ORESTONE MINING CORP.
(An Exploration Stage Company)

Condensed Consolidated Interim Financial Statements

For the six months ended July 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	July 31, 2014	January 31, 2014
		(Unaudited) $	(Audited) $
ASSETS			
Current Assets			
Cash and cash equivalents	3	255,753	454,786
Marketable securities	4	7,371	-
Receivables	5, 9	32,774	54,543
Mineral exploration tax credit recoverable	7	62,279	62,279
Prepaids		19,491	32,070
		377,668	603,678
Non-current Assets			
Equipment	6	217	272
Exploration and evaluation assets	7	3,795,453	3,733,792
Deposits	7	42,800	42,800
Reclamation bonds	7	29,000	29,000
		3,867,470	3,805,864
		4,245,138	4,409,542
LIABILITIES			
Current			
Trade and other payables	8	47,613	55,292
		47,613	55,292
SHAREHOLDERS' EQUITY			
Share capital	10	6,148,828	6,142,828
Reserves	10	1,394,222	1,380,382
Deficit		(3,345,525)	(3,168,960)
		4,197,525	4,354,250
		4,245,138	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 September 25, 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

FOR THE SIX MONTHS ENDED JULY 31

(Expressed in Canadian dollars; Unaudited)

	Notes	For the three months ended July 31, 2014	For the three months ended July 31, 2013	For the six months ended July 31, 2014	For the six months ended July 31, 2013
		$	$	$	$
EXPENSES					
Depreciation	6	27	12	55	24
Filing fees		3,529	4,502	10,503	11,950
Investor relations		3,071	9,890	12,969	31,928
Management and consulting fees	9	-	2,500	-	9,500
Office, rent and miscellaneous	9	27,962	40,401	48,748	73,457
Project search		-	2,500	-	22,146
Professional fees		2,126	6,274	8,119	13,402
Salaries and benefits	9	36,732	46,019	73,523	93,569
Share-based payments	10	4,722	43,106	13,840	122,213
		78,169	155,204	167,757	378,189
OTHER ITEMS					
Interest income		(1,035)	(3,429)	(2,248)	(5,645)
Loss on debt settlement	4	7,371	-	7,371	-
Unrealized loss on marketable securities	4	3,685	-	3,685	-
		10,021	(3,429)	8,808	(5,645)
COMPREHENSIVE LOSS		88,190	151,775	176,565	372,544
LOSS PER COMMON SHARE – Basic and Diluted	11	$0.002	$0.004	$0.005	$0.010

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	-	-	-	-	122,213	-	122,213
Comprehensive loss for the period		-	-	-	-	-	(372,544)	(372,544)
Balance as at July 31, 2013 (Unaudited)		37,572,233	$ 6,142,828	$ 731,413	$ 98,399	$ 508,519	$ (2,970,353)	$ 4,510,806
Share-based payments	10	-	-	-	-	42,051	-	42,051
Comprehensive loss for the period		-	-	-	-	-	(198,607)	(198,607)
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	-	-	-	-	13,840	-	13,840
Comprehensive loss for the period		-	-	-	-	-	(176,565)	(176,565)
Balance as at July 31, 2014 (Unaudited)		37,772,233	$ 6,148,828	$ 731,413	$ 98,399	$ 564,410	$ (3,345,525)	$ 4,197,525

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 six months ended July 31,
(Expressed in Canadian dollars; Unaudited)

	2014	2013
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	(176,565)	(372,544)
Non-cash operating items:		
Depreciation	55	24
Share-based payments	13,840	122,213
Loss on debt settlement	7,371	-
Unrealized loss on marketable securities	3,685	-
	(151,614)	(250,307)
Changes in non-cash working capital items:		
Receivables	21,769	36,327
Mining tax credit recoverable	-	218,974
Prepaids	12,579	5,945
Trade and other payables	(22,754)	(140,747)
Due to related parties	-	(7,500)
Net cash used in operating activities	(140,020)	(137,308)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	-	(320)
Exploration and evaluation assets	(59,013)	(183,125)
Net cash used in investing activities	(59,013)	(183,445)
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	(199,033)	(172,498)
CASH AND CASH EQUIVALENTS, BEGINNING	454,786	1,037,813
CASH AND CASH EQUIVALENTS, ENDING	255,753	865,315

SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS		
Exploration and evaluation assets in accounts payable and accrued liabilities	15,904	267,049

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.

	July 31, 2014	January 31, 2014
Deficit	$ (3,345,525)	$(3,168,960)
Working capital	$330,055	$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 six month period ended July 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

	July 31, 2014	January 31, 2014
	$	$
Cash on hand	43,397	42,884
Short-term investment	212,356	411,902
	255,753	454,786

At July 31, 2014, the Company has a variable rate investment totalling $210,000 (January 31, 2014 - $410,000). The instrument yields interest rate of prime less 1.80%, maturing on October 24, 2014. As of July 31, 2014, $2,356 (January 31, 2014 - $1,902) is accrued as interest receivable on this investment.

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 Company recorded a loss on debt settlement of $7,371. At July 31, 2014, the fair value of the Galileo shares was $7,371. As at July 31, 2014 the Company has recorded a net unrealized loss of $3,685 with respect to these shares (2013 - $Nil).

5. RECEIVABLES

Receivables consist of the following:

	July 31, 2014	January 31, 2014
	$	$
Due from JV partners (Note 7)	7,638	26,443
Government taxes receivable	2,056	128
Other	2,599	2,673
Related parties receivable (Note 9)	20,481	25,299
	32,774	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 July 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	55	55
Balance as at July 31, 2014	103	103
Carrying amounts		
At January 31, 2013	-	-
At January 31, 2014	272	272
At July 31, 2014	217	217

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. 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.

(Expressed in Canadian dollars)

7. EXPLORATION AND EVALUATION ASSETS (cont'd)

The option payments consist 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).

Under the terms of the agreement the staged cash payments and due dates are as follows:

January 16, 2016	$25,000
January 28, 2017	$50,000
January 28, 2018	$75,000

Under the terms of the agreement the staged expenditures and due dates are as follows:

January 16, 2016	$50,000
January 28, 2017	$250,000
January 28, 2018	$350,000
January 28, 2019	$1,350,000

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

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

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

At July 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)

As at July 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 July 31, 2014, the Company has incurred the following on acquisition and deferred exploration costs:

	January 31, 2013	Additions	January 31, 2014	Additions	July 31, 2014
	$	$	$	$	$
Captain Property					
Acquisition costs	275,922	65	275,987	-	275,987
Deferred exploration costs					
Assays	35,117	4,679	39,796	22	39,818
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	9,058	1,335,825
Mining exploration tax credit	(212,831)	(62,175)	(275,006)	-	(275,006)
	1,090,760	236,988	1,327,748	9,058	1,336,806
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	July 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	10,022	14,192
Surveying	-	-	-	1,082	1,082
	-	4,170	4,170	44,461	48,631
Write-off of mineral exploration	-	-	-	-	-
	-	4,170	4,170	50,461	54,631
Total	3,476,417	257,375	3,733,792	61,661	3,795,453

8. TRADE AND OTHER PAYABLES

Trade and other payables consist of the following:

	July 31, 2014	January 31, 2014
	$	$
Trade payables	27,671	24,942
Accrued liabilities	14,342	24,343
Government taxes payable	5,600	6,007
	47,613	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:

	July 31, 2014	July 31, 2013
	$	$
Short-term employee benefits	65,280	81,300
Share-based payments	-	28,000
	65,280	109,300

(Expressed in Canadian dollars)

9. RELATED PARTY TRANSACTIONS (cont'd)

b) Other related party transactions

Amounts charged/due to:	Service	Total charged as at July 31, 2014	Total charged as at July 31, 2013	Balance outstanding as at July 31, 2014	Balance outstanding as at 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	-	-

Amounts charged/due from:	Service	Total charged as at July 31, 2014	Total charged as at July 31, 2013	Balance outstanding as at July 31, 2014	Balance outstanding as at January 31, 2014
		$	$		$
A public company with a director in common with the Company	Rent	27,356	28,131	-	-
A private company controlled by a director of the Company (Note 5)	Rent	6,541	5,523	17,982	11,234
A public company with a director in common with the Company (Note 5)	Rent	6,541	5,523	2,499	14,065
		40,438	39,177	20,481	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 July 31, 2014, there were 37,772,233 (January 31, 2014 – 37,572,233) issued and fully paid common shares.

<u>Fiscal 2015</u>

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.

<u>Fiscal 2014</u>

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	July 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 July 31, 2014 is 0.89 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	July 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 July 31, 2014 the weighted average remaining life of the outstanding and exercisable options is 3.29 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

On October 26, 2012, the Company granted directors, officers, employees and consultants of the Company incentive stock options to purchase an aggregate of 2,372,000 common shares. The options are exercisable until October 26, 2017 at an exercise price of $0.15 per share.

On April 15, 2012, the Company granted stock options to a consultant of the Company to purchase a total of 75,000 common shares at a price of $0.40 per share, exercisable until April 15, 2013. These stock options vest at a rate of 25% on July 15, 2012 and at a rate of 25% every 3 months thereafter. Subsequently these options expired, unexercised.

d) Share purchase option compensation plan

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

	July 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 six months ended July 31, 2014 was $13,840 (2013 - $122,213).

(Expressed in Canadian dollars)

9. SHARE CAPITAL (cont'd)

d) Share purchase option compensation plan (cont'd)

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.

f) Reserves

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 six months ended July 31, 2014 was based on the loss attributable to common shareholders of $176,565 (July 31, 2013 – $372,544) and a weighted average number of common shares outstanding of 37,761,183 (July 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 – 10,477,205 warrants, 1,041,250 agents' warrants and 3,392,500 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 July 31, 2014 the remaining future minimum lease payments for the non-cancellable lease are:

	$
Fiscal year 2015	24,845
Fiscal year 2016	3,939
	41,207

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.