ORESTONE MINING CORP.
(An Exploration Stage Company)

Condensed Consolidated Interim Financial Statements

For the six months ended July 31, 2013

(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, 2013	January 31, 2013
		(Unaudited)	(Audited)
		$	$
ASSETS			
Current Assets			
Cash	3	865,315	1,037,813
Receivables	4	41,938	78,265
Mining tax credit recoverable	6	19,367	238,341
Prepaids		33,549	39,494
		960,169	1,393,913
Non-current Assets			
Equipment	5	296	-
Exploration and evaluation assets	6	3,735,640	3,476,417
Deposits	6	42,800	42,800
Reclamation bonds	6	29,000	29,000
		3,807,736	3,548,217
		4,767,905	4,942,130
LIABILITIES			
Current			
Trade and other payables	7	254,599	319,248
Due to related parties	8	2,500	10,000
		257,099	329,248
SHAREHOLDERS' EQUITY			
Share capital	9	6,142,828	6,006,649
Reserves	9	1,338,331	1,204,012
Deficit		(2,970,353)	(2,597,809)
		4,510,806	4,612,882
		4,767,905	4,942,130

Nature and continuance of operations (Note 1)
Commitments (Note 9)

These consolidated financial statements were authorized for issue by the Board of Directors on September 23, 2013.

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 July 31, 2013	2012	For the six months ended July 31, 2013	2012
		$	$	$	$
EXPENSES					
Depreciation	5	12	169	24	339
Filing fees		4,502	4,111	11,950	12,199
Investor relations		9,890	3,175	31,928	23,968
Management and consulting fees		2,500	-	9,500	-
Office, rent and miscellaneous		40,401	16,303	73,457	43,460
Project search		2,500	-	22,146	-
Professional fees		6,274	21,712	13,402	28,925
Salaries and benefits	8	46,019	42,415	93,569	96,963
Share-based payments	8, 9	43,106	27,034	122,213	87,834
		155,204	114,919	378,189	293,688
OTHER ITEMS					
Interest income	3	(3,429)	-	(5,645)	-
		(3,429)	-	(5,645)	-
COMPREHENSIVE LOSS		151,775	114,919	372,544	293,688
LOSS PER COMMON SHARE – Basic and Diluted	10	$0.00	$0.01	$0.01	$0.02
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING		36,682,528	16,397,323	36,237,676	16,397,323

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, 2012 (Audited)		16,397,323	4,709,009	317,160	-	143,974	(1,958,569)	3,211,574
Share-based payments	9	-	-	-	-	87,834	-	87,834
Comprehensive loss for the period		-	-	-	-	-	(293,688)	(293,688)
Balance as at July 31, 2012 (Unaudited)		16,397,323	4,709,009	317,160	-	231,808	(2,252,257)	3,005,720
Shares issues:								
For cash	9	19,175,000	1,597,853	402,147	-	-	-	2,000,000
For finder's fees	9	220,500	35,280	-	-	-	-	35,280
Share issue costs	9	-	(244,713)	-	98,399	-	-	(146,314)
Flow-through share premium	9	-	(90,750)	-	-	-	-	(90,750)
Share-based payments	9	-	-	-	-	154,498	-	154,498
Comprehensive loss for the period		-	-	-	-	-	(345,552)	(345,552)
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	9	1,779,410	139,144	12,106	-	-	-	151,250
Share issue costs	9	-	(2,995)	-	-	-	-	(2,995)
Share-based payments	9	-	-	-	-	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

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)

	2013	2012
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	(372,544)	(293,688)
Non-cash operating items:		
Depreciation	24	339
Share-based payments	122,213	87,834
	(250,307)	(205,515)
Changes in non-cash working capital items:		
Receivables	36,327	71,621
Mining tax credit recoverable	218,974	(1,550)
Prepaids	5,945	27,576
Trade and other payables	(140,747)	1,991
Due to related parties	(7,500)	85,000
Net cash used in operating activities	(137,308)	(20,877)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(320)	-
Exploration and evaluation assets	(183,125)	(152,926)
Net cash used in investing activities	(183,445)	(152,926)
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	(172,498)	(173,803)
CASH AND CASH EQUIVALENTS, BEGINNING	1,037,813	190,159
CASH AND CASH EQUIVALENTS, ENDING	865,315	16,356
SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS		
Exploration and evaluation assets in accounts payable and accrued liabilities	267,049	117,798

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, 2013	January 31, 2013
Deficit	$ (2,970,353)	$(2,597,809)
Working capital	$703,070	$1,064,665

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, 2013 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.

Accounting estimates and judgments
The preparation of these financial statements in conformity with IAS 34 requires management to make estimates, judgments 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.

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.

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, 2013. 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, 2013 are not necessarily indicative of the results that may be expected for the year ending January 31, 2014.

3. CASH AND CASH EQUIVALENTS

	July 31, 2013	January 31, 2013
	$	$
Cash on hand	158,767	375,313
Short-term investment	706,548	662,500
	865,315	1,037,813

At July 31, 2013, the Company has variable rate investments totalling $706,548 (January 31, 2013 - $662,500). The instruments yield interest rates of prime less 1.80% to 1.95%, maturing between October 23, 2013 and May 13, 2014. All investments are in Guaranteed Investment Certificates ("GIC's") issued by a major Canadian chartered bank.

4. RECEIVABLES

Receivables consist of the following:

	July 31, 2013	January 31, 2013
	$	$
Due from JV partners (Note 6)	11,490	15,557
Government taxes receivable	5,712	37,652
Other	9,688	3,556
Related parties receivable (Note 8)	15,048	21,500
	41,938	78,265

(Expressed in Canadian dollars)

5. EQUIPMENT

	Computer equipment	Equipment	Total
	$	$	$
Cost			
Balance as at February 1, 2012	7,998	4,049	12,047
Dissolution of subsidiary (Note 2)	(7,998)	(4,049)	(12,047)
Balance as at January 31, 2013	-	-	-
Change in assets	320	-	320
Balance as at July 31, 2013	320	-	320
Accumulated depreciation			
Balance as at February 1, 2012	7,152	2,058	9,210
Change in assets	201	252	453
Dissolution of subsidiary (Note 2)	(7,353)	(2,310)	(9,663)
Balance as at January 31, 2013	-	-	-
Depreciation for the year	24	-	24
Balance as at July 31, 2013	24	-	24
Carrying amounts			
At February 1, 2012	846	1,991	2,837
At January 31, 2013	-	-	-
At July 31, 2013	296	-	296

6. EXPLORATION AND EVALUATION ASSETS

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, 2013, included in mineral tax credit recoverable is $19,367 (January 31, 2013 - $195,751) relating to the Captain property.

As of July 31, 2013, the Company has $29,000 (January 31, 2013 - $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.

6. EXPLORATION AND EVALUATION ASSETS (cont'd)

Todd Creek Property (cont'd)

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.

The JV held an option to acquire a 100% interest in the Kelly Funk Property, comprised of certain claims contiguous to the Todd Creek Property, pursuant to an option agreement dated August 19, 2008, and amended on October 22, 2010, between the Company, 802213 Alberta Ltd. ("802213") and Kelly Brent Funk. During the year ended January 31, 2012, the Company performed and impairment analysis on the Kelly Funk property and concluded that the potential did not justify further work. The Company therefore, wrote-off $78,500 of project expenditures and subsequently terminated the option agreement on the Kelly Funk property.

At July 31, 2013, included in receivables is $11,490 (January 31, 2013 - $15,557) owing from the JV partners.

As at July 31, 2013, recorded in deposits is $17,500 (January 31, 2013 - $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.

Connor Creek Property

During the year ended January 31, 2011 the Company acquired an option to earn a 60% interest in certain mineral claims comprising the Connor Creek Property located in the Nelson Mining Division, British Columbia.

During the year ended January 31, 2012, the Company performed an impairment analysis on the Connor Creek property and concluded that the potential did not justify further work. The Company therefore, wrote off $84,002 of project expenditures and subsequently terminated the option agreement on the Connor Creek property.

(Expressed in Canadian dollars)

6. EXPLORATION AND EVALUATION ASSETS (cont'd)

To July 31, 2013, the Company has incurred the following on acquisition and deferred exploration costs:

	January 31, 2012	Additions	January 31, 2013	Additions	July 31, 2013
	$	$	$	$	$
Captain Property					
Acquisition costs	275,922	-	275,922	-	275,922
Deferred exploration costs					
Assays	17,407	17,710	35,117	1,543	36,660
Drilling	305,194	261,800	566,994	161,808	728,802
Geological	167,987	97,789	265,776	68,226	334,002
Geophysical	103,468	14,407	117,875	25,502	143,377
Surveying	40,846	-	40,846	-	40,846
Other	1,061	-	1,061	-	1,061
	635,963	391,706	1,027,669	257,079	1,284,748
Mining exploration tax credit	(177,520)	(35,311)	(212,831)	-	(212,831)
	734,365	356,395	1,090,760	257,079	1,347,839
Todd Creek Property					
Acquisition costs	256,035	12,750	268,785	-	268,785
Deferred exploration costs					
Aircraft	626,189	-	626,189	-	626,189
Assays	192,368	4,284	196,652	2,142	198,794
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	287,610	1,020	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
	2,708,835	5,304	2,714,139	2,142	2,716,281
Mining exploration tax credit	(517,976)	(791)	(518,767)	-	(518,767)
Write-off of exploration and evaluation assets	(78,500)	-	(78,500)	-	(78,500)
	2,368,394	17,263	2,385,657	2,142	2,387,799
Connor Creek Property					
Acquisition costs	83,369	-	83,369	-	83,369
Deferred exploration costs					
Other	633	-	633	-	633
Write-off of exploration and evaluation assets	(84,002)	-	(84,002)	-	(84,002)
	-	-	-	-	-
Total	3,102,759	373,658	3,476,417	259,221	3,735,638

(Expressed in Canadian dollars)

7. TRADE AND OTHER PAYABLES

Trade and other payables consist of the following:

	July 31, 2013	January 31, 2013
	$	$
Trade payables	240,257	294,248
Accrued liabilities	16,842	25,000
	257,099	329,248

8. 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, 2013	July 31, 2012
	$	$
Short-term employee benefits	81,300	78,000
Share-based payments	28,000	-
	109,300	78,000

b) Other related party transactions

Amounts due to:	Service	Total charged as at July 31, 2013	Total charged as at July 31, 2012	Balance outstanding as at July 31, 2013	Balance outstanding as at January 31, 2013
		$	$	$	$
A public company with a director in common with the Company	Rent	4,701	9,893	-	-
Officers and directors	Consulting fees and geological consulting fees	16,500	5,000	2,500	10,000
		21,201	14,893	2,500	10,000

Amounts due from:	Service	Total charged as at July 31, 2013	Total charged as at July 31, 2012	Balance outstanding as at July 31, 2013	Balance outstanding as at January 31, 2013
		$	$		$
A public company with a director in common with the Company	Rent	28,131	-	-	-
A private company controlled by a director of the Company (Note 4)	Rent	5,523	-	9,524	9,000
A public company with a director in common with the Company (Note 4)	Rent	5,523	-	5,524	-
		39,177	-	15,048	9,000

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

(Expressed in Canadian dollars)

9. SHARE CAPITAL

a) Authorized

Authorized: Unlimited number of common shares without par value.

b) Details of issuance of common shares

At July 31, 2013, there were 37,572,233 (January 31, 2013 – 35,792,823) issued and fully paid common shares.

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.

Fiscal 2013

On October 23, 2012, the Company completed a non-brokered private placement for aggregate proceeds of $2,000,000. The offering consisted of 15,875,000 units ('Units") at a price of $0.10 per unit and 3,300,000 units on a flow-through basis ("Flow-Through Units") at a price of $0.125. Each Unit consisted of one common share and one-half of one common share purchase warrant exercisable for one common share of the Company at a price of $0.15 until October 23, 2013. Each Flow-Through Unit consisted of one common share and one-half of one common share purchase warrant exercisable for one common share of the Company at a price of $0.17 until October 23, 2013. The warrants were allocated a fair value of $402,147 using the Black Scholes Option Pricing Model. The Company paid finders' fees of $73,325 in cash and 220,500 in common shares of the Company ("Finder's Units). Each Finder's Unit consisting of one common share of the Company and one half of one non-transferable common share purchase warrant ("Finder's Unit Warrant"). The Finder's Unit Warrants entitle the holders to purchase one common share of the Company at an exercise price of $0.15 or $0.17 until October 23, 2013. In addition, the Company issued 931,000 non-transferable finder's warrants entitling the holder to acquire one common share at an exercise price of $0.10 or $0.125, respectively, until October 23, 2013. The Finder's Unit Warrants and the finder's warrants were allocated a fair value of $98,399 using the Black Scholes Option Pricing Mode and have been recorded as a share issuance cost. An aggregate of $16,559 was also included in share issue costs related to transfer agent and legal fees.

c) Warrants

The continuity of warrants is as follows:

Expiry date	Exercise price ($)	January 31, 2013	Issued	Exercised	Expired/ cancelled	July 31, 2013
July 11, 2013	0.40	1,225,000	-	-	(1,225,000)	-
October 23, 2013	0.15	7,937,500	-	-	-	7,937,500
October 23, 2013	0.17	1,650,000	-	-	-	1,650,000
June 20, 2014	0.14	-	889,705	-	-	889,705
		10,812,500	889,705	-	(1,225,000)	10,477,205
Weighted average exercise price ($)		0.18	0.14	-	0.40	0.15

The weighted average remaining contractual life of the outstanding warrants as at July 31, 2013 is 0.29 years (January 31, 2013 – 0.69 years).

(Expressed in Canadian dollars)

9. SHARE CAPITAL (cont'd)

d) Finder's Warrants

The continuity of finder's warrants is as follows:

Expiry date	Exercise price ($)	January 31, 2013	Issued	Exercised	Expired/ cancelled	July 31, 2013
October 23, 2013	0.10	798,000	-	-	-	798,000
October 23, 2013	0.125	133,000	-	-	-	133,000
October 23, 2013	0.15	89,250	-	-	-	89,250
October 23, 2013	0.17	21,000	-	-	-	21,000
		1,041,250	-	-	-	1,041,250
Weighted average exercise price ($)		0.11	-	-	-	0.11

The weighted average remaining contractual life of the outstanding warrants as at July 31, 2013 is 0.23 years (January 31, 2013 – 0.69 years).

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

	2014	2013	2012
Risk-free interest rate	1.14%	1.14%	0.89% - 2.09%
Annualized volatility	114%	132%	270 - 295%
Expected dividend yield	Nil	Nil	Nil
Expected option life in years	1 year	1 year	1-2 years

e) 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)

9. SHARE CAPITAL (cont'd)

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

The continuity of options is as follows:

Expiry date	Exercise price	January 31, 2013	Issued	Exercised	Expired/ forfeited	April 30, 2013
	$	$	$	$	$	$
March 7, 2013	0.80	125,000	-	-	(125,000)	-
September 8, 2013	0.42	138,750	-	-	(95,000)	43,750
January 12, 2015	0.60	50,000	-	-	-	50,000
September 8, 2015	0.42	368,750	-	-	-	368,750
September 29, 2015	0.40	50,000	-	-	-	50,000
October 26, 2017	0.15	2,355,000	-	-	(100,000)	2,255,000
June 28, 2018	0.10	-	625,000	-	-	625,000
Outstanding at end of the year		3,087,500	625,000	-	(320,000)	3,392,500
Weighted average exercise price ($)		0.23	0.10	-	0.48	0.18
Options vested and exercisable		2,178,750	-	-	-	2,178,750
Weighted average exercise price ($)		0.22	-	-	-	0.22

At July 31, 2013 the weighted average remaining life of the outstanding and exercisable options is 4.13 years (January 31, 2013 – 2.76 years).

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.

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

	July 31, 2013	January 31, 2013	January 31, 2012
Risk-free interest rate	1.79%	1.22% – 1.39%	1.01% – 1.38%
Annualized volatility	173%	135% – 173%	131% – 142%
Expected dividend yield	Nil	Nil	Nil
Expected option life	5 years	1– 5 years	4 years

Based on these variables, share based payment expense for the options vested during the six months ended July 31, 2013 was $122,213 (July 31, 2012 - $87,834).

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)

9. SHARE CAPITAL (cont'd)

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.

10. 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, 2013 was based on the loss attributable to common shareholders of $372,544 (July 31, 2012 – $293,688) and a weighted average number of common shares outstanding of 36,682,528 (July 31, 2012 – 16,397,323).

Diluted loss per share did not include the effect of 10,477,205 warrants, 1,041,250 agent's warrants and 3,392,500 stock options (2012 – 8,782,500, Nil and 3,630,000, respectively) because they are anti-dilutive.

11. COMMITMENTS

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

	$
Fiscal year 2014	23,634
Fiscal year 2015	47,268
Fiscal year 2016	3,939
	74,841

12. 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.

12. 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.

13. 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.