ORESTONE MINING CORP.

CONSOLIDATED FINANCIAL STATEMENTS

JANUARY 31, 2011

DALE MATHESON
CARR-HILTON LABONTE LLP
DMCL CHARTERED ACCOUNTANTS

Partnership of:

Vancouver: Robert J. Burkart, Inc. | James F. Carr-Hilton Ltd. | Kenneth P. Chong Inc. | Alvin F. Dale Ltd. | Barry S. Hartley, Inc. | Reginald J. LaBonte Ltd. | Robert J. Matheson, Inc. | Rakesh I. Patel Inc. | F.M. Yada FCA Inc.
South Surrey: Michael K. Braun Inc. | Peter J. Donaldson, Inc.
Port Coquitlam: Wilfred A. Jacobson Inc. | G.D. Lee Inc. | Fraser G. Ross, Ltd. | Brian A. Shaw Inc.

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Orestone Mining Corp.

We have audited the accompanying consolidated financial statements of Orestone Mining Corp., which comprise the consolidated balance sheets as at January 31, 2011 and 2010, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, 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 Canadian generally accepted accounting principles, 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, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describe certain conditions that give rise to doubt about the entity's ability to continue as a going concern. These consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

"DMCL"

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS

Vancouver, Canada
May 31, 2011

Vancouver (Head Office) Suite 1500 - 1140 West Pender Street, Vancouver, B.C., Canada V6E 4G1, Tel: 604 687 4747 • Fax: 604 689 2778 - Main Reception
South Surrey Suite 301 - 1656 Martin Drive, White Rock, B.C., Canada V4A 6E7, Tel: 604 531 1154 • Fax: 604 538 2613
Port Coquitlam Suite 700 - 2755 Lougheed Highway, Port Coquitlam, B.C., Canada V3B 5Y9, Tel: 604 941 8266 • Fax: 604 941 0971

ORESTONE MINING CORP.
CONSOLIDATED BALANCE SHEETS
AS AT JANUARY 31

	2011	2010
ASSETS		
Current		
Cash	$ 21,646	$ 29,350
Receivables (Note 5)	83,500	2,769
Mineral tax credit recoverable (Note 5)	76,082	28,582
Prepaids	2,835	-
	184,063	60,701
Equipment (Note 3)	3,981	5,664
Mineral properties and deferred exploration costs (Note 5)	2,728,843	2,146,095
Deposits (Note 5)	17,500	81,048
Reclamation bond (Note 5)	29,000	-
	$ 2,963,387	$ 2,293,508

	2011	2010
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 233,785	$ 110,623
Due to related parties (Note 7)	178,070	-
Loans payable (Note 6)	-	225,000
	411,855	335,623
SHAREHOLDERS' EQUITY		
Share capital (Note 8)	3,675,979	2,540,989
Contributed surplus (Note 8)	5,270	-
Deficit	(1,129,717)	(583,104)
	2,551,532	1,957,885
	$ 2,963,387	$ 2,293,508

Nature and continuance of operations (Note 1)
Commitments (Note 5)

Approved on behalf of the Board:

"Jose Pinedo" Director — Jose Pinedo

"Michael Tulumello" Director — Michael Tulumello

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

ORESTONE MINING CORP.
CONSOLIDATED STATEMENTS LOSS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED JANUARY 31

	2011	2010
EXPENSES		
Amortization	$ 1,683	$ 13,275
Consulting (Note 7)	54,934	-
Filing fees	29,191	-
Investor relations	5,069	-
Management fees (Note 7)	109,238	4,628
Office, rent and miscellaneous	31,075	32,675
Professional fees	248,075	91,587
LOSS BEFORE OTHER ITEMS AND INCOME TAX	479,265	142,165
OTHER ITEMS		
Interest income	-	5,697
Gain on settlement of loan payable (Note 6)	17,500	-
Termination fees (Note 8)	-	(25,000)
LOSS BEFORE INCOME TAX	461,765	
FUTURE INCOME TAX EXPENSE (Note 10)	84,848	
NET LOSS AND COMPREHENSIVE LOSS	$ 546,613	$ 161,468
LOSS PER COMMON SHARE – BASIC AND DILUTED	$ (0.01)	$ (0.00)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING – BASIC AND DILUTED	40,175,757	22,568,581

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

ORESTONE MINING CORP.
STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED JANUARY 31, 2010 AND 2011

	Number of Shares	Share Capital	Subscriptions Received in Advance	Contributed Surplus	Deficit	Total Shareholders' Equity
Balance as at January 31, 2009	12,532,800	$ 1,985,527	$ 15,200	$ -	$ (421,636)	$ 1,579,091
Shares issued						
For cash	4,820,920	247,674	(15,200)	-	-	232,474
For mineral property	170,000	8,500	-	-	-	8,500
For finder's fees	1,303,750	191,750	-	-	-	191,750
For termination fee	312,500	25,000	-	-	-	25,000
For debt settlement	3,428,611	274,288	-	-	-	274,288
Share issue costs	-	(191,750)	-	-	-	(191,750)
Net loss	-	-		-	(161,468)	(161,468)
Balance as at January 31, 2010	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 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 loss	-	-	-	-	(546,613)	(546,613)
Balance as at January 31, 2011	48,079,913	$ 3,675,979	$ -	$ 5,270	$ (1,129,717)	$ 2,551,532

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

ORESTONE MINING CORP.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JANUARY 31

		2011		2010
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss	$	(546,613)	$	(161,468)
Non-cash operating items:				
Amortization		1,683		13,275
Foreign exchange		-		(743)
Accrued interest		-		3,333
Termination of agreement		-		25,000
Gain on settlement of debt		(17,500)		-
Future income tax		84,848		-
Changes in non-cash working capital items:				
Receivables		61,164		(2,769)
Mining tax credit recoverable		-		444,394
Prepaids		(1,960)		-
Accounts payable and accrued liabilities		55,743		(319,894)
Due to related parties		119,555		(58,910)
Net cash used in operating activities		(243,080)		(57,782)
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash acquired in reverse take-over		439,419		-
Mineral property		(209,043)		(295,123)
Reclamation bond		5,000		-
Deposits		-		(63,548)
Net cash provided by (used in) investing activities		235,376		(358,671)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of common shares		-		232,474
Loans payable		-		200,000
Net cash provided by financing activities		-		432,474
CHANGE IN CASH		(7,704)		16,021
CASH, BEGINNING		29,350		13,329
CASH, ENDING	$	21,646	$	29,350

Supplemental disclosures with respect to cash flows (Note 9)

Cash paid during the year for interest	$	-	$	-
Cash paid during the year for income taxes	$	-	$	-

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

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 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 11 and 12.

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.

		2011		2010
Deficit	$	(1,129,717)	$	(583,104)
Working capital deficiency		(227,792)	$	(274,922)

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation
These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and are presented in Canadian dollars.

Basis of consolidation
These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Intuitive Exploration USA Inc., incorporated in the state of Colorado on April 29, 2008 and those of Orestone Mining Corp. from the date of the RTO. Significant intercompany balances and transactions have been eliminated upon consolidation.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Joint venture accounting
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 mineral properties. Joint venture accounting, which reflects the Company's proportionate interest in a joint venture, is applied by the Company when the parties enter into formal comprehensive agreements for ownership and mining participation terms.

Foreign currency translation
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.

Use of estimates
The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Significant areas requiring the use of management estimates relate to the determination of impairment of mineral property interests, going concern assessments, future tax rates used to determine future income taxes, determining the fair values of financial instruments, stock based payments and asset retirement obligations. Where estimates have been used financial results as determined by actual events could differ from those estimates.

Equipment
Equipment is recorded at cost with amortization being provided on the declining balance basis at the following rates per annum:

Equipment	20%
Computer equipment	55%
Computer software	100%

Additions are subject to the half-year rule in the year of acquisition.

Government exploration tax credit
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 mineral property.

Mineral properties
The Company records its interests in mineral properties and areas of geological interest at cost. All direct and indirect costs relating to the acquisition of these interests are capitalized on the basis of specific claim blocks or areas of geological interest until the properties to which they relate are placed into production, sold, or management has determined there to be an impairment. These costs will be amortized on the basis of units produced in relation to the proven reserves available on the related property following commencement of production. Mineral properties which are sold before that property reaches the production stage will have all revenues from the sale of the property credited against the cost of the property. Properties which have reached the production stage will have a gain or loss calculated based on the portion of that property sold.

The recorded cost of mineral exploration interests is based on cash paid, the value of share considerations and exploration and development costs incurred. The recorded amount may not reflect recoverable value as this will be dependent on the development program, the nature of the mineral deposit, commodity prices, adequate funding and the ability of the Company to bring its projects into production.

Management evaluates each mineral interest on a reporting period basis or as changes in events and circumstances warrant, and makes a determination based on exploration activity and results, estimated future cash flows and

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Mineral properties (cont'd…)
availability of funding as to whether costs are capitalized or charged to operations. Mineral property interests, where future cash flows are not reasonably determinable, are evaluated for impairment based on management's intentions and determination of the extent to which future exploration programs are warranted and likely to be funded.

Deferred exploration costs
The Company defers all exploration costs relating to mineral properties and areas of geological interest until the properties to which they relate are placed into production, sold, abandoned or management has determined there to be an impairment. These costs will be amortized on the basis of units produced in relation to the estimated reserves available on the related property following commencement of production or written-off to operations in the period related properties are abandoned.

Values
The amounts shown for mineral properties and deferred exploration costs represent costs incurred to date, and do not necessarily represent present or future values which are entirely dependent upon the economic recovery from production or from disposal.

Environmental protection and reclamation costs
The Company's policy relating to environmental protection and land reclamation programmes is to charge to income during the period any costs incurred for environmental protection and land reclamation. At January 31, 2011, the Company estimated its material expenditures in this area and posted a $29,000 reclamation bond (Note 5).

Asset retirement obligations
The Company has adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3110, "Asset Retirement Obligations". This standard focuses on the recognition and measurement of liabilities related to obligations associated with the retirement of property, plant and equipment. Under this standard, these obligations are initially measured at fair value and subsequently adjusted for any changes resulting from the passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flows. The asset retirement cost is to be capitalized to the related asset and amortized into earnings over time.

Mineral property related retirement obligations are capitalized as part of mineral property and deferred exploration costs and amortized over the estimated useful lives of the corresponding mineral properties.

Impairment of long-lived assets
The Company follows the recommendations of the CICA Handbook Section 3063, "Impairment of Long-Lived Assets". Section 3063 establishes standards for recognizing, measuring and disclosing impairment of long-lived assets held for use. The Company conducts its impairment test on long-lived assets when events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment is recognized when the carrying amount of an asset to be held and used exceeds the undiscounted future net cash flows expected from its use and disposal. If there is an impairment, the impairment amount is measured as the amount by which the carrying amount of the asset exceeds its fair value, calculated using discounted cash flows when quoted market prices are not available.

Future income taxes
Future income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Stock-based compensation
The Company follows the accounting standards issued by the CICA Handbook Section 3870, "Stock-Based Compensation and Other Stock-Based Payments", which recommends the fair-value based method for measuring compensation costs. The Company determines the fair value of the stock-based compensation using the Black-Scholes option pricing model. Any consideration paid on the exercise of stock options is credited to share capital.

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.

Comprehensive income (loss)
The Company follows the CICA Handbook Section 1530, "Comprehensive Income". Section 1530 establishes standards for the reporting and presenting of comprehensive income (loss) which is defined as the change in equity from transaction and other events from non-owner sources. Other comprehensive income (loss) refers to items recognized in comprehensive income (loss) that are excluded from net income (loss). At January 31, 2011 and 2010, the Company had no significant items that caused other comprehensive income (loss) to be different than net income (loss).

Financial instruments
The Company adopted the CICA Handbook Section 3855, "Financial Instruments – Recognition and Measurement". Section 3855 prescribes when a financial instrument is to be recognized on the balance sheet and at what amount. Under Section 3855, financial instruments must be classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets, or other financial liabilities. All financial instruments, including derivatives, are measured at the balance sheet date at fair value except for loans and receivables, held-to-maturity investments, and other financial liabilities which are measured at amortized cost.

The Company's financial instruments consist of cash, receivables, mineral tax credit recoverable, loans payable, accounts payable and due to related parties. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency, or credit risks arising from these financial instruments. The Company has made the following classifications for the financial instruments:

(i) Cash – held-for-trading; measured at fair value;
(ii) Receivables and mineral tax credit receivable – loans and receivables; measured at amortized cost;
(iii) Accounts payable, loan payable and due to related parties – other financial liabilities; recorded at amortized cost.

A net smelter royalty ("NSR") is a form of derivative financial instrument. The fair value of the Company's right to purchase a NSR is not determinable at the current stage of the Company's exploration program. Therefore, no value has been assigned by management.

The Company has determined that it does not have derivatives or embedded derivatives. The Company does not use any hedging instruments.

The Company adopted CICA Handbook Section 3862, "Financial Instruments – Disclosures" which was amended to include additional disclosure requirements about fair value measurements of financial instruments and to enhance liquidity disclosure. The additional fair value measurement disclosures include classification of financial inputs used in making the measurements, described as follows.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments (cont'd…)

Level 1 – Quoted prices (unadjusted) in active markets for identical assets and liabilities;
Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3 – Inputs derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company has included the required disclosures in Note 11 to the consolidated financial statements.

Mining exploration costs

In March 2009 the CICA approved EIC 174, "Mining Exploration Costs". The guidance clarified that an enterprise that has initially capitalized exploration costs has an obligation in the current and subsequent accounting periods to test such costs for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The implementation of the recommendations of this new section has not had a material impact on the Company's consolidated financial statements.

Recent accounting pronouncements – Adopted

"Business Combinations" – Section 1582, "Consolidated Financial Statements" – Section 1601 and "Non-Controlling Interests" – Section 1602

In January 2009, the CICA issued Handbook Sections 1582 "Business Combinations", 1601 "Consolidated Financial Statements" and 1602 "Non-Controlling Interests" which replace CICA Handbook Sections 1581 "Business Combinations" and 1600 "Consolidated Financial Statements". Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. These sections are applicable for the Company's interim and annual financial statements for its fiscal year beginning on or after January 1, 2011. The Company has early adopted these Sections as permitted and all three Sections were adopted concurrently.

Recent accounting pronouncement – Not yet adopted

International Financial Reporting Standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises will be required to adopt IFRS for fiscal years beginning on or after January 1, 2011, with earlier adoption permitted. Accordingly, the conversion to IFRS will be applicable to the Company's reporting no later than in the first quarter of fiscal 2012, with restatement of comparative information presented. The conversion to IFRS will impact the Company's accounting policies, information technology and data systems, internal control over financial reporting, and disclosure controls and procedures. The transition may also impact business activities, such as foreign currency activities, certain contractual arrangements, capital requirements and compensation arrangements. The Company is currently evaluating the future impact of IFRS on its financial statements and will continue to invest in training and additional resources to ensure a timely conversion.

3. EQUIPMENT

	2011			2010		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Equipment	$ 4,049	$ 1,586	$ 2,463	$ 4,049	$ 1,099	$ 2,950
Computer equipment	7,998	6,480	1,518	7,998	5,284	2,714
	$ 12,047	$ 8,066	$ 3,981	$ 12,047	$ 6,383	$ 5,664

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
Purchase price		1,118,760
Excess	$	(1,068,038)

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

Captain Property	$	823,540
Connor Creek Property		244,498
Excess	$	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 was issued in connection with the completion of the RTO (Note 8).

5. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS

Title to mining 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 mineral 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.

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 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.

5. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS (cont'd…)

Todd Creek Property (cont'd…)

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 January 31, 2011, recorded in deposits is $17,500 (January 31, 2010 - $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 January 31, 2011, included in receivables is $46,897(January 31, 2010 - $Nil) due from the JV. At January 31, 2011, included in mineral tax credit recoverable is $73,582 (January 31, 2010 - $28,582) 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) and $64,484 related to future income taxes (Note 10) to the net book value of the Captain Property. The Company's net book value, therefore, was $180,961.

During the year ended January 31, 2011, the Company incurred an additional $15,455 in acquisition and staking costs, $48,531 in deferred exploration costs. At January 31, 2011, included in mineral tax credit recoverable is $2,500 relating to the Captain Property.

Orestone had previously posted a $34,000 reclamation bonds to the Ministry of Energy, Mines and Petroleum Resources of British Columbia to guarantee reclamation of the environment on the Captain Property, of which $5,000 was refunded to the Company during the year ended January 31, 2011.

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) and $20,364 related to future income taxes (Note 10) to the net book value of the Conner Creek Property. The Company's net book value, therefore, was $52,505.

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.

During the year ended January 31, 2011, the Company incurred an additional $119 in deferred exploration costs.

5. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS (cont'd…)

To January 31, 2011, the Company has incurred the following on acquisition and deferred exploration costs:

	2009	Additions	2010	Additions	2011
Todd Creek Property					
Acquisition costs	$ 44,000	$ 146,500	$ 190,500	$ 52,785	$ 243,285
Deferred exploration costs					
Aircraft	626,189	-	626,189	-	626,189
Assays	94,215	90,963	185,178	5,048	190,226
Camp	237,807	-	237,807	-	237,807
Geological consulting (Note 7)	237,572	-	237,572	19,849	257,421
Drilling	312,864	-	312,864	-	312,864
Field	197,555	33,418	230,973	3,496	234,469
Geophysical	79,296	-	79,296	201,030	280,326
Other	30,000	42,000	72,000	17,682	89,682
Professional	19,182	16,955	36,137	22,286	58,423
Salaries and wages	410,555	-	410,555	-	410,555
	2,245,235	183,336	2,428,571	269,392	2,697,963
Mining exploration tax credit	(444,394)	(28,582)	(472,976)	(45,000)	(517,976)
	1,844,841	301,254	2,146,095	277,177	2,423,272
Captain Property					
Acquisition costs	-	-	-	196,416	196,416
Deferred exploration costs					
Assays	-	-	-	11,582	11,582
Geological	-	-	-	36,074	36,074
Other	-	-	-	875	875
	-	-	-	48,531	48,531
Mining exploration tax credit	-	-	-	(2,500)	(2,500)
	-	-	-	242,447	242,447
Connor Creek Property					
Acquisition costs	-	-	-	63,005	63,005
Deferred exploration costs					
Other	-	-	-	119	119
	-	-	-	63,124	63,124
Total	$ 1,844,841	$ 301,254	$ 2,146,095	$ 582,748	$ 2,728,843

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 year ended January 31, 2011, the Company:

- incurred management fees of $109,238 (2010 - $4,628) to directors and officers of the Company;
- incurred consulting fees of $44,934 (2010 - $Nil) to a director and an officer of the Company;
- incurred geological consulting fees of $57,279 (2010 - $Nil) to a director and a former director of the Company.

As at January 31, 2011 $178,070 (January 31, 2010 - $Nil) 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.

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 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. The assumptions used to value these warrants were: risk-free interest rate: 1.78%; expected life of warrants: 2 years; annualized volatility: 161% and dividend yield: 0%.

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).

2010

On March 17, 2009, the Company completed a private placement of 190,000 common shares at a price of $0.08 per share for proceeds of $15,200 of which $15,200 was recorded in subscriptions received in advance at January 31, 2009.

On April 2, 2009, the Company issued 843,750 common shares at a fair value of $168,750 for finder's fees for private placements completed during the year ended January 31, 2009.

8. SHARE CAPITAL (cont'd…)

2010 (cont'd…)

On November 12, 2009, the Company completed a private placement of 4,000,000 common shares at a price of $0.05 per share for proceeds of $200,000. The Company issued 400,000 common shares at a fair value of $20,000 as a finder's fee in relation to the private placement.

On January 15, 2010, the Company completed a private placement of 600,000 common shares at a price of $0.05 per share for proceeds of $30,000. The Company issued 60,000 common shares as at a fair value of $3,000 as a finder's fee in relation to the private placement.

On January 15, 2010, the Company completed a private placement of 30,920 common shares at a price of $0.08 per share for proceeds of $2,474.

On March 30, 2009, the Company issued 312,500 common shares at a price of $0.08 per share as a termination fee for an exploration drilling agreement.

During the year ended January 31, 2010, the Company issued 170,000 common shares at a fair value of $8,500 pursuant to a mineral property agreement for the Todd Creek Property.

During the year ended January 31, 2010, the Company issued 3,428,611 common shares to settle debt of $274,288, of which 789,043 common shares were issued at a fair value of $63,123 to settle amounts due to related parties and 2,639,568 common shares were issued at a fair value of $211,165 to settle accounts payable and accrued liabilities.

Warrants

As of January 31, 2011 the Company has the following warrants outstanding:

Number	Exercise Price	Expiry Date
3,650,400	$0.15	December 18, 2011
200,000	$0.15	June 3, 2012
3,850,000		

The weighted average exercise price is $0.15 and the weighted average remaining contractual life is 0.90 years.

Stock options

The Company has adopted an incentive stock 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.

8. SHARE CAPITAL (cont'd…)

Stock options (cont'd…)

As of January 31, 2011 the Company has the following stock options outstanding:

Number of Options	Exercise Price	Expiry Date
1,250,000	$0.20	March 7, 2013
500,000	$0.15	January 12, 2015
1,750,000		

The weighted average exerciser price is $0.19 and the weighted average remaining contractual life is 2.63 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 subsequent to January 31, 2011.

9. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

Significant non-cash transactions were as follows:

	2011	2010
Reallocation of deposit to mineral properties and deferred exploration costs	$ 63,548	$ -
Deferred exploration costs in accounts payable and accrued liabilities	51,676	26,213
Deferred exploration costs in due to related parties	58,515	-
Shares issued on property acquisitions	14,000	8,500
Shares issued on settlement of loan payable	7,500	-
Reallocation of subscriptions received in advance to share capital	-	15,200
Shares issued on settlement of debt	-	274,288
Shares issued to settle obligation to issue shares for finder's fees	-	168,750
Shares issued for finders' fees	10,000	23,000
Fair value of finders' warrants	5,270	-
Shares issued on RTO	1,118,760	-

10. INCOME TAXES

		2011		2010
Loss before income tax	$	(461,765)	$	(161,438)
Corporate tax rate		28.50%		29.88%
Future income tax recovery		(131,603)		(48,247)
True up of FIT assets		(240,958)		-
Share issuance costs		-		(47,938)
Changes in valuation allowance		411,656		84,130
Tax rate change		45,753		12,055
Future income tax expense	$	84,848	$	-

The future income tax expense of $84,848 arising from goodwill upon completion of the RTO is the difference between the allocated fair value and the tax base of the assets acquired. The following amounts were reduced from the net book value of the mineral properties and deferred exploration costs (Note 5) of Orestone at June 3, 2010:

Captain Property	$	64,484
Connor Creek Property		20,364
Excess	$	84,848

The actual income tax provisions differ from the expected amounts calculated by applying the Canadian combined federal and provincial corporate income tax rates to the Company's loss before income taxes.

The significant components of the Company's future income taxes assets are as follows:

		2011		2010
Non-capital losses	$	438,928	$	142,290
Resource properties		91,078		6,250
Share issuance costs		68,100		38,350
Equipment		6,187		5,767
		604,313		192,657
Valuation allowance		(604,313)		(192,657)
Net future tax asset	$	-	$	-

As at January 31, 2011, the Company has remaining non-capital losses of approximately $1,755,000 (2010 - $569,000) which may be available to offset future income for income tax purposes which expire commencing in 2029. Due to the uncertainty of realization of these loss carryforwards, the benefit is not reflected in the financial statements as the Company has provided a full valuation allowance for the potential future tax assets resulting from these loss carryforwards.

11. 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.

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

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.

12. CAPITAL MANAGEMENT

The Company considers its capital structure to be shareholders' equity represented by net assets over liabilities. The Company manages its capital structure based on the funds available to the Company, in order to support acquisition, maintenance, exploration, and development of 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.