ORESTONE MINING CORP.

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended January 31, 2012

(Expressed in Canadian Dollars)

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS & BUSINESS ADVISORS

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Orestone Mining Corp.:

We have audited the accompanying consolidated financial statements of Orestone Mining Corp., which comprise the consolidated statements of financial position as at January 31, 2012, January 31, 2011 and February 1, 2010, and the consolidated statement of comprehensive loss, changes in equity, and cash flows for the years ended January 31, 2012 and January 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence that we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Orestone Mining Corp. as at January 31, 2012, January 31, 2011 and February 1, 2010, and its financial performance and its cash flows for the years ended January 31, 2012 and January 31, 2011, in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 to the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS

Vancouver, Canada
May 29, 2012

ORESTONE MINING CORP.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Expressed in Canadian dollars)

	Notes	January 31, 2012	January 31, 2011	February 1, 2010
		$	$	$
ASSETS			(Note 16)	(Note 16)
Current Assets				
Cash		190,159	21,646	29,350
Receivables	3	72,195	83,500	2,769
Mining tax credit recoverable	6	216,040	76,082	28,582
Prepaids		34,076	2,835	-
		512,470	184,063	60,701
Non-current Assets				
Equipment	4	2,837	3,981	5,664
Exploration and evaluation assets	6	3,102,759	2,813,691	2,146,095
Deposits	6	42,800	17,500	81,048
Reclamation bonds	6	29,000	29,000	-
		3,177,396	2,864,172	2,232,807
		3,689,866	3,048,235	2,293,508
LIABILITIES				
Current				
Trade and other payables	7, 9	432,417	233,785	110,623
Due to related parties	8	45,875	178,070	-
Loans payable	9	-	-	225,000
		478,292	411,855	335,623
SHAREHOLDERS' EQUITY				
Share capital	10	4,709,009	3,675,979	2,540,989
Reserves		461,134	5,270	-
Deficit		(1,958,569)	(1,044,869)	(583,104)
		3,211,574	2,636,380	1,957,885
		3,689,866	3,048,235	2,293,508

Nature and continuance of operations (Note 1)
Subsequent events (Note 15)

These consolidated financial statements are authorized for issue by the Board of Directors.

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 consolidated financial statements.

ORESTONE MINING CORP.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian dollars)

	Notes	For the years ended January 31, 2012	2011
		$	$
EXPENSES			(Note 16)
Consulting	8	-	54,934
Depreciation	4	1,144	1,683
Filing fees		22,331	29,191
Investor relations		83,215	5,069
Management and consulting fees	8	22,000	109,238
Office, rent and miscellaneous	8	53,952	31,075
Project search		3,426	-
Professional fees		73,962	248,075
Salaries and benefits		144,466	-
Share-based payments	10	143,974	-
		548,470	479,265
OTHER ITEMS			
(Gain) loss on debt settlement	8, 9, 10	157,332	(17,500)
Write-off of trade and other receivables		45,396	-
Write-off of exploration and evaluation assets	6	162,502	-
		365,230	(17,500)
COMPREHENSIVE LOSS		913,700	461,765
LOSS PER COMMON SHARE – BASIC AND DILUTED	11	$0.02	$0.01

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

ORESTONE MINING CORP.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Expressed in Canadian dollars)

			Reserves			
	Number of shares	Share capital	Warrant	Share-based payments	Deficit	Total shareholders' equity
		$	$	$	$	$
Balance as at February 1, 2010 (Note 16)	22,568,581	2,540,989	-	-	(583,104)	1,957,885
Recapitalization transactions						
Equity accounts of Orestone	24,861,332	1,677,983	-	1,068,386	(559,571)	2,186,798
Elimination of Orestone's equity accounts	-	(1,677,983)	-	(1,068,386)	559,571	(2,186,798)
Shares acquired by legal parent	(22,568,581)	-	-	-	-	-
Shares issued on reverse take-over	22,568,581	1,118,760	-	-	-	1,118,760
Shares issued						
For finder's fees (Note 5)	200,000	10,000	5,270	-	-	15,270
For debt settlement (Note 9)	250,000	7,500	-	-	-	7,500
For exploration and evaluation assets (Note 6)	200,000	14,000	-	-	-	14,000
Share issue costs	-	(15,270)	-	-	-	(15,270)
Comprehensive loss for the year	-	-	-	-	(461,765)	(461,765)
Balance as at January 31, 2011 (Note 16)	48,079,913	3,675,979	5,270	-	(1,044,869)	2,636,380
Shares issued						
For cash (Note 10)	12,265,000	669,610	311,890	-	-	981,500
For debt settlement (Notes 8,10)	5,244,400	419,552	-	-	-	419,552
Share issue costs (Note 10)	-	(56,132)	-	-	-	(56,132)
Share-based payments (Note 10)	-	-	-	143,974	-	143,974
Comprehensive loss for the year	-	-	-	-	(913,700)	(913,700)
Balance as at January 31, 2012	65,589,313	$ 4,709,009	$ 317,160	$ 143,974	$ (1,958,569)	$ 3,211,574

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

ORESTONE MINING CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)

	For the years ended January 31,	
	2012	2011
	$	$
		(Note 16)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (913,700)	$ (461,765)
Non-cash operating items:		
Depreciation	1,144	1,683
(Gain) loss on settlement of debt	157,332	(17,500)
Share-based payments	143,974	-
Write-off of trade and other receivables	45,396	-
Write-off of exploration and evaluation assets	162,502	-
	(403,352)	(477,582)
Changes in non-cash working capital items:		
Receivables	(34,091)	61,164
Mining tax credit recoverable	35,042	-
Prepaids	(31,241)	(1,960)
Trade and other payables	46,581	55,743
Due to related parties	(7,019)	119,555
Net cash used in operating activities	(394,080)	(243,080)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash acquired in reverse take-over	-	439,419
Exploration and evaluation assets	(337,475)	(209,043)
Reclamation bonds	-	5,000
Deposits	(25,300)	-
Net cash provided by (used in) investing activities	(362,775)	235,376
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of common shares	981,500	-
Share issue costs	(56,132)	-
Net cash provided by financing activities	925,368	-
CHANGE IN CASH	168,513	(7,704)
CASH, BEGINNING	21,646	29,350
CASH, ENDING	$ 190,159	$ 21,646

Supplemental disclosures with respect to cash flows (Note 14)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Orestone Mining Corp. (the "Company" or "Orestone") 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 19th floor, 885 West Georgia Street, Vancouver, BC, Canada V6C 3H4.

Pursuant to an Arrangement Agreement (the "Agreement") dated March 15, 2010 as amended on April 30, 2010 and completed on June 3, 2010, Orestone, through its wholly-owned subsidiary 0875639 BC Ltd. ("0875639"), acquired all of the issued and outstanding shares of Intuitive Exploration Inc. ("NTE"), an arm's length private British Columbia company. Pursuant to the Agreement, NTE and 0875639 merged to form Amalco, a wholly-owned subsidiary of Orestone, which changed its name to Intuitive Exploration Inc. ("Intuitive"). The transaction, completed by way of share exchange, resulted in a reverse takeover ("RTO") of Orestone. Accordingly, under the principles applicable to these transactions, it is considered to be a capital transaction by Intuitive, whereby Intuitive, legally the Company's wholly-owned subsidiary, has acquired the assets and liabilities of Orestone and is considered to be the continuing entity for accounting purposes. Therefore, for the purposes of these consolidated financial statements, the "Company" is defined as the combined entity post RTO. See Note 5.

These consolidated financial statements have been prepared on 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.

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. As a result, management expects that the Company will have sufficient capital to fund operations and keep its exploration and evaluation assets in good standing for the upcoming fiscal year. Further discussion of liquidity risk has been disclosed in Notes 12 and 13.

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.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

Statement of compliance and conversion to International Financial Reporting Standards
The Canadian Accounting Standards Board ("AcSB") confirmed in February 2008 that International Financial Reporting Standards ("IFRS") will replace Canadian generally accepted accounting principles ("Canadian GAAP") for publicly accountable enterprises for financial periods beginning on or after January 1, 2011.

These consolidated financial statements have been prepared in accordance and compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These are the Company's first annual financial statements presented in accordance with IFRS. The disclosures concerning the transition from Canadian GAAP to IFRS are presented in Note 16.

The financial statements were authorized for issue on May 29, 2012 by the directors of the Company.

Basis of presentation
The consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The consolidated financial statements are presented in Canadian dollars unless otherwise noted.

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

Accounting estimates and judgments

The preparation of these financial statements requires management to make estimates and judgments and form 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.

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.

Basis of consolidation

Subsidiaries

The consolidated financial statements include the financial statements of the Company and entities controlled by the Company (its "subsidiaries") Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The Company's subsidiaries are:

	% of ownership	Jurisdiction	Principal activity
Intuitive Exploration Inc.	100%	Canada	Exploration company
Intuitive Exploration USA Inc.	100%	USA	Exploration company

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases.

Jointly controlled operations and assets

Joint control is defined as contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the ventures). A portion of the Company's exploration activities is conducted jointly with others when the Company enters into agreements that provide for specific percentage interests in exploration properties.

A jointly controlled asset involves joint control and ownership by the Company and other venturers of assets contributed to or acquired for the purpose of the joint venture, without the formation of a corporation, partnership or other entity. The Company accounts for its share of the jointly controlled assets, any liabilities it has incurred, its share of any liabilities jointly incurred with other ventures, income from the sale or use of its share of the joint venture's output, together with its share of the expenses incurred by the joint venture, and any expenses it incurs in relation to its interest in the joint venture.

As at January 31, 2012 and January 31, 2011 the Company has a 51% in the Todd Creek Property joint venture (Note 6).

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

Basis of consolidation (cont'd)

Inter-company balances and transactions
Inter-company balances and transactions, including unrealised income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements.

Foreign currency translation
Functional currency
The functional currency of the Company and its subsidiaries is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Canadian dollars, which is the presentation and the functional currency of the parent company and all of its subsidiaries.

Transactions and balances
Foreign denominated monetary assets and liabilities are translated to their Canadian dollar equivalents using foreign exchange rates that prevailed at the period end exchange rate. Non-monetary items are translated at historical exchange rates, except for items carried at market value, which are translated at the rate of exchange in effect at the period end exchange rate. Revenue and expenses are translated at average rates of exchange during the period. Exchange gains or losses arising on foreign currency translation are included in the determination of operating results for the year.

Equipment
Equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Depreciation is provided on the declining balance basis at the following rates per annum:

Equipment	20%
Computer equipment	55%

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of comprehensive loss during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

Exploration and evaluation assets
Exploration and evaluation assets include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Mining exploration tax credits from the Government of British Columbia for certain exploration expenditures incurred in British Columbia are treated as a reduction of the exploration and development costs of the respective exploration property.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

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

Restoration and environmental obligations
Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to exploration and evaluation assets along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The restoration asset will be depreciated on the same basis as other mining assets.

The Company's estimates of restoration costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the period.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.The costs of restoration projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Company's accounting policy for exploration and evaluation assets

The Company currently has no known material rehabilitation and environmental costs. The Company however has reclamation bonds in place in the amount of $29,000 in respect of the Captain property (Note 6).

Impairment of non-financial assets
The carrying amount of the Company's long-lived assets (which include equipment and exploration and evaluation assets) is reviewed for impairment if there is any indication that the carrying amount may not be recoverable. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists.

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment is recognized immediately as a charge in the statement of comprehensive loss. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. A reversal is recognized as a recovery in the statement of comprehensive loss for the period.

Share-based payments
The Company grants share purchase options to directors, officers, employees and consultants to purchase common shares. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

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

Share-based payments (cont'd)

The fair value is measured at the grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year.

Basic and diluted losses per common share are calculated using the weighted-average number of common shares outstanding during the year.

Financial instruments

Financial assets and financial liabilities are measured initially at fair value plus transaction costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value. Financial assets and financial liabilities are measured subsequently as described below.

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises of financial assets classified as held for trading that are either derivatives or assets acquired principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of comprehensive loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost using the effective interest method, less any provision for impairment. Discounting is omitted when the effect of discounting is immaterial. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty may likely default.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of comprehensive loss.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in other comprehensive income. Where a financial asset is disposed of or a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the cumulative gain or loss is reclassified from equity and recognized in the statement of comprehensive loss.

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

Financial instruments (cont'd)
All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above. If in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss.

Financial liabilities
The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises of financial liabilities classified as held for trading that are either derivatives or liabilities incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of comprehensive loss.

Other financial liabilities: This category includes promissory notes, amounts due to related parties and accounts payables and accrued liabilities, all of which are recognized at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

The Company does not have any derivative financial assets and liabilities.

Income taxes
Current income tax:
Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax:
Deferred income tax is provided using the balance sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.
The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Segment reporting
The Company operates in a single geographical segment, being Canada, and a single reporting segment, being the acquisition, exploration and development of mineral property interests.

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

Accounting standards issued but not yet effective

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting periods beginning after January 1, 2012 or later periods.

The following new standards, amendments and interpretations that have not been early adopted in these financial statements, is not expected to have a material effect on the Company's future results and financial position:

a) IFRS 9 Financial Instruments (New; to replace IAS 39 and IFRIC 9);
b) IFRS 10 Consolidated Financial Statements (New; to replace consolidation requirements in IAS 27 (as amended in 2008) and SIC-12);
c) IFRS 11 Joint Arrangements (New; to replace IAS 31 and SIC-13);
d) IFRS 12 Disclosure of Interests in Other Entities (New; to replace disclosure requirements in IAS 27 (as amended in 2008), IAS 28 (as revised in 2003) and IAS 31);
e) IFRS 13 Fair Value Measurement (New; to replace fair value measurement guidance in other IFRSs);
f) IAS 1 Presentation of Financial Statements, (Amendments regarding Presentation of Items of Other Comprehensive Income);
g) IAS 19 Employee Benefits (Amended in 2011);
h) IAS 27 Separate Financial Statements (Amended in 2011);
i) IAS 28 Investments in Associates and Joint Ventures (Amended in 2011); and
j) IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (New).

3. RECEIVABLES

Receivables consist of the following:

	January 31, 2012	January 31, 2011	February 1, 2010
	$	$	$
Due from JV partner	-	46,897	-
Government taxes receivable	72,195	36,603	2,769
	72,195	83,500	2,769

4. EQUIPMENT

	Computer equipment	Equipment	Total
	$	$	$
Cost			
Balance as at February 1, 2010	7,998	4,049	12,047
Change in assets	-	-	-
Balance as at January 31, 2011	7,998	4,049	12,047
Change in assets	-	-	-
Balance as at January 31, 2012	7,998	4,049	12,047
Accumulated depreciation			
Balance as at February 1, 2010	5,284	1,099	6,383
Change in assets	1,196	487	1,683
Balance as at January 31, 2011	6,480	1,586	8,066
Change in assets	672	472	1,144
Balance as at January 31, 2012	7,152	2,058	9,210
Carrying amounts			
At February 1, 2010	2,714	2,950	5,664
At January 31, 2011	1,518	2,463	3,981
At January 31, 2012	846	1,991	2,837

5. ACQUISITION

Pursuant to the Agreement (Note 1), the RTO was completed through the following share exchange:

a) Each issued and outstanding common share of NTE was transferred to Orestone;
b) Each shareholder of NTE was issued common shares of Orestone and was deemed to have their common shares of NTE cancelled;
c) Each NTE shareholder received common shares of Orestone for transferring their common shares in NTE on a 1:1 basis;
d) Each common share of NTE acquired by Orestone was transferred to 0875639, a wholly-owned subsidiary of Orestone, in exchange for common shares in 0875639 on a 1:1 basis; and
e) NTE and 0875639 amalgamated to form Intuitive.

As of June 3, 2010, upon completion of the transaction, Orestone is the parent of Intuitive. However, the transaction resulted in a composition of senior management such that Intuitive controls Orestone. Referred to as an RTO, Intuitive is deemed to be the acquirer for accounting purposes. The fair value of the consideration transferred by Intuitive for its interest in Orestone could not be calculated reliably, as Intuitive's shares were thinly traded and it would not have been possible to estimate the market price of the shares upon completion of the transaction. Accordingly, the total fair value of the issued shares of Orestone prior to the exchange of shares, totaling $1,118,760, was used as a basis for the determination of the purchase price.

5. ACQUISITION (cont'd)

The purchase price was allocated to the net identifiable assets of Orestone at June 3, 2010 as follows:

Cash	$	439,419
Other current assets		142,770
Exploration and evaluation assets		1,386,352
Reclamation bond		34,000
Loan receivable		200,000
Current liabilities		(15,743)
		2,186,798
Purchase price		1,118,760
Deficiency	$	(1,068,038)

The purchase price deficiency of the consideration transferred was reduced from the net book value of the following exploration properties (Note 6) of Orestone at June 3, 2010 as follows:

Captain Property	$	823,540
Connor Creek Property		244,498
Deficiency	$	1,068,038

The operating results of Orestone during the period from April 1, 2010 to June 3, 2010 are summarized as follows:

Filing fees	$	14,817
Office, rent and miscellaneous		3,672
Professional fees		6,375
	$	24,864

The results of operations and cash flows of Orestone from the period from June 4, 2010 to January 31, 2011 have been reflected in the consolidated financial statements.

A finder's fee of 200,000 units with a fair value of $15,270 was issued in connection with the completion of the RTO (Note 10).

6. EXPLORATION AND EVALUATION ASSETS

Title to exploration properties involves certain inherent risks due to the difficulties of determining the validity of certain claims, as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many mining properties. The Company has investigated title to its exploration properties and, to the best of its knowledge; titles to its properties are in good standing.

Captain Property

During the year ended January 31, 2011, through the RTO with Orestone, the Company acquired a 100% interest in certain mineral claims comprising the Captain Property located near Fort St. James, British Columbia. Orestone had previously incurred $81,109 in acquisition costs, $987,876 in deferred exploration costs, totaling a net book value of $1,068,985. Pursuant to the RTO, the Company applied $823,540 of the deficiency on the purchase price (Note 5) to the net book value of the Captain Property. The Company's net book value, therefore, was $245,445.

$2,520 included in mineral tax credit recoverable as at January 31, 2011, was received as at January 31, 2012. At January 31, 2012, included in mineral tax credit recoverable is $175,000 relating to the Captain property.

6. EXPLORATION AND EVALUATION ASSETS (cont'd)

Captain Property (cont'd)

As of January 31, 2012, Orestone posted a $29,000 (January 31, 2011 - $29,000; February 1, 2011 - $Nil) 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 up to a 70% interest in certain claims comprising the Todd Creek Property located in the Skeena Mining Division in northwestern British Columbia.

In consideration, the Company made the following payments:

- $40,000 and the issuance of 40,000 common shares (issued at a fair value of $4,000) during the year ended January 31, 2009; and
- $140,000 and the issuance of 130,000 common shares (issued at a fair value of $6,500) during the year ended January 31, 2010.

To earn a 70% interest, the Company was required to incur an aggregate of $5,000,000 in work expenditures over a 3 year period.

Alternatively, the Company had the option to earn a 51% interest (earned) in the Todd Creek Property by making the property payments above and incurring work expenditures of $2,500,000 (incurred).

Upon earning this interest threshold, the property option agreement terminated and 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 (paid). 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.

In consideration, the JV made the following payments:

- Pay $25,000 upon execution of the agreement (paid);
- Issue 25,000 common shares on or before October 31, 2008 (issued at a fair value of $5,000);
- Pay $40,000 (paid) and issue 40,000 common shares (issued at a fair value of $2,000) on or before October 31, 2009; and
- Pay $75,000 (paid) and issue 50,000 common shares (issued by the Company at a fair value of $3,500 of which $1,715 was reimbursed in cash by the JV) on or before October 31, 2010.

To January 31, 2010, the property option payments totaling $72,000 on the Kelly Funk Property constituted work expenditures towards the Company's interest in the Todd Creek Property.

6. EXPLORATION AND EVALUATION ASSETS (cont'd)

Todd Creek Property (cont'd)

On July 2011, 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.

As at January 31, 2012, recorded in deposits is $17,500 (January 31, 2011 - $17,500; February 1, 2011 - $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.

At January 31, 2012, included in mineral tax credit recoverable is $41,040 (January 31, 2011 - $76,082) relating to the Todd Creek Property.

Connor Creek Property

During the year ended January 31, 2011, by way of completion of the RTO, 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. Orestone had previously incurred $20,466 in acquisition costs and $296,901 in deferred exploration costs, totaling a net book value of $317,367. Pursuant to the RTO, the Company applied $244,498 of the deficiency on the purchase price (Note 5) to the net book value of the Conner Creek Property. The Company's net book value, therefore, was $72,869.

Pursuant to the option agreement, the Company assumed certain consideration for the Connor Creek Property and during the year ended January 31, 2011, issued 150,000 shares at a fair value of $10,500.

On July 2011, 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.

6. EXPLORATION AND EVALUATION ASSETS (cont'd)

To January 31, 2012, the Company has incurred the following on acquisition and deferred exploration costs:

	February 1, 2010	Additions	January 31, 2011	Additions	January 31, 2012
	$	$	$	$	$
Todd Creek Property					
Acquisition costs	190,500	52,785	243,285	12,750	256,035
Deferred exploration costs					
Aircraft	626,189	-	626,189	-	626,189
Assays	185,178	5,048	190,226	2,142	192,368
Camp	237,807	-	237,807	-	237,807
Geological consulting (Note 8)	237,572	19,849	257,421	-	257,421
Drilling	312,864	-	312,864	-	312,864
Field	230,973	3,496	234,469	-	234,469
Geophysical	79,296	201,030	280,326	7,284	287,610
Other	72,000	17,682	89,682	1,446	91,128
Professional	36,137	22,287	58,424	-	58,424
Salaries and wages	410,555	-	410,555	-	410,555
	2,428,571	269,392	2,697,963	10,872	2,708,835
Mining exploration tax credit	(472,976)	(45,000)	(517,976)		(517,976)
Write-off of exploration and evaluation assets	-	-	-	(78,500)	(78,500)
	2,146,095	277,177	2,423,272	(54,878)	2,368,394
Captain Property					
Acquisition costs	-	260,900	260,900	15,022	275,922
Deferred exploration costs					
Assays	-	11,582	11,582	5,825	17,407
Drilling	-	-	-	305,194	305,194
Geological	-	36,074	36,074	131,913	167,987
Geophysical	-	-	-	103,468	103,468
Surveying	-	-	-	40,846	40,846
Other	-	875	875	186	1,061
	-	48,531	48,531	587,432	635,963
Mining exploration tax credit	-	(2,500)	(2,500)	(175,020)	(177,520)
	-	306,931	306,931	427,434	734,365
Connor Creek Property					
Acquisition costs	-	83,369	83,369	-	83,369
Deferred exploration costs					
Other	-	119	119	514	633
Write-off of exploration and evaluation assets	-	-	-	(84,002)	(84,002)
	-	83,488	83,488	(83,488)	-
Total	2,146,095	667,596	2,813,691	289,068	3,102,759

7. TRADE AND OTHER PAYABLES

Trade and other payables consist of the following:

	January 31, 2012	January 31, 2011	February 1, 2010
	$	$	$
Trade payables	412,417	208,785	82,471
Accrued liabilities	20,000	25,000	28,152
	432,417	233,785	110,623

8. RELATED PARTY TRANSACTIONS

Payments to related parties were made in the normal course of operations and were valued at fair value. Amounts due to or from related parties are unsecured, non-interest bearing and due on demand.

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 for the year ended January 31, 2012:

	Years ended January 31, 2012	2011
	$	$
Short-term employee benefits	73,000	-
Share-based payments	151,923	-
Total	224,923	-

b) Other related party transactions

		Years ended January 31, 2012		2011	
		$		$	
Amounts due to:	Services for:	Total charges	Balance outstanding	Total charges	Balance outstanding
A private company controlled by a director of the Company	Management fees	18,000	45,875	90,899	80,000
A private company controlled by a director of the Company	Management fees	4,000	-	18,339	7,000
A private company controlled by a director of the Company	Geological consulting fees	-	-	19,800	19,800
A public company with two directors in common with the Company	Rent	20,076	-	-	-
Officers and directors	Consulting fees and geological consulting fees	-	-	82,413	71,270

8. RELATED PARTY TRANSACTIONS (cont'd)

During the year ended January 31, 2012 the Company issued 2,648,400 shares at a price of $0.05 in settlement for certain debts owed by the Company in an amount of $132,420 to certain directors and officers of the Company, resulting in a loss on settlement of debt of $79,462. As at January 31, 2012 $45,875 (January 31, 2011 - $178,070) was owed to certain officers and directors as a result of this settlement.

9. LOANS PAYABLE

During the year ended January 31, 2010, Orestone had loaned Intuitive $200,000. The loan bore interest at the rate of 10% per annum. As of January 31, 2010, interest of $3,333 was accrued on the loan and recorded in trade and other payables. Pursuant to the completion of the RTO, this intercompany account was eliminated upon consolidation.

During the year ended January 31, 2009, the Company had received a $25,000 loan from an arms-length party. This amount was unsecured, non-interest bearing and had no fixed terms of repayment. During the year ended January 31, 2011, this loan was settled by the issuance of 250,000 common shares at a fair value of $7,500 (Note 10), resulting in a gain on settlement of debt of $17,500.

10. SHARE CAPITAL

a) Authorized

Authorized: Unlimited number of common shares without par value.

b) Details of issuance of common shares

2011

On June 3, 2010, the Company issued 200,000 units at a fair value of $10,000 as a finder's fee, pursuant to the RTO (Note 5). Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company at $0.15 per share for a period of 2 years. The warrants were allocated a fair value of $5,270 using the Black Scholes Option Pricing Model and have been recorded as share issuance cost.

On August 12, 2010, the Company issued 250,000 common shares at a fair value of $7,500 for settlement of a loan payable in the amount of $25,000 (Note 9).

On October 27, 2010, the Company issued 50,000 common shares at a fair value of $3,500 pursuant to a mineral property option agreement for the Kelly Funk Property (Note 6).

On November 9, 2010, the Company issued 150,000 common shares at a fair value of $10,500 pursuant to a mineral property option agreement for the Connor Creek property (Note 6).

2012

On July 11, 2011, the Company completed a non-brokered private placement for gross proceeds of $245,000 by issuing 4,900,000 units at $0.05 per unit. Each unit is comprised of one common share and one non-transferrable share-purchase warrant. Each warrant entitles the holder to purchase one common share of the Company at $0.10 per share for a period of 2 years. The warrants were allocated a fair value of $112,339 using the Black Scholes Option Pricing Model and have been recorded as share issuance cost. An aggregate of $9,490 was included in share issue costs.

10. SHARE CAPITAL (cont'd)

2012

On August 30, 2011, the Company issued 5,244,400 common shares at a fair value of $419,552 in settlement for certain debts owed to the Company for an aggregate amount of $262,220. The Company recorded a loss on debt settlement of $157,332.

On November 29 and December 2, 2011, the Company completed a non-brokered private placement for aggregate proceeds of $736,500. The offering consisted of 7,365,000 units at a price of $0.10 per unit. Each unit consists of one common share and one-half common share purchase warrant, each whole warrant exercisable into one common share of the Company at a price of $0.20 per share. Of these warrants 3,057,500 are exercisable until November 29, 2012 and 625,000 until December 3, 2012. The warrants were allocated a fair value of $199,551 using the Black Scholes Option Pricing Model and have been recorded as share issuance cost. The Company paid finders' fees of $29,505 and incurred share issuance costs of $17,138 related to these private placements.

c) Warrants

The continuity of warrants for the period ended January 31, 2012 is as follows:

Expiry date	Exercise price	February 1, 2010	Issued	January 31, 2011	Issued	Expired/ cancelled	January 31, 2012
December 18, 2011	$ 0.15	3,650,400	-	3,650,400	-	(3,650,400)	-
June 3, 2012	$ 0.15	-	200,000	200,000	-	-	200,000
July 11, 2013	$ 0.10	-	-	-	4,900,000	-	4,900,000
November 29, 2012	$ 0.20	-	-	-	3,057,500	-	3,057,500
December 2, 2012	$ 0.20	-	-	-	625,000	-	625,000
		3,650,400	200,000	3,850,400	8,582,500	(3,650,400)	8,782,500
Weighted average exercise price		$ 0.15	$ 0.15	$ 0.15	$ 0.14	$ 0.15	$ 0.14

The weighted average remaining contractual life of the outstanding warrants as at January 31, 2012 is 1.16 years (January 31, 2011 – 0.90 years).

The following table summarizes the fair value of the various warrants calculated using the Black-Scholes option pricing model with the assumptions listed:

	2012	2011	2011
Risk-free interest rate	0.89% - 2.09%	1.78%	1.43%
Annualized volatility	270 - 295%	161%	163%
Expected dividend yield	Nil	Nil	Nil
Expected option life in years	1-2 years	2 years	2 years

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

10. SHARE CAPITAL (cont'd)

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

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.

The continuity of options for the period ended January 31, 2012 is as follows:

Expiry date	Exercise price	February 1, 2010	January 31, 2011	Issued	Exercised	Expired/ Cancelled	January 31, 2012
March 7, 2013	$0.20	1,250,000	1,250,000	-	-	(500,000)	750,000
September 8, 2013	$0.105	-	-	555,000	-	-	555,000
January 12, 2015	$0.15	500,000	500,000	-	-	(200,000)	300,000
September 8, 2015	$0.105	-	-	1,925,000	-	-	1,925,000
September 29, 2015	$0.10	-	-	200,000	-	-	200,000
Outstanding at end of the year		1,750,000	1,750,000	2,680,000	-	(700,000)	3,730,000
Weighted average exercise price		$ 0.19	$ 0.19	$ 0.105	$ -	$ 0.19	$ 0.13
Options vested and exercisable			1,750,000	670,000	-	-	2,420,000
Weighted average exercise price			$ 0.19	$ 0.105	$ -	$ -	$ 0.15

At January 31, 2012 the weighted average remaining life of the outstanding and exercisable options is 3.33 years (January 31, 2011 – 2.63 years).

On September 9, 2011, the Company granted stock options to directors and consultants of the Company to purchase a total of 2,480,000 common shares at a price of $0.105 per share. Of these options 555,000 are exercisable until September 8, 2013 and 1,925,000 are exercisable until September 8, 2015. These stock options vested at a rate of 25% on December 9, 2011 and at a rate of 25% every 3 months thereafter.

On September 30, 2011 the Company granted stock options to a consultant of the Company to purchase a total of 200,000 common shares at a price $0.10 per share, exercisable until September 29, 2015. These stock options vested at a rate of 25% on December 9, 2011 and at a rate of 25% every 3 months thereafter.

The weighted average assumptions used to estimate the fair value of options for the year ended January 31, 2012 were:

	2012
Risk-free interest rate	1.01% - 1.38%
Annualized volatility	130.97% - 141.58%
Expected dividend yield	Nil
Expected life in years	4 years

Based on these variables, share based payment expense for the options vested during the year ended January 31, 2012 was $143,974 (January 31, 2011 - $Nil).

10. 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.

e) Escrow shares

As at January 31, 2012, Nil (2011 - 975,000) common shares are held in escrow.

11. LOSS PER SHARE

Basic and diluted loss per share

The calculation of basic and diluted loss per share for the year ended January 31, 2012 was based on the loss attributable to common shareholders of $913,700 (2011 – $461,765) and a weighted average number of common shares outstanding of 54,340,165 (2011 – 40,175,757).

Diluted loss per share did not include the effect of 8,782,500 warrants and 3,730,000 stock options (2011 – 3,850,400 and 1,750,000, respectively) because they are anti-dilutive.

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.

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, primarily through private placements. The Company access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

12. 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.

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.

14. SUPPLEMENTAL CASH FLOW INFORMATION

Significant non-cash transactions were as follows:

	2012	2011
	$	$
Reallocation of deposit to exploration and evaluation assets	-	63,548
Exploration and evaluation assets in accounts payable and accrued liabilities	289,095	51,676
Exploration and evaluation assets in due to related parties	-	58,515
Shares issued on property acquisitions	-	14,000
Shares issued on settlement of loan payable	-	7,500
Shares issued on settlement of debt	419,552	-
Shares issued for finders' fees	-	10,000
Fair value of warrants	311,890	5,270
Shares issued on RTO	-	1,118,760

15. SUBSEQUENT EVENTS

On April 18, 2012, the Company announced that it had retained Senergy Communications Inc ("Senergy") to provide investor relations services . In exchange for its services the Company granted Senergy 300,000 stock options exercisable until July 15, 2012 at a price of $0.10 per share.

On May 16, 2012, the Company announced a non-brokered private placement consisting of a maximum of 10,000,000 common shares at a price of $0.05 per share and a maximum of 7,142,857 flow-through shares at a price of $0.07 per flow-through share for aggregate gross proceeds of up to $1,000,000. The Company may pay a finder's fee consisting of (a) a fee equal to up to 7% payable in cash and (b) issuing non-transferable finder's warrants equal to up to 7% of the number of shares and/or flow-through shares sold under the private placement, each finder's warrant entitling the holder thereof to acquire one common share of the Company at an exercise price of $0.05 or $0.07 respectively for a period of one year from the closing date.

16. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

As stated in Note 2, these are the Company's first consolidated financial statements for the period covered by its first annual financial statements prepared in accordance with IFRS.

The Company adopted IFRS in accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards ("IFRS 1). The first date at which IFRS was applied was January 1, 2010 ("Transition Date"). IFRS 1 provides for certain mandatory exceptions and optional exemptions for first-time adopters of IFRS.

IFRS 1 requires that the same policies are applied for all periods presented in the first IFRS financial statements and that those policies comply with IFRSs in effect as at the end of the first IFRS annual reporting period. Accordingly, the opening IFRS statement of financial position, 2010 comparatives and current year financial statements have been prepared using the same policies. The previously presented 2011 Canadian GAAP financial information has been reconciled to the IFRS information as part of this transition note in accordance with the requirements of IFRS 1. Further, the policies applied have been done so on a full retrospective basis unless an alternative treatment is permitted or required by an IFRS 1 exemption or exception. These are discussed below.

Elections upon first-time adoption of IFRS

The IFRS 1 exemption by the elected Company in the conversion from Canadian GAAP to IFRS is as follows:

(i) Share-based payment transactions

IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2 *Share-based Payment* to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005. The Company has elected not to apply IFRS 2 to awards that vested prior to the Transition Date.

Mandatory exceptions under IFRS

The IFRS 1 mandatory exception applied by the Company in the conversion from Canadian GAAP to IFRS is as follows:

(i) Estimates

In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP unless there is objective evidence that those estimates were made in error. The Company's IFRS estimates as at the Transition Date are consistent with its Canadian GAAP estimates as at that date.

16. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont'd)

(ii) Reclassification within equity section

Under Canadian GAAP, a balance within contributed surplus existed to record the issuance of warrants, agent's options and equity-settled employee benefits. Upon adoption of IFRS, the balance in this account has been reclassified to "Reserves".

(iii) Deferred tax on exploration and evaluation assets

As of January 31, 2011, the Company recognized a deferred income tax expense of $84,848 arising from completion of the RTO as the difference between the allocated fair value and the tax base of the assets acquired. IAS 12, Income Taxes does not permit the recognition of deferred taxes on such transactions. As a result, the Company has derecognized the deferred income tax expense and liability which had previously been recognized on the transaction.

Reconciliations of Canadian GAAP to IFRS

IFRS 1 requires an entity to reconcile equity and comprehensive income for prior periods presented under Canadian GAAP to IFRSs as of the same date. On conversion from Canadian GAAP to IFRS there was no significant net impact on the consolidated statements of cash flows for the year ended January 31, 2011. The analysis which follows represents the reconciliations from Canadian GAAP to IFRS for the respective years noted:

16. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont'd)

RECONCILIATION OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Effect of transition to IFRS February 1, 2010			Effect of transition to IFRS January 31, 2011		
		Canadian GAAP	Adj	IFRS	Canadian GAAP	Adj	IFRS
		$	$	$	$	$	$
ASSETS							
Current assets							
Cash		29,350	-	29,350	21,646	-	21,646
Receivables		2,769	-	2,769	83,500	-	83,500
Mineral tax credit recoverable		28,582	-	28,582	76,082	-	76,082
Prepaids		-	-	-	2,835	-	2,835
		60,701	-	60,701	184,063	-	184,063
Non-current assets							
Exploration and evaluation assets	16(iii)	2,146,095	-	2,146,095	2,728,843	84,848	2,813,691
Property, plant and equipment		5,664	-	5,664	3,981	-	3,981
Deposits		81,048	-	81,048	17,500	-	17,500
Reclamation bond		-	-	-	29,000	-	29,000
		2,232,807	-	2,232,807	2,779,324	84,848	2,864,172
		2,293,508	-	2,293,508	2,963,387	84,848	3,048,235
LIABILITIES							
Current							
Trade and other payables		110,623	-	110,623	233,785	-	233,785
Due to related parties		-	-	-	178,070	-	178,070
Loans payable		225,000	-	225,000	-	-	-
		335,623	-	335,623	411,855	-	411,855
SHAREHOLDERS EQUITY							
Share capital		2,540,989	-	2,540,989	3,675,979	-	3,675,979
Reserves	16(iii)	-	-	-	-	5,270	5,270
Contributed surplus	16(ii)	-	-	-	5,270	(5,270)	-
Deficit	16(iii)	(583,104)		(583,104)	(1,129,717)	84,848	(1,044,869)
		1,957,885	-	1,957,885	2,551,532	84,848	2,636,380
		2,293,508	-	2,293,508	2,963,387	84,848	3,048,235

16. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont'd)

RECONCILIATION OF CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

	Notes	Year ended January 31, 2011 Canadian GAAP	Adj	IFRS
		$	$	$
EXPENSES				-
Consulting		54,934	-	54,934
Depreciation		1,683	-	1,683
Filing fees		29,191	-	29,191
Investor relations		5,069	-	5,069
Management fees		109,238	-	109,238
Office, rent and miscellaneous		31,075	-	31,075
Professional fees		248,075	-	248,075
		479,265	-	479,265
OTHER ITEMS				
Gain on settlement of loan payable		17,500		17,500
LOSS BEFORE TAX		461,765	-	461,765
Deferred income tax expense	16(iii)	84,848	(84,848)	-
COMPREHENSIVE LOSS		546,613	(84,848)	461,765

16. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont'd)

RECONCILIATION OF CASH FLOWS

	Notes	Canadian GAAP	Effect of transition to IFRS	IFRS
		Year ended January 31, 2011		
CASH FLOWS FROM OPERATING ACTIVITIES		$	$	$
Net loss		(546,613)	84,848	(461,765)
Depreciation		1,683	-	1,683
Gain on settlement of debt		(17,500)	-	(17,500)
Future income tax	16(iii)	84,848	(84,848)	-
		(477,582)	-	(477,582)
Changes in non-cash working-capital items:				
Receivables		61,164	-	61,164
Prepaids		(1,960)	-	(1,960)
Trade and other payables		55,743	-	55,743
Due to related parties		119,555	-	119,555
		(243,080)	-	(243,080)
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash acquired in reverse take-over		439,419	-	439,419
Exploration and evaluation assets		(209,043)	-	(209,043)
Reclamation bonds		5,000	-	5,000
		235,376	-	235,376
CHANGE IN CASH		(7,704)	-	(7,704)
CASH, BEGINNING		29,350	-	29,350
CASH, ENDING		21,646	-	21,646

17. INCOME TAXES

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	2012	2011
Loss for the year	$ (913,700)	$ (461,765)
Statutory tax rate	26.50%	28.50%
Expected income tax recovery	$ (242,131)	$ (131,603)
Permanent differences	81,643	-
Impact of tax rate changes	8,173	36,711
Change in prior year estimate	16,109	(167,336)
Change in valuation allowance	136,206	262,228
Deferred income tax recovery	$ -	$ -

The Company has the following deductible temporary differences for which no deferred tax asset has been recognized:

	2012	2011
Exploration and evaluation assets	$ 187,502	$ 25,000
Loss carry-forwards	2,287,442	1,755,711
Equipment	25,894	24,750
Share issuance costs	177,981	272,399
	$ 2,678,819	$ 2,077,860

The tax pools relating to these deductible temporary differences expire as follows:

	Exploration and evaluation assets	Loss carry-forwards	Share issuance costs
2012	$ -	$ -	$ 93,554
2013	-	-	61,973
2014	-	-	11,226
2015	-	-	11,228
2028	-	82,258	-
2029	-	589,427	-
2030	-	565,162	
2031	-	458,077	-
2032	-	592,518	-
No expiry	187,502	-	-
	$ 187,502	$ 2,287,442	$ 177,981

17. INCOME TAXES (cont'd)

Provision for deferred tax

As future taxable profits of the Company are uncertain, no deferred tax asset has been recognized. As at January 31, 2012, the Company has approximately $2,287,442 in non-capital losses that can be offset against taxable income in future years which begin expiring at various dates commencing in 2028. The potential future tax benefit of these losses has not been recorded as a full-future tax asset valuation allowance has been provided due to the uncertainty regarding the realization of these losses.