ministry of Energy, Mines and Petroleum Resources of British Columbia to guarantee reclamation of the environment on the Captain Property.

**Todd Creek Property**
On April 3, 2008, the Company signed a property option agreement with Goldeye Explorations Limited ("Goldeye"), Polar Star Mining Corporation ("Polar"), and Geofine Exploration Consultants Ltd. ("Geofine") to acquire an interest in certain claims comprising the Todd Creek Property located in the Skeena Mining Division in northwestern British Columbia.

The Company earned a 51% interest in the Todd Creek Property by making cash payments of $180,000, issuing 170,000 shares at a fair value of $10,500 and incurring work expenditures of $2,500,000.

Upon earning the 51% interest, the Company, Goldeye, Polar and Geofine formed a Joint Venture (the "JV") on April 30, 2010. Pursuant to the JV agreement, the Company is the operator and holds a 51% interest in the JV and Polar Star and Goldeye each hold a 24.5% interest in the JV.

Upon production, the JV shall pay a royalty to Geofine Consultants Ltd. ("Geofine") of 2.5% of the NSR derived from operations on the property.

Commencing on or before November 30, 2010 and for each anniversary of that date until an NSR is derived from operations on the property, the JV will provide a payment to Geofine of $25,000. Such payments will be considered as non-refundable advances on any NSR that Geofine shall be entitled to. The JV has the exclusive option to purchase the NSR for $750,000 for each 0.5% of royalty interest held on the property.

At October 31, 2014, included in receivables is $7,638 (January 31, 2014 - $26,443) owing from the JV partners.

At October 31, 2014, included in mineral tax credits recoverable is $1,488 (January 31, 2014 - $Nil) relating to the Todd Creek Property.

(Expressed in Canadian dollars)

## 7. EXPLORATION AND EVALUATION ASSETS (cont'd)

**Todd Creek Property (cont'd)**

As at October 31, 2014, recorded in deposits is $17,500 (January 31, 2014 - $17,500) held by Geofine, which has been used towards the posting of a reclamation bond with the Ministry of Energy, Mines and Petroleum Resources of British Columbia to guarantee reclamation of the environment on the Todd Creek Property.

To October 31, 2014, the Company has incurred the following on acquisition and deferred exploration costs:

| | January 31, 2013 | Additions | January 31, 2014 | Additions | October 31, 2014 |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| **Captain Property** | | | | | |
| **Acquisition costs** | 275,922 | 65 | 275,987 | - | 275,987 |
| **Deferred exploration costs** | | | | | |
| Assays | 35,117 | 4,679 | 39,796 | 1,022 | 40,818 |
| Drilling | 566,994 | 167,883 | 734,877 | - | 734,877 |
| Geological | 265,776 | 101,034 | 366,810 | 9,036 | 375,846 |
| Geophysical | 117,875 | 25,502 | 143,377 | - | 143,377 |
| Surveying | 40,846 | - | 40,846 | - | 40,846 |
| Other | 1,061 | - | 1,061 | - | 1,061 |
| | 1,027,669 | 299,098 | 1,326,767 | 10,058 | 1,336,825 |
| Mining exploration tax credit | (212,831) | (62,175) | (275,006) | - | (275,006) |
| | 1,090,760 | 236,988 | 1,327,748 | 10,058 | 1,337,806 |
| **Todd Creek Property** | | | | | |
| **Acquisition costs** | 268,785 | 12,750 | 281,535 | - | 281,535 |
| **Deferred exploration costs** | | | | | |
| Aircraft | 626,189 | - | 626,189 | - | 626,189 |
| Assays | 196,652 | 4,955 | 201,607 | 2,142 | 203,749 |
| Camp | 237,807 | - | 237,807 | - | 237,807 |
| Geological consulting (Note 8) | 257,421 | - | 257,421 | - | 257,421 |
| Drilling | 312,864 | - | 312,864 | - | 312,864 |
| Field | 234,469 | - | 234,469 | - | 234,469 |
| Geophysical | 288,630 | - | 288,630 | - | 288,630 |
| Other | 91,128 | - | 91,128 | - | 91,128 |
| Professional | 58,424 | - | 58,424 | - | 58,424 |
| Salaries and wages | 410,555 | - | 410,555 | - | 410,555 |
| | 2,714,139 | 4,955 | 2,719,094 | 2,142 | 2,721,236 |
| Mining exploration tax credit | (518,767) | (1,488) | (520,255) | - | (520,255) |
| Write-off of exploration and evaluation assets | (78,500) | - | (78,500) | - | (78,500) |
| | 2,385,657 | 16,217 | 2,401,874 | 2,142 | 2,404,016 |

(Expressed in Canadian dollars)

## 7. EXPLORATION AND EVALUATION ASSETS (cont'd)

| | January 31, 2013 | Additions | January 31, 2014 | Additions | October 31, 2014 |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| **Estrella de Oro** | | | | | |
| **Acquisition costs** | - | - | - | 6,000 | 6,000 |
| **Deferred exploration costs** | | | | | |
| Assays | - | - | - | 2,572 | 2,572 |
| Dirt Work | - | - | - | 25,773 | 25,773 |
| Environmental | - | - | - | 5,012 | 5,012 |
| Geological | - | 4,170 | 4,170 | 21,272 | 25,442 |
| Surveying | - | - | - | 1,082 | 1,082 |
| | - | 4,170 | 4,170 | 55,711 | 59,881 |
| Write-off of mineral exploration | - | - | - | (65,881) | (65,881) |
| | - | 4,170 | 4,170 | (4,170) | - |
| **Total** | 3,476,417 | 257,375 | 3,733,792 | 8,030 | 3,741,822 |

## 8. TRADE AND OTHER PAYABLES

Trade and other payables consist of the following:

| | October 31, 2014 | January 31, 2014 |
|---|---|---|
| | $ | $ |
| Trade payables | 11,854 | 24,942 |
| Accrued liabilities | 19,342 | 24,343 |
| Government taxes payable | 5,600 | 6,007 |
| | 37,796 | 55,292 |

## 9. RELATED PARTY TRANSACTIONS

a) Key management personnel compensation

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

| | October 31, 2014 | October 31, 2013 |
|---|---|---|
| | $ | $ |
| Short-term employee benefits | 97,920 | 112,740 |
| Share-based payments | - | 28,000 |
| | 97,920 | 140,740 |

(Expressed in Canadian dollars)

## 9. RELATED PARTY TRANSACTIONS (cont'd)

b) Other related party transactions

| | | Total charged as at | | Balance outstanding as at | |
|---|---|---|---|---|---|
| Amounts charged/due to: | Service | October 31, 2014 | October 31, 2013 | October 31, 2014 | January 31, 2014 |
| | | $ | $ | $ | $ |
| A public company with a director in common with the Company | Rent | - | 4,701 | - | - |
| Officers and directors | Consulting fees and geological consulting fees | - | 16,500 | - | - |
| | | - | 21,201 | - | - |

| | | Total charged as at | | Balance outstanding as at | |
|---|---|---|---|---|---|
| Amounts charged/due from: | Service | October 31, 2014 | October 31, 2013 | October 31, 2014 | January 31, 2014 |
| | | $ | $ | | $ |
| A public company with a director in common with the Company | Rent | 41,034 | 41,808 | - | - |
| A private company controlled by a director of the Company (Note 5) | Rent | 9,812 | 8,793 | 21,253 | 11,234 |
| A public company with a director in common with the Company (Note 5) | Rent | 9,812 | 8,793 | 6,697 | 14,065 |
| | | 60,658 | 59,394 | 27,950 | 25,299 |

Amounts owing to/from related parties are non-interest bearing, unsecured, and have no fixed terms of repayment.

## 10. SHARE CAPITAL

### a) Authorized

Authorized: Unlimited number of common shares without par value.

### b) Details of issuance of common shares

At October 31, 2014, there were 37,772,233 (January 31, 2014 – 37,572,233) issued and fully paid common shares.

Fiscal 2015

On February 10, 2014, the Company issued 200,000 shares at a fair value of $6,000 pursuant to the signing of the Estrella de Oro Property agreement.

Fiscal 2014

On June 20, 2013, the Company completed a non-brokered private placement for aggregate proceeds of $151,250 by issuing 1,779,410 units at $0.085 per unit (the "Unit"). Each Unit comprised of one common share and one-half of one common share purchase warrant .Each whole warrant entitles the holder to purchase one common share of the Company at a price of $0.14 until June 20, 2014. The warrants were allocated a fair value of $12,106 using the Black Scholes Option Pricing Model. The Company paid finder's fees of $1,488 in cash and an aggregate of $1,507 was also included in share issue costs related to regulatory filing fees.

(Expressed in Canadian dollars)

## 10. SHARE CAPITAL (cont'd)

### c) Warrants

The continuity of warrants is as follows:

| Expiry date | Exercise price | January 31, 2013 | Issued | Expired/ cancelled | January 31, 2014 | Issued | Expired/ cancelled | October 31, 2014 |
|---|---|---|---|---|---|---|---|---|
| | $ | | - | | | | | |
| July 11, 2013 | 0.40 | 1,225,000 | - | (1,225,000) | - | - | - | - |
| October 23, 2013 | 0.15 | 7,937,500 | - | (7,937,500) | - | - | - | - |
| October 23, 2013 | 0.17 | 1,650,000 | - | (1,650,000) | - | - | - | - |
| June 20, 2015 | 0.14 | - | 889,705 | - | 889,705 | - | - | 889,705 |
| | | 10,812,500 | 889,705 | (10,812,500) | 889,705 | - | - | 889,705 |
| Weighted average exercise price ($) | | 0.18 | 0.14 | 0.18 | 0.14 | | | 0.14 |

The weighted average remaining contractual life of the outstanding warrants as at October 31, 2014 is 0.64 years (January 31, 2014 – 0.38 years).

The following table summarizes the assumptions used in the Black-Scholes Option Pricing Model to estimate the fair value of the various warrants:

| | 2014 | 2013 |
|---|---|---|
| Risk-free interest rate | 1.14% | 1.14% |
| Annualized volatility | 114% | 132% |
| Expected dividend yield | Nil | Nil |
| Expected option life in years | 1 year | 1 year |

### d) Share purchase option compensation plan

The Company has adopted an incentive share option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the TSX Venture Exchange requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the common shares to be outstanding at closing. Such options will be exercisable for a period of up to 5 years from the date of grant. In connection with the foregoing, the number of common shares reserved for issuance to any individual director or officer will not exceed 5% of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants will not exceed 2% of the issued and outstanding common shares.

(Expressed in Canadian dollars)

## 10. SHARE CAPITAL (cont'd)

The continuity of options is as follows:

| Expiry date | Exercise price | January 31, 2013 | Issued | Expired/ forfeited | January 31, 2014 | Issued | Expired/ forfeited | October 31, 2014 |
|---|---|---|---|---|---|---|---|---|
| | $ | | | | | | | |
| March 7, 2013 | 0.80 | 125,000 | - | (125,000) | - | - | - | - |
| September 8, 2013 | 0.42 | 138,750 | - | (138,750) | - | - | - | - |
| January 12, 2015 | 0.60 | 50,000 | - | (50,000) | - | - | - | - |
| September 8, 2015 | 0.42 | 368,750 | - | (56,250) | 312,500 | - | - | 312,500 |
| September 29, 2015 | 0.40 | 50,000 | - | - | 50,000 | - | - | 50,000 |
| October 26, 2017 | 0.15 | 2,355,000 | - | (500,000) | 1,855,000 | - | - | 1,855,000 |
| June 28, 2018 | 0.10 | - | 625,000 | - | 625,000 | - | - | 625,000 |
| October 7, 2018 | 0.10 | - | 150,000 | - | 150,000 | - | - | 150,000 |
| | | 3,087,500 | 775,000 | (870,000) | 2,992,500 | - | - | 2,992,500 |
| Weighted average exercise price ($) | | 0.23 | 0.10 | 0.40 | 0.17 | - | - | 0.17 |
| Options vested and exercisable | | 732,500 | - | - | 2,567,500 | - | - | 2,955,000 |
| Weighted average exercise price ($) | | 0.50 | - | - | 0.17 | - | - | 0.17 |

At October 31, 2014 the weighted average remaining life of the outstanding and exercisable options is 3.04 years (January 31, 2014 – 3.86 years).

On October 7, 2013, the Company granted a director of the Company incentive stock options to purchase an aggregate of 150,000 common shares. The options are exercisable until October 7, 2018 at an exercise price of $0.10 per share. The options vested at a rate of 25% on January 7, 2014 and at a rate of 25% every three months thereafter.

On June 28, 2013, the Company granted directors, officers, employees and consultants of the Company incentive stock options to purchase an aggregate of 625,000 common shares. The options are exercisable until June 28, 2018 at an exercise price of $0.10 per share

### d) Share purchase option compensation plan

The assumptions used in the Black Scholes Option Pricing Model to estimate the fair value of options were:

| | October 31, 2014 | January 31, 2014 | January 31, 2013 |
|---|---|---|---|
| Risk-free interest rate | Nil | 1.79% - 1.88% | 1.22% – 1.39% |
| Annualized volatility | Nil | 164 - 173% | 135% – 173% |
| Expected dividend yield | Nil | Nil | Nil |
| Expected option life | Nil | 5 years | 1– 5 years |

Based on these variables, share based payment expense for the options vested during the nine months ended October 31, 2014 was $15,552 (2013 - $146,842).

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable measure of the fair value of the Company's share purchase options.

(Expressed in Canadian dollars)

## 10. SHARE CAPITAL (cont'd)

### f) Reserves (cont'd)

The reserves account records items recognized as share-based compensation expense and other share-based payments. When stock options are exercised, the corresponding amount will be transferred to share capital. Amounts recorded for forfeited or expired unexercised options remain in the reserves account. Amounts recorded for exercised, cancelled or expired warrants remain in the reserves account.

## 11. LOSS PER SHARE

**Basic and diluted loss per share**

The calculation of basic and diluted loss per share for the nine months ended October 31, 2014 was based on the loss attributable to common shareholders of $312,052 (October 31, 2013 – $488,862) and a weighted average number of common shares outstanding of 37,764,907 (October 31, 2013 – 36,682,528 ).

Diluted loss per share did not include the effect of 889,705 warrants and 2,992,500 stock options (2013 – 889,705 warrants and 3,348,750 stock options) because they are anti-dilutive.

## 12. COMMITMENTS

The Company has obligations under an operating lease for its corporate office that is in effect until February 29, 2016. At October 31, 2014 the remaining future minimum lease payments for the non-cancellable lease are:

| | $ |
|---|---|
| Fiscal year 2015 | 12,423 |
| Fiscal year 2016 | 3,939 |
| | 16,362 |

## 13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments consist of cash, receivables, mineral tax credit recoverable, trade payables and due to related parties. The carrying value of these financial instruments approximates their fair value. The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk and interest risk.

**Management of Financial Risk**
The Company's financial instruments are exposed to certain financial risks, which include credit risk, interest rate risk, liquidity risk, and market risk.

**Credit Risk**
Credit risk is the risk that one party to a financial instrument will fail to fulfill an obligation causing the other party to incur a financial loss. The Company is exposed to credit risks arising from its cash holdings, mineral tax credit recoverable and other receivables. The Company manages credit risk by placing cash with major Canadian financial institutions. Receivables are due from the Government of Canada and for reimbursements. Management believes that credit risk related to these amounts is low.

## 13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

**Interest Rate Risk**
Interest rate risk is the risk that an investment's value will change due to a change in the level of interest rates. The Company's exposure to interest rate risk is minimal and relates to its ability to maintain the current rate of interest on its short-term investment.

**Liquidity Risk**
Liquidity risk is the risk that the Company will not have sufficient funds to meet its financial obligations when they are due. To manage liquidity risk, the Company reviews additional sources of capital to continue its operations and discharge its commitments as they become due.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash and cash equivalents, primarily through private placements. The Company access to financing is always uncertain. There can be no assurance of continued access to significant equity funding. Liquidity risk is assessed as high.

**Market Risk**
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and price risk.
The Company is not subject to currency risk as the functional currency is the Canadian dollar. The Company does not use any form of derivative or hedging instruments to reduce its foreign currency risk. The Company is not affected by price risk.

**Management of Industry Risk**
The Company is engaged primarily in the mineral exploration field and manages related industry risk issues directly. The Company is potentially at risk for environmental reclamation and fluctuations in commodity based market prices associated with resource property interests. Management is of the opinion that the Company addresses environmental risk and compliance in accordance with industry standards and specific project environmental requirements.

## 14. CAPITAL MANAGEMENT

The Company considers its capital structure to be shareholders' equity represented by net assets over liabilities. The Company manages its capital structure based on the funds available to the Company, in order to support acquisition, maintenance, exploration, and development of exploration and evaluation assets.

The Board of Directors has not established any quantitative return on capital criteria for management, instead relying on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has interests are in the exploration stage so the Company is dependent on external financing to fund its activities. In order to carry out activities and administration, the Company will spend its existing working capital and raise additional amounts as needed.

The Company is not subject to externally imposed capital restrictions.