



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

**Condensed Consolidated Interim Financial Statements**

**For the three months ended April 30, 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	April 30, 2013 (Unaudited) \$	January 31, 2013 (Audited) \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	3	688,178	1,037,813
Receivables	4	41,270	78,265
Mining tax credit recoverable	6	195,751	238,341
Prepays		15,291	39,494
		<u>940,490</u>	<u>1,393,913</u>
<b>Non-current Assets</b>			
Equipment	5	308	-
Exploration and evaluation assets	6	3,531,823	3,476,417
Deposits	6	42,800	42,800
Reclamation bonds	6	29,000	29,000
		<u>3,603,931</u>	<u>3,548,217</u>
		<u>4,544,421</u>	<u>4,942,130</u>
<b>LIABILITIES</b>			
<b>Current</b>			
Trade and other payables	7	68,201	319,248
Due to related parties	8	5,000	10,000
		<u>73,201</u>	<u>329,248</u>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	9	6,006,679	6,006,649
Reserves	9	1,283,119	1,204,012
Deficit		(2,818,578)	(2,597,809)
		<u>4,471,220</u>	<u>4,612,882</u>
		<u>4,544,421</u>	<u>4,942,130</u>

**Nature and continuance of operations** (Note 1)**Subsequent event** (Note 13)

These consolidated financial statements were authorized for issue by the Board of Directors on June 28, 2013.

They are signed on the Company's behalf by:

<u>“David Hottman”</u>	Director	<u>“Gary Nordin”</u>	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 THREE MONTHS ENDED APRIL 30**

(Expressed in Canadian dollars; Unaudited)

	Notes	2013	2012
		\$	\$
<b>EXPENSES</b>			
Depreciation	5	12	170
Filing fees		7,448	8,088
Investor relations		22,038	20,793
Management and consulting fees		7,000	-
Office, rent and miscellaneous		33,056	27,156
Project search		19,646	-
Professional fees		7,128	7,214
Salaries and benefits	8	47,550	54,548
Share-based payments	8, 9	79,107	60,800
		<u>222,985</u>	<u>178,769</u>
<b>OTHER ITEMS</b>			
Interest income		(2,216)	-
		<u>(2,216)</u>	<u>-</u>
<b>COMPREHENSIVE LOSS</b>		<u>220,769</u>	<u>178,769</u>
<b>LOSS PER COMMON SHARE – Basic and Diluted</b>			
	10	\$0.01	\$0.01
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>			
		35,792,823	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)

Issued and outstanding:	Notes	Number of shares	Share capital	Reserves			Deficit	Total shareholders' equity
				Warrants	Agent's Warrants	Share-based payments		
			\$	\$	\$	\$	\$	
<b>Balance as at January 31, 2012 (Audited)</b>		16,397,323	4,709,009	317,160	-	143,974	(1,958,569)	3,211,574
Share-based payments	9	-	-	-	-	60,800	-	60,800
Comprehensive loss for the period		-	-	-	-	-	(178,769)	(178,769)
<b>Balance as at April 30, 2012 (Unaudited)</b>		16,397,323	4,709,009	317,160		204,774	(2,137,338)	3,093,605
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	-	-	-	-	181,532	-	181,532
Comprehensive loss for the period		-	-	-	-	-	(460,471)	(460,471)
<b>Balance as at January 31, 2013 (Audited)</b>		35,792,823	6,006,679	719,307	98,399	386,306	(2,597,809)	4,612,882
Share-based payments	9	-	-	-	-	79,107	-	79,107
Comprehensive loss for the period		-	-	-	-	-	(220,769)	(220,769)
<b>Balance as at April 30, 2013 (Unaudited)</b>		35,792,823	6,006,679	719,307	98,399	465,413	(2,818,578)	4,471,220

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 THREE MONTHS ENDED APRIL 30

(Expressed in Canadian dollars; Unaudited)

	2013	2012
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	(220,769)	(178,769)
Non-cash operating items:		
Depreciation	12	170
Share-based payments	79,107	60,800
	<u>(141,650)</u>	<u>(117,799)</u>
Changes in non-cash working capital items:		
Receivables	36,995	50,678
Mining tax credit recoverable	42,590	-
Prepays	24,203	14,745
Trade and other payables	(234,964)	(49,453)
Due to related parties	(5,000)	95,363
Net cash used in operating activities	<u>(277,826)</u>	<u>(6,466)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of equipment	(320)	-
Exploration and evaluation assets	(71,489)	(133,382)
Net cash used in investing activities	<u>(71,809)</u>	<u>(133,382)</u>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(349,635)</b>	<b>(139,848)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<b>1,037,813</b>	<b>190,159</b>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<b>688,178</b>	<b>50,311</b>
<b>SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS</b>		
Exploration and evaluation assets in accounts payable and accrued liabilities	16,083	100,770

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

**ORESTONE MINING CORP.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the three months ended April 30, 2013

(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 exploration of mineral properties. The address of the Company’s registered and head office is 19<sup>th</sup> 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 (Note 11). 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.

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.

	April 30, 2013	January 31, 2013
Deficit	\$ (2,818,578)	\$(2,597,809)
Working capital	\$867,289	\$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.

**ORESTONE MINING CORP.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the three months ended April 30, 2013

(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, 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 three month period ended April 30, 2013 are not necessarily indicative of the results that may be expected for the year ending January 31, 2014.

**3. CASH AND CASH EQUIVALENTS**

	April 30, 2013	January 31, 2013
	\$	\$
Cash on hand	81,979	375,313
Short-term investment	606,199	662,500
	688,178	1,037,813

At April 30, 2013, the Company has a variable rate investment of \$606,199 (January 31, 2013 - \$662,500). The instrument yields an interest rate prime less 1.95%, maturing on October 23, 2013. The short-term investment allows for early redemption after the first 30 days of the investment.

**4. RECEIVABLES**

Receivables consist of the following:

	October 31, 2012	January 31, 2013
	\$	\$
Due from JV partners (Note 6)	11,490	15,557
Government taxes receivable	5,576	37,652
Other	1,848	3,556
Related parties receivable (Note 8)	22,356	21,500
	41,270	78,265



**ORESTONE MINING CORP.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the three months ended April 30, 2013

(Expressed in Canadian dollars)

**5. EQUIPMENT**

	<b>Computer equipment</b>	<b>Equipment</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Cost</b>			
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 April 30, 2013	320	-	320
<b>Accumulated depreciation</b>			
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	12	-	12
Balance as at April 30, 2013	12	-	12
<b>Carrying amounts</b>			
At February 1, 2012	846	1,991	2,837
At January 31, 2013	-	-	-
At April 30, 2013	308	-	308

**6. EXPLORATION AND EVALUATION ASSETS****Captain Property**

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

At April 30, 2013, included in mineral tax credit recoverable is \$195,751 (January 31, 2013 - \$195,751) relating to the Captain property, of which \$178,000 was received subsequent to the end of the period.

As of April 30, 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.

**ORESTONE MINING CORP.**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the three months ended April 30, 2013

(Expressed in Canadian dollars)

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**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 an 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 April 30, 2013, included in receivables is \$11,490 (January 31, 2013 - \$15,557) owing from the JV partners.

As at April 30, 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.

**ORESTONE MINING CORP.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the three months ended April 30, 2013

(Expressed in Canadian dollars)

**6. EXPLORATION AND EVALUATION ASSETS (cont'd)**

To April 30, 2013, the Company has incurred the following on acquisition and deferred exploration costs:

	January 31, 2012	Additions	January 31, 2013	Additions	April 30, 2013
	\$	\$	\$	\$	\$
<b>Captain Property</b>					
<b>Acquisition costs</b>	275,922	-	275,922	-	275,922
<b>Deferred exploration costs</b>					
Assays	17,407	17,710	35,117	487	35,604
Drilling	305,194	261,800	566,994	-	566,994
Geological	167,987	97,789	265,776	27,275	293,051
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	53,264	1,080,933
Mining exploration tax credit	(177,520)	(35,311)	(212,831)	-	(212,831)
	734,365	356,395	1,090,760	53,264	1,144,024
<b>Todd Creek Property</b>					
<b>Acquisition costs</b>	256,035	12,750	268,785	-	268,785
<b>Deferred exploration costs</b>					
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
<b>Connor Creek Property</b>					
<b>Acquisition costs</b>	83,369	-	83,369	-	83,369
<b>Deferred exploration costs</b>					
Other	633	-	633	-	633
Write-off of exploration and evaluation assets	(84,002)	-	(84,002)	-	(84,002)
	-	-	-	-	-
<b>Total</b>	3,102,759	373,658	3,476,417	55,406	3,531,823

**ORESTONE MINING CORP.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the three months ended April 30, 2013

(Expressed in Canadian dollars)

**7. TRADE AND OTHER PAYABLES**

Trade and other payables consist of the following:

	April 30, 2013	January 31, 2013
	\$	\$
Trade payables	43,859	294,248
Accrued liabilities	24,342	25,000
	68,201	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:

	April 30, 2013	April 30, 2012
	\$	\$
Short-term employee benefits	44,400	39,000
Share-based payments	-	-
	44,400	39,000

## b) Other related party transactions

Amounts due to:	Service	April 30, 2013		April 30, 2012	
		Total charged	Balance outstanding	Total charges	Balance outstanding
		\$	\$		\$
A private company controlled by a director of the Company	Management fees	-	-	-	45,875
A public company with a director in common with the Company	Rent	4,701	-	8,833	-
Officers and directors	Consulting fees and geological consulting fees	14,000	5,000	-	-
		18,701	5,000	8,833	45,875

Amounts due from:	Service	April 30, 2013		April 30, 2012	
		Total charged	Balance outstanding	Total charges	Balance outstanding
		\$	\$		\$
A public company with a director in common with the Company	Rent	14,454	-	-	-
A private company controlled by a director of the Company	Rent	2,253	2,253	-	-
A public company with a director in common with the Company (Note 4)	Rent	2,253	6,253	-	-
Officers and directors (Note 4)	Expense reimbursements	-	13,850	-	-
		18,960	22,356	-	-

**ORESTONE MINING CORP.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the three months ended April 30, 2013

(Expressed in Canadian dollars)

**8. RELATED PARTY TRANSACTIONS**

As at April 30, 2013, included in receivables is \$22,356 (January 31, 2013 - \$21,500) owing from a director of the Company, a private company controlled by a director of the Company and a public company with a director in common with the Company (Note 4).

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

**9. SHARE CAPITAL****a) Authorized**

Authorized: Unlimited number of common shares without par value.

**b) Details of issuance of common shares**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	April 30, 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
		10,812,500	-	-	-	10,812,500
Weighted average exercise price (\$)		0.18	-	-	-	0.18

The weighted average remaining contractual life of the outstanding warrants as at April 30, 2013 is 0.39 years (January 31, 2013 – 0.69 years).

**ORESTONE MINING CORP.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the three months ended April 30, 2013

(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	April 30, 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 April 30, 2013 is 0.48 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:

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

**ORESTONE MINING CORP.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the three months ended April 30, 2013

(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
Outstanding at end of the year		3,087,500	-	-	(320,000)	2,767,500
Weighted average exercise price (\$)		0.23	-	-	0.48	0.20
Options vested and exercisable		1,590,000	-	-	-	1,590,000
Weighted average exercise price (\$)		0.24	-	-	-	0.24

At April 30, 2013 the weighted average remaining life of the outstanding and exercisable options is 3.81 years (January 31, 2013 – 2.76 years).

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:

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

Based on these variables, share based payment expense for the options vested during the three months ended April 30, 2013 was \$79,107 (April 30, 2012 - \$60,800).

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.

**ORESTONE MINING CORP.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the three months ended April 30, 2013

(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 three months ended April 30, 2013 was based on the loss attributable to common shareholders of \$220,769 (April 30, 2012 – \$178,769) and a weighted average number of common shares outstanding of 35,792,823 (April 30, 2013 – 16,397,323).

Diluted loss per share did not include the effect of 10,812,500 warrants, 1,041,250 agent's warrants and 2,767,500 stock options (2012 – 8,782,500, Nil and 3,630,000, respectively) because they are anti-dilutive.

**11. 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.

**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.



**ORESTONE MINING CORP.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the three months ended April 30, 2013

(Expressed in Canadian dollars)

**11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)****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.

**12. 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.

**13. SUBSEQUENT EVENTS**

On June 20, 2013 the Company completed a non-brokered private placement for gross 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 Company paid finder's fees of \$1,488 in cash. All securities issued are subject to a four-month hold period expiring October 20, 2013.

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