

**ORESTONE MINING CORP.**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**April 30, 2011**

(Expressed in Canadian Dollars)

**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.**  
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
(Expressed in Canadian dollars)  
(Unaudited)

	Notes	April 30, 2011	January 31, 2011	February 1, 2010
		\$	\$	\$
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash		26,766	21,646	29,350
Receivables	5	55,374	83,500	2,769
Mineral tax credit recoverable	5	65,106	76,082	28,582
Prepays		1,418	2,835	-
		<u>148,664</u>	<u>184,063</u>	<u>60,701</u>
<b>Non-current Assets</b>				
Equipment	3	3,695	3,981	5,664
Exploration properties	5	2,831,941	2,813,691	2,146,095
Deposits	5	17,500	17,500	81,048
Reclamation bond	5	29,000	29,000	-
		<u>2,882,136</u>	<u>2,864,172</u>	<u>2,232,807</u>
		3,030,800	3,048,235	2,293,508
<b>LIABILITIES</b>				
<b>Current</b>				
Accounts payable and accrued liabilities		232,901	233,785	110,623
Due to related parties	7	196,070	178,070	-
Loans payable	6	-	-	225,000
		<u>428,971</u>	<u>411,855</u>	<u>335,623</u>
<b>SHAREHOLDERS' EQUITY</b>				
Share capital	8	3,675,979	3,675,979	2,540,989
Reserves	8	5,270	5,270	-
Deficit		(1,079,420)	(1,044,869)	(583,104)
		<u>2,601,829</u>	<u>2,636,380</u>	<u>1,957,885</u>
		3,030,800	3,048,235	2,293,508

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

**Subsequent Event** (Note 12)

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

They are signed on the Company's behalf by:

<u>"David Hottman"</u>	Director	<u>"Lorne Torhjelm"</u>	CFO
David Hottman		Lorne Torhjelm	

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

**ORESTONE MINING CORP.****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**

(Expressed in Canadian dollars)

(Unaudited)

		For the Three Months Ended April 30	
	Notes	2011	2010
		\$	\$
<b>EXPENSES</b>			(Note 13)
Depreciation		286	422
Filing fees		1,844	-
Investor relations		1,020	-
Management fees	7	16,000	5,762
Office, rent and miscellaneous		5,604	2,358
Professional fees		9,797	6,475
<b>LOSS BEFORE INCOME TAX</b>		34,551	15,017
Income tax expense		-	-
<b>NET LOSS AND COMPREHENSIVE LOSS</b>		34,551	15,017
<b>LOSS PER COMMON SHARE – BASIC AND DILUTED</b>		\$ (0.00)	\$ (0.00)
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING – BASIC AND DILUTED</b>		48,079,913	22,568,581

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

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

	Number of Shares	Share Capital	Reserves - Warrants	Reserves - Equity Settled Employee Benefits	Deficit	Total Shareholders' Equity
Balance as at February 1, 2010 (Note 13)	22,568,581	\$2,540,989	\$ -	\$ -	\$ (583,104)	\$ 1,957,885
Net Comprehensive Loss for the Period	-	-	-	-	(15,017)	(15,017)
Balance as at April 30, 2010 (Note 13)	22,568,581	2,540,989	-	-	(598,121)	(1,942,868)
Recapitalization transactions						
Equity accounts of Orestone	24,861,332	1,677,983	613,589	454,797	(559,571)	2,186,798
Elimination of Orestone's equity accounts	-	(1,677,983)	(613,589)	(454,797)	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 mineral properties (Note 5)	200,000	14,000	-	-	-	14,000
For finder's fees (Note 4)	200,000	10,000	5,270	-	-	15,270
For debt settlement (Note 6)	250,000	7,500	-	-	-	7,500
Share issue costs	-	(15,270)	-	-	-	(15,270)
Net Comprehensive Loss for the Period	-	-	-	-	(449,748)	(449,748)
Balance as at January 31, 2011 (Note 13)	48,079,913	\$ 3,675,979	\$ 5,270	\$ -	\$ (1,044,869)	\$ 2,636,380
Balance as at January 31, 2011	48,079,913	\$ 3,675,979	\$ 5,270	\$ -	\$ (1,044,869)	\$ 2,636,380
Net Comprehensive Loss for the Period	-	-	-	-	(34,551)	(34,551)
Balance as at April 30, 2011	48,079,913	\$ 3,675,979	\$ 5,270	\$ -	\$ (1,079,420)	\$ 2,601,829

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

**ORESTONE MINING CORP.**  
**CONDENSED STATEMENTS OF CASH FLOWS**  
(Expressed in Canadian dollars)  
(Unaudited)

	For the Three Months Ended April 30	
	2011	2010
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	(34,551)	(15,017)
Non-cash operating items:		
Depreciation	286	423
Foreign exchange	-	(9)
Accrued interest	-	3,333
Changes in non-cash working capital items:		
Receivables	28,126	(6,439)
Mining tax credit recovered	10,976	-
Prepayments	1,417	-
Accounts payable and accrued liabilities	(884)	(9,742)
Due to related parties	18,000	2,013
Net cash provided by (used in) operating activities	23,370	(25,438)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Exploration properties	(18,250)	-
Net cash used in investing activities	(18,250)	-
<b>CHANGE IN CASH</b>	5,120	(25,438)
<b>CASH, BEGINNING</b>	21,646	29,350
<b>CASH, ENDING</b>	26,766	3,912
<b>Supplemental disclosures with respect to cash flows</b>		
Cash paid during the period for interest	-	-
Cash paid during the period for income taxes	-	-

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

**ORESTONE MINING CORP.**  
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
APRIL 30, 2011  
(Expressed in Canadian dollars)

---

**1. NATURE AND CONTINUANCE OF OPERATIONS**

Orestone Mining Corp. ("Orestone") was incorporated under the Business Corporations Act (British Columbia) on April 30, 2007. On February 19, 2008, the Company completed its Initial Public Offering (the "Offering") and commenced trading on the TSX Venture Exchange (the "Exchange") on March 11, 2008.

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 condensed consolidated financial statements, the "Company" is defined as the combined entity post RTO. See Note 4.

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 mineral properties, 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 of the implementation, management expects that the Company will have sufficient capital to fund operations and keep its mineral properties in good standing for the upcoming fiscal year. Further discussion of liquidity risk has been disclosed in Notes 10 and 11.

These 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, 2011	January 31, 2011
Deficit	\$ (1,079,420)	\$(1,044,869)
Working capital deficiency	(280,307)	(227,792)

**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 condensed consolidated interim financial statements have been prepared in accordance and in compliance with IAS 34, Interim Financial Reporting ("IAS 34"), as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). Accordingly, these are the Company's first condensed consolidated interim financial statements presented in accordance with IFRS and do not include all of the information and footnotes required by IFRS for complete financial statements for year-end reporting purposes. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Company for the year ended 31 December 2010. However, this interim financial report, being the first IFRS financial report, provides selected significant disclosures that are required in the annual financial statements under IFRS. The impact of the transition from Canadian Generally

**ORESTONE MINING CORP.**  
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
APRIL 30, 2011  
(Expressed in Canadian dollars)

---

Accepted Accounting Principles (GAAP) to IFRS is explained in Note 13. Results for period ended April 30, 2011 are not necessarily indicative of future results.

**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.

The preparation of these consolidated financial statements resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under Canadian GAAP. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. They also have been applied in preparing an opening IFRS balance sheet at February 1, 2010 for the purposes of the transition to IFRS, as required by IFRS 1, First-Time Adoption of International Financial Reporting Standards (IFRS 1).

**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 accounts receivable and deferred income tax assets, 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 properties and equipment.

**Basis of consolidation**

*Subsidiaries*

The condensed consolidated interim 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
Orestone Mining Corp.	100%	Canada	Exploration company
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.



**ORESTONE MINING CORP.**  
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
APRIL 30, 2011  
(Expressed in Canadian dollars)

---

*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 operation involves the use of assets and other resources of the Company and other venturers rather than the establishment of a corporation, partnership or other entity. The Company accounts for the assets it controls and the liabilities it incurs, the expenses it incurs and the share of income that it earns from the sale of goods or services by the joint venture.

A jointly controlled asset involves joint control and ownership by the Group 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 Group 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 April 30, 2011 and April 30, 2010 the Company has a 51% in the Todd Creek Property joint venture.

*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 condensed consolidated interim financial statements.

**Foreign currency translation**

Functional currency

The functional currency of each of the Company's entities is measured using the currency of the primary economic environment in which that entity operates. The condensed consolidated interim 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 balance sheet date. 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 balance sheet dates. 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%
Computer software	100%

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 income and comprehensive income 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**

Exploration and evaluation expenditures 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.

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.

**Restoration and environmental obligations**

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 5).

**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.

**ORESTONE MINING CORP.**  
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
APRIL 30, 2011  
(Expressed in Canadian dollars)

---

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.

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.

**ORESTONE MINING CORP.**  
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
APRIL 30, 2011  
(Expressed in Canadian dollars)

---

*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.

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 Group 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.

**ORESTONE MINING CORP.**  
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
APRIL 30, 2011  
(Expressed in Canadian dollars)

---

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.

**Accounting standards issued but not yet effective**

*IFRS 9 Financial instruments ("IFRS 9")*

IFRS 9 was issued by the IASB on November 12, 2009 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value.

IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment, are recognized in profit or loss; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, Financial Instruments – Recognition and Measurement, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

This new standard is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

*Recent pronouncements*

In May 2011, the IASB issued the following standards which have not yet been adopted by the Company: IFRS 10, Consolidated Financial Statements ("IFRS 10"), IFRS 11, Joint Arrangements ("IFRS 11"), IFRS 12, Disclosure of Interests in Other Entities ("IFRS 12"), IAS 27, Separate Financial Statements ("IAS 27"), IFRS 13, Fair Value Measurement ("IFRS 13") and amended IAS 28, Investments in Associates and Joint Ventures ("IAS 28"). Each of the new standards is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its financial statements or whether to early adopt any of the new requirements.

**ORESTONE MINING CORP.**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

APRIL 30, 2011

(Expressed in Canadian dollars)

---

The following is a brief summary of the new standards:

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 Consolidation—Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements.

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venture will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities—Non-monetary Contributions by Venturers.

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRSs. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

In addition, there have been amendments to existing standards, including IAS 27 and IAS 28. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 – 13.

**ORESTONE MINING CORP.**  
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
APRIL 30, 2011  
(Expressed in Canadian dollars)

**3. PROPERTY, PLANT AND EQUIPMENT**

	<b>Computer equipment</b>	<b>Equipment</b>	<b>Total</b>
	\$	\$	\$
<b>Cost</b>			
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 April 30, 2011	7,998	4,049	12,047
<b>Accumulated depreciation</b>			
Balance as at February 1, 2010	5,284	1,099	6,383
Depreciation for the year	1,196	487	1,683
Balance as at January 31, 2011	6,480	1,586	8,066
Depreciation for the period	168	118	286
Balance as at April 30, 2011	6,648	1,704	8,352
<b>Carrying amounts</b>			
At February 1, 2010	2,714	2,950	5,664
At January 31, 2011	1,518	2,463	3,981
At April 30, 2011	1,350	2,345	3,695

**4. ACQUISITION**

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

- Each issued and outstanding common share of NTE was transferred to Orestone;
- Each shareholder of NTE was issued common shares of Orestone and was deemed to have their common shares of NTE cancelled;
- Each NTE shareholder received common shares of Orestone for transferring their common shares in NTE on a 1:1 basis;
- 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.
- 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.

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
Resource properties		1,386,352
Reclamation bond		34,000
Loan receivable		200,000
Current liabilities		(15,743)
		2,186,798

**ORESTONE MINING CORP.**  
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
APRIL 30, 2011  
(Expressed in Canadian dollars)

---

Purchase price	1,118,760
Excess	<u>\$ (1,068,038)</u>

The purchase price in excess of the consideration transferred was reduced from the net book value of the following exploration properties (Note 5) of Orestone at June 3, 2010 as follows:

Captain Property	\$ 823,540
Connor Creek Property	244,498
Excess	<u>\$ 1,068,038</u>

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
	<u>\$ 24,864</u>

The results of operations and cash flows of Orestone from the period from June 4, 2010 to April 30, 2011 have been reflected in the consolidated financial statements.

A finder's fee of 200,000 units was issued in connection with the completion of the RTO (Note 8).

## **5. EXPLORATION PROPERTIES**

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.

### **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.



**ORESTONE MINING CORP.**  
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
APRIL 30, 2011  
(Expressed in Canadian dollars)

---

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 up to date). 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 holds 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 will make payments totaling \$450,000 and issue a total of 350,000 shares as follows:

- 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;
- 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;
- Pay \$75,000 and issue 60,000 common shares on or before October 31, 2011;
- Pay \$110,000 and issue 75,000 common shares on or before October 31, 2012; and
- Pay \$125,000 and issue 100,000 common shares on or before October 31, 2013.

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.

A 2.0% NSR will be granted to 802213 upon completion of the payments by the Company. The NSR may be purchased by the Company in 0.5% increments for \$750,000 in the 4 year period following the granting of the NSR.

As at April 30, 2011, recorded in deposits is \$17,500 (January 31, 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.

As at April 30, 2011, included in receivables is \$52,913 (January 31, 2011 - \$46,897) due from the JV. At April 30, 2011, included in mineral tax credit recoverable is \$65,106 (January 31, 2010 - \$73,582) relating to the Todd Creek Property.

### **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, \$978,129 in deferred exploration costs and capitalized \$9,747 in future income taxes, totaling a net book value of \$1,068,985. Pursuant to the RTO, the Company applied \$823,540 of the excess purchase price (Note 4) to the net book value of the Captain Property. The Company's net book value, therefore, was \$245,445.

At April 30, 2011, included in mineral tax credit recoverable is \$2,520 relating to the Captain Property.

AS of April 30, 2011, Orestone posted a \$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.

**ORESTONE MINING CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**APRIL 30, 2011**  
(Expressed in Canadian dollars)

**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 excess purchase price (Note 4) to the net book value of the Connor Creek Property. The Company's net book value, therefore, was \$72,869.

Pursuant to the option agreement, the Company assumed the following consideration for the Connor Creek Property:

- By November 10, 2010, 150,000 shares (issued at a fair value of \$10,500) and \$150,000 in work expenditures (completed by Orestone);
- By November 10, 2011, 150,000 shares and \$200,000 in work expenditures;
- By November 10, 2012, 150,000 shares and \$250,000 in work expenditures;
- By November 10, 2013, 150,000 shares and \$400,000 in work expenditures.

To April 30, 2011, the Company has incurred the following on acquisition and deferred exploration costs:

	January 31, 2010	Additions	January 31, 2011	Additions	April 30, 2011
<b>Todd Creek Property</b>					
<b>Acquisition costs</b>	\$ 190,500	\$ 52,785	\$ 243,285	\$ -	\$ 243,285
<b>Deferred exploration costs</b>					
Aircraft	626,189	-	626,189	-	626,189
Assays	185,178	5,048	190,226	1,428	191,654
Camp	237,807	-	237,807	-	237,807
Geological consulting	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	14,866	295,192
Other	72,000	17,682	89,682	723	90,405
Professional	36,137	22,286	58,423	-	58,423
Salaries and wages	410,555	-	410,555	-	410,555
	2,428,571	269,392	2,697,963	17,017	2,714,980
Mining exploration tax credit	(472,976)	(45,000)	(517,976)	-	(517,976)
	2,146,095	277,177	2,423,272	17,017	2,440,289
<b>Captain Property</b>					
<b>Acquisition costs</b>	-	260,900	260,900	1,253	262,153
<b>Deferred exploration costs</b>					
Assays	-	11,582	11,582	-	11,582
Geological	-	36,074	36,074	-	36,074
Other	-	875	875	-	875
	-	48,531	48,531	-	48,531
Mining exploration tax credit	-	(2,500)	(2,500)	(20)	(2,520)
	-	306,931	306,931	1,233	308,164
<b>Connor Creek Property</b>					
<b>Acquisition costs</b>	-	83,369	83,369	-	83,369
<b>Deferred exploration costs</b>					
Other	-	119	119	-	119
	-	83,488	83,488	-	83,488
<b>Total</b>	\$ 2,146,095	\$ 667,596	\$ 2,813,691	\$18,250	\$2,831,941

**ORESTONE MINING CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**APRIL 30, 2011**  
(Expressed in Canadian dollars)

**6. LOANS PAYABLE**

During the year ended January 31, 2010, Orestone had loaned the Company \$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 accounts payable and accrued liabilities. 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 is unsecured, non-interest bearing and has 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 8), resulting in a gain on settlement of debt of \$17,500.

**7. RELATED PARTY TRANSACTIONS**

During the period ended April 30, 2011, the Company:

- incurred management fees of \$16,000 (2010 - \$5,762) to directors and officers of the Company;

As at April 30, 2011 \$196,070 (January 31, 2011 - \$178,070) was owing to directors and officers of the Company. This amount is non-interest bearing and has no fixed terms of repayment.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

**8. SHARE CAPITAL**

Authorized: Unlimited number of common shares without par value.

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 4). 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 (Note 6).

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 5).

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 5).

**Warrants**

The continuity of warrants for the period ended April 30, 2011 is as follows:

Expiry date	Exercise price	January 31, 2011	Issued	Exercised	April 30, 2011
December 18, 2011	\$0.15	3,650,400	-	-	3,650,400
June 3, 2012	\$0.15	200,000	-	-	200,000
		3,850,000	-	-	3,850,000
Weighted average exercise price		\$ 0.15	\$ -	\$ -	\$ 0.15

The weighted average remaining contractual life is 0.66 years.

**ORESTONE MINING CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**APRIL 30, 2011**  
(Expressed in Canadian dollars)

The following table summarizes the fair value of the various warrants based upon the average of the pro-rata method and the Black-Scholes option pricing model with the assumptions listed:

Warrants expiry date	Fair value	Assumptions			
		Risk-free market rate	Expected life	Annualized volatility	Dividend rate
December 18, 2011	\$214,418	1.43%	2 year	163%	0%
June 3, 2012	\$5,740	1.78%	2 year	161%	0%

**Share options**

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 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.

The continuity of options for the period ended April 30, 2011 is as follows:

Expiry date	Exercise price	January 31, 2011	Issued	Exercised	April 30, 2011
March 7, 2013	\$0.20	1,250,000	-	-	1,250,000
January 12, 2015	\$0.15	500,000	-	-	500,000
		1,750,000	-	-	1,750,000
Weighted average exercise price		\$ 0.19	\$ -	\$ -	\$ 0.19

The weighted average remaining contractual life is 2.38 years.

**Escrow shares**

6,500,000 common shares were held in escrow and are to be released from escrow as follows: 10% upon the issuance of notice of listing of the common shares for trading by the Exchange, and the remainder in six equal tranches of 15% every nine months thereafter for a period of 36 months.

As of January 31, 2011, 975,000 common shares are held in escrow, which were released as of April 30, 2011.

**9. LOSS PER SHARE**

**Basic and diluted loss per share**

The calculation of basic and diluted loss per share for the period ended April 30, 2011 was based on the loss attributable to common shareholders of \$34,551 (2010 – \$15,017) and a weighted average number of common shares outstanding of 48,079,913 (2010 – 22,568,581).

Diluted loss per share did not include the effect of 3,850,000 stock options and 1,750,000 warrants (2010 – 3,850,000 and 1,750,000, respectively) because they are anti-dilutive.

## **10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The Company's financial instruments consist of cash, receivables, mineral tax credit recoverable, loans payable, accounts payable and due to related parties. The carrying value of these financial instruments approximates their fair value and are measured based on Level 1 of the fair value hierarchy. 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 and 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 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.

### ***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.

## **11. 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 mineral properties.

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.

## **12. SUBSEQUENT EVENTS**

On July 11, 2011 the Company completed a private placement of 4,900,000 units at a price of \$0.05 per unit for proceeds of \$245,000. Each unit consisted of one common share and one common share purchase warrant exercisable into one common share at a price of \$0.10 until July 11, 2013.

The securities issued on this private placement are subject to a hold period that expires on November 12, 2011. The private placement is subject to the final approval of the TSX Venture Exchange.

The company intends to retire indebtedness owing by the company to certain creditors, which include certain directors and executive officers of the company, in the total amount of \$320,760, by issuing a total of 6,415,200 common shares of the company at an issue price of five cents per share. The issue of these shares is subject to the final approval of the TSX Venture Exchange.

## **13. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS**

As stated in Note 2, these are the Company's first condensed interim consolidated 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 2010 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 exemptions by the elected Company in the conversion from Canadian GAAP to IFRS are as follows:

#### **(i) Business combinations**

IFRS 1 indicates that a first-time adopter may elect not to apply IFRS 3 (2008) *Business Combinations* retrospectively to business combinations that occurred before the date of transition to IFRS. The Company has elected to apply IFRS 3 (2008) to only those business combinations that occurred on or after the Transition Date and such business combinations have not been restated. As a result of this election, no adjustments were required to the Company's statement of financial position as at the Transition Date.

#### **(ii) 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:

#### **(iii) Estimates**

In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with

**ORESTONE MINING CORP.**  
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
APRIL 30, 2011  
(Expressed in Canadian dollars)

---

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.

**(iv) 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 – Warrants".

**(v) Deferred Tax on Mineral Properties**

As of January 31, 2011, the Company recognized a deferred income tax expense of \$84,848 arising from goodwill upon 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 three months ended April 30, 2010 nor the year ended January 31, 2011. The analysis which follows represents the reconciliations from Canadian GAAP to IFRS for the respective periods noted:

**ORESTONE MINING CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**APRIL 30, 2011**  
(Expressed in Canadian dollars)

**Reconciliation of Statement of Financial Position**

	Notes	Effect of transition to IFRS February 1, 2010			Effect of transition to IFRS April 30, 2010			Effect of transition to IFRS January 31, 2011		
		Cdn GAAP \$	Adj \$	IFRS \$	Cdn GAAP \$	Adj \$	IFRS \$	Cdn GAAP \$	Adj \$	IFRS \$
<b>ASSETS</b>										
<b>Current assets</b>										
Cash		29,350	-	29,350	3,911	-	3,911	21,646	-	21,646
Receivables		2,769	-	2,769	9,208	-	9,208	83,500	-	83,500
Mineral tax credit recoverable		28,582	-	28,582	28,582	-	28,582	76,082	-	76,082
Prepays		-	-	-	-	-	-	2,835	-	2,835
<b>Total current assets</b>		<b>60,701</b>	<b>-</b>	<b>60,701</b>	<b>41,701</b>	<b>-</b>	<b>41,701</b>	<b>184,063</b>	<b>-</b>	<b>184,063</b>
<b>Non-current assets</b>										
Exploration properties	13v	2,146,095	-	2,146,095	2,189,690	-	2,189,690	2,728,843	84,848	2,813,691
Property, plant and equipment		5,664	-	5,664	5,252	-	5,252	3,981	-	3,981
Deposits		81,048	-	81,048	37,453	-	37,453	17,500	-	17,500
Reclamation bond		-	-	-	-	-	-	29,000	-	29,000
<b>Total non-current assets</b>		<b>2,232,807</b>	<b>-</b>	<b>2,232,807</b>	<b>2,232,395</b>	<b>-</b>	<b>2,232,395</b>	<b>2,779,324</b>	<b>84,848</b>	<b>2,864,172</b>
<b>TOTAL ASSETS</b>		<b>2,293,508</b>	<b>-</b>	<b>2,293,508</b>	<b>2,274,096</b>	<b>-</b>	<b>2,274,096</b>	<b>2,963,387</b>	<b>84,848</b>	<b>3,048,235</b>
<b>EQUITY AND LIABILITIES</b>										
<b>Current liabilities</b>										
Accounts payable and accrued liabilities		110,623	-	110,623	97,548	-	97,548	233,785	-	233,785
Due to related parties		-	-	-	2,013	-	2,013	178,070	-	178,070
Loans payable		225,000	-	225,000	231,667	-	231,667	-	-	-
		<b>335,623</b>	<b>-</b>	<b>335,623</b>	<b>331,228</b>	<b>-</b>	<b>331,228</b>	<b>411,855</b>	<b>-</b>	<b>411,855</b>
<b>Capital and reserves</b>										
Share capital		2,540,989	-	2,540,989	2,540,989	-	2,540,989	3,675,979	-	3,675,979
Reserve - Warrants	13iv	-	-	-	-	-	-	-	5,270	5,270
Contributed surplus		-	-	-	-	-	-	5,270	(5,270)	-
Accumulated deficit	13v	(583,104)	-	(583,104)	(598,121)	-	(598,121)	(1,129,717)	84,848	(1,044,869)
<b>Total equity</b>		<b>1,957,885</b>	<b>-</b>	<b>1,957,885</b>	<b>1,942,868</b>	<b>-</b>	<b>1,942,868</b>	<b>2,551,532</b>	<b>84,848</b>	<b>2,636,380</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,293,508</b>	<b>-</b>	<b>2,293,508</b>	<b>2,274,096</b>	<b>-</b>	<b>2,274,096</b>	<b>2,963,387</b>	<b>84,848</b>	<b>3,048,235</b>



**ORESTONE MINING CORP.**

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

APRIL 30, 2011

(Expressed in Canadian dollars)

**Reconciliation of Statement of Comprehensive Loss**

	Three months ended April 30, 2010			Year ended January 31, 2011			
	Notes	Cdn GAAP \$	Adj \$	IFRS \$	Cdn GAAP \$	Adj \$	IFRS \$
<b>Administrative expenses</b>							-
Depreciation		422	-	422	1,683	-	1,683
Consulting		-	-	-	54,934	-	54,934
Filing fees		-	-	-	29,191	-	29,191
Investor relations		-	-	-	5,069	-	5,069
Management fees		5,762	-	5,762	109,238	-	109,238
Office, rent and miscellaneous		2,358	-	2,358	31,075	-	31,075
Professional fees		6,475	-	6,475	248,075	-	248,075
		<u>15,017</u>	<u>-</u>	<u>15,017</u>	<u>479,265</u>	<u>-</u>	<u>479,265</u>
<b>Other items</b>							
Gain on settlement of loan payable		-	-	-	17,500	-	17,500
<b>Loss before tax</b>		<u>15,017</u>	<u>-</u>	<u>15,017</u>	<u>461,765</u>	<u>-</u>	<u>461,765</u>
Deferred income tax expense	13v	-	-	-	84,848	(84,848)	-
<b>Total comprehensive loss for the period</b>		<u>15,017</u>	<u>-</u>	<u>15,017</u>	<u>546,613</u>	<u>(84,848)</u>	<u>461,765</u>