ORESTONE MINING CORP.

FINANCIAL STATEMENTS

JULY 31, 2010

BALANCE SHEETS

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NOTICE OF NO AUDITOR REVIEW OF

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim consolidated financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the consolidated financial statements.

The accompanying unaudited interim consolidated 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 consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim consolidated financial statements by an entity's auditor.

ORESTONE MINING CORP.
BALANCE SHEETS

	July 31, 2010 (Unaudited)	January 31, 2010 (Audited)
ASSETS		
Current		
Cash	$229,591	$29,350
Receivables	35,752	2,769
Mineral tax credit recoverable	28,582	28,582
Prepaid	218,989	-
	512,914	60,701
Equipment (Note 3)	4,815	5,664
Mineral properties and deferred exploration costs (Note 5)	4,395,415	2,146,095
Deposits (Note 5)	17,400	81,048
Reclamation bond (Note 6)	34,000	-
	$4,964,644	$2,293,508
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$110,468	$110,623
Loans payable (Note 8)	25,000	225,000
	135,468	335,623
SHAREHOLDERS' EQUITY		
Share capital (Note 9)	5,582,477	2,540,989
Contributed surplus (Note 9)	5,270	-
Deficit	(758,571)	(583,104)
	4,829,176	1,957,885
	$4,964,644	$2,293,508

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

Approved on behalf of the Board:

"Jose Pinedo"	Director	*"Michael Tulumello"*	Director
Jose Pinedo		Michael Tulumello	

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

ORESTONE MINING CORP.
STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)
(Unaudited)

	For the four months ended July 31, 2010	For the three months ended July 31, 2009
EXPENSES		
Accounting fees	$10,870	$-
Amortization	849	9,054
Filing fees	16,271	-
Management fees (Note 7)	18,211	-
Office, rent and miscellaneous	11,683	26,967
Legal fees	117,583	264
Termination of agreement	-	25,000
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	$ (175,467)	$(61,285)
EARNINGS (LOSS) PER COMMON SHARE – BASIC AND DILUTED	$ (0.01)	$(0.00)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING – DILUTED	29,111,467	12,535,800

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

ORESTONE MINING CORP.
STATEMENT OF SHAREHOLDERS' EQUITY
FOR THE PERIOD FROM JANUARY 31, 2009 TO JULY 31, 2010
(Unaudited)

	Number of Shares	Share Capital	Contributed Surplus	Deficit	Total Shareholders' Equity
Balance as at January 31, 2009	18,043,332	$1,268,090	$ 787,063	$(299,964)	$1,755,189
Issued					
Shares issued for mineral property	150,000	19,500	-	-	19,500
Shares issued for cash	6,668,000	485,472	181,328	-	666,800
Share issue costs	-	(95,079)	33,090	-	(61,989)
Stock-based compensation	-	-	66,904	-	66,904
Net loss for the year	-	-	-	(234,743)	(234,743)
Balance as at January 31, 2010	24,861,332	1,677,983	1,068,385	(534,707)	2,211,661
Elimination of the book value of the Company's shareholders' equity pursuant to Agreement (Note 4)	-	(1,677,983)	(1,068,385)	534,707	(2,186,798)
Adjustment to increase share capital to that of NTE (Note 4)	-	2,540,989	-	(583,104)	1,957,885
Shares issued pursuant to the Agreement (Note 4)	22,568,581	3,046,758	-	-	3,046,758
Shares issued as finder's fees (Note 4)	200,000	10,000	5,270	-	15,270
Share issue costs	-	(15,270)	-	-	(15,270)
Net loss for the period	-	-	-	(175,467)	(175,467)
Balance as at July 31, 2010	47,879,913	$5,582,477	$5,270	$(758,571)	$4,829,176

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

ORESTONE MINING CORP.
STATEMENTS OF CASH FLOWS
(Unaudited)

	For the four months ended July 31, 2010	For the three months ended July 31, 2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ (175,467)	$(61,285)
Non-cash operating items:		
Amortization	849	9,054
Termination of agreement	-	25,000
Changes in non-cash working capital items:		
Receivables	(32,983)	(5,521)
Prepaid	(155,341)	-
Accounts payable and accrued liabilities	(155)	(12,240)
Due to related parties	-	19,598
Net cash used in operating activities	(363,097)	(25,394)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash acquired in reverse take-over	597,438	-
Reclamation bonds	(34,100)	-
Net cash used in investing activities	563,338	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of common shares	-	15,200
Net cash provided by financing activities	-	
CHANGE IN CASH DURING THE PERIOD	200,241	(10,194)
CASH, BEGINNING	29,350	13,329
CASH, ENDING	$ 229,591	$3,135

Supplemental disclosures with respect to cash flows (Note 10)

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

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Orestone Mining Corp. (the "Company") 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.

On June 3, 2010, the Company acquired all of the issued and outstanding shares of Intuitive Exploration Inc. ("NTE"). This purchase was pursuant to a November 26, 2009, arm's length letter agreement (the "Agreement") between the Company and Intuitive and 0875639 BC Ltd. ("0875639"), both of which were arm's length private British Columbia companies. The transaction completed by way of share exchange, resulted in a reverse takeover of the Company. Accordingly, under the principles applicable to these transactions, it is considered to be a capital transaction by NTE, whereby NTE, legally the Company's wholly-owned subsidiary, has acquired the assets and liabilities of the Company and is considered to be the continuing entity for accounting purposes. Consequently, the comparative figures presented are those of NTE (Note 4).

These 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 is also aware that material uncertainties exist, related to current economic conditions, which could adversely affect the Company's ability to continue to finance its activities. 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.

	July 31, 2010	January 31, 2010
Deficit	$ (758,571)	$ (583,104)
Working capital	337,446	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
The accompanying unaudited consolidated financial statements of Orestone Mining Corp. ("Orestone" or the "Company") include the accounts of the Company and its wholly owned subsidiary Amalco, which was formed as a result of amalgamation of NTE and 0875639 B.C. Ltd. ("0875639") (Note 4).

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 period.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

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 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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

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 March 31, 2010, the Company estimated its material expenditures in this area and posted a $51,500 (January 31, 2010 - $17,400) reclamation bond (Note 6).

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

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.

Flow-through shares
The Company renounces qualifying Canadian exploration expenditures to certain share subscribers who subscribe for flow-through shares in accordance with the Income Tax Act (Canada). Under these provisions the Company is required to incur and renounce qualifying expenditures on a timely basis for the respective flow-though subscriptions and accordingly, it is not entitled to the related tax deductions and tax credits for such expenditures.

The Company follows recommendations by the Emerging Issues Committee ("EIC") of the CICA relating to the issuance of flow-through shares. EIC-146 requires the recognition of future income tax liabilities relating to the issuance of flow-through shares as a direct reduction in share capital in the period of completion of applicable tax filings renouncing qualifying Canadian exploration expenditures to the share subscribers. The Company will recognize future income tax recoveries by applying available non-capital losses and other deductible temporary differences not previously recognized to offset any future income tax liability resulting from the issuance of flow-through shares. The resulting future income tax recovery is recognized in operating results in the same period.

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 March 31, 2010 and 2009, 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, loan payable, accounts payable. 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 and short-term investments – held-for-trading; measured at fair value;
(ii) Receivables and loan receivable – loans and receivables; measured at amortized cost;
(iii) Accounts payable and due to related parties – other financial liabilities; recorded at amortized cost.

The Company does not use any hedging instruments.

Comparative figures
Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Recent accounting pronouncements

***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 2011, 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.

"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. Early adoption of these Sections is permitted and all three Sections must be adopted concurrently.

3. EQUIPMENT

	July 31, 2010			January 31, 2010		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Equipment	$4,049	$1,344	$2,705	$4,049	$1,099	$2,950
Computer equipment	7,998	5,888	2,110	7,998	5,284	2,714
	$12,047	$7,232	$4,815	$12,047	$23,068	$5,664

4. ACQUISITION

On June 3, 2010, the Company completed the acquisition of Intuitive Exploration Inc ("NTE"). The primary asset of NTE is 51% interest in the Todd Creek Joint Venture in northern British Columbia. This purchase was pursuant to a November 26, 2009 arm's length letter agreement (the "Agreement") between the Company and NTE and 0875639 BC Ltd. ("0875639"), both of which were arm's length private British Columbia companies. The transaction was completed June 3, 2010 by way of share exchange and resulted in a reverse takeover of the Company.

4. ACQUISITION (cont'd…)

The cost of the acquisition was allocated to the net identifiable assets of the NTE at June 3, 2010 as follows:

Consideration (in terms of the agreement):	
Common shares	$3,046,758
Assets and liabilities acquired:	
Assets:	
Cash	$439,419
Other current assets	67,139
Resource properties	2,555,943
Liabilities:	
Current liabilities	(15,743)
	$3,046,758

Pursuant to the Agreement, the reverse takeover of the Company was completed through the following share exchange:

- Each share of Intuitive issued and outstanding was transferred to Orestone;
- Each Intuitive shareholder was issued shares at a fair value of $0.135 per share, based on a Fairness Opinion (the "Opinion") dated March 10, 2010, for their shares by the Company and was deemed to have their Intuitive shares cancelled;
- Each Intuitive shareholder received 1 common share of the Company for transferring 1 Intuitive share;
- Each Intuitive share acquired by the Company was transferred to 0875639 in exchange for 0875639 shares on a 1:1 basis. The fair value of the 0875639 shares of $0.13, was be based on the Opinion;
- Finder's fee was issued to Raymond James Ltd. consisting of 200,000 units. Each unit consisted of one common shares and one share purchase warrant with each warrant entitling the holder to purchase one common share of the Company at $0.15 per share for two years.
- The Intuitive and 0875639 amalgamated to form Amalco.

As of June 3, 2010 Intuitive is the Company's wholly-owned subsidiary, and the Company is the parent of Intuitive. However, the transaction resulted in a composition of senior management such that Intuitive controls the Company. Referred to as a reverse takeover, Intuitive is deemed to be the acquirer for accounting purposes. Consequently, the comparative figures presented are those of Intuitive.

The major asset of Intuitive is its 51% interest in the Todd Creek Joint Venture ("the Todd Creek Joint Venture"). The principal commercial asset of Intuitive is its 51% interest in the Todd Property which was obtained pursuant to the Todd Creek option agreement, signed April 3, 2008 among Intuitive, Goldeye Exploration Limited ("Goldeye"), Polar Star Mining Corporation ("Polar"), and Geofine Exploration Consultants Ltd ("Geofine"). Intuitive is the Manager of the Joint Venture by virtue of its majority interest in the property.

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.

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

To March 31, 2010, the Company has incurred the following on mineral properties and deferred exploration costs:

	Jan 31,2009	Additions	Jan 31, 2010	Additions	July 31,2010
Todd Property					
Acquisition costs	$44,000	$146,500	$190,500	-	$190,500
Deferred exploration costs					
Aircraft	626,189	-	626,189	-	626,189
Assays	94,215	90,963	185,178	-	185,178
Camp	237,807	-	237,807	-	237,807
Geological consulting	237,572	-	237,572	-	237,572
Drilling	312,864	-	312,864	-	312,864
Field	197,555	33,418	230,973	-	230,973
Geophysical	79,296	-	79,296	-	79,296
Other	30,000	42,000	72,000	-	72,000
Professional	19,182	16,955	36,137	-	36,137
Salaries and wages	410,555	-	410,555	-	410,555
	2,245,235	183,336	2,428,571	-	2,428,571
Government exploration tax credit	(444,394)	(28,582)	(472,976)	-	(472,976)
Captain Property					
Acquisition costs					
Acquisition costs	-	-	-	1,732,080	1,732,080
Staking costs	-	-	-	178	178
	-	-	-	1,732,258	1,732,258
Deferred exploration costs					
Geophysical	-	-	-	1,838	1,838
Other	-	-	-	875	875
Total exploration costs	-	-	-	1,734,971	1,734,971
Connor Creek Property					
Acquisition costs					
Acquisition costs	-	-	-	514,231	514,231
Licence and permits	-	-	-	118	118
Total exploration costs	-	-	-	514,349	514,349
	$1,844,841	$301,254	$2,146,095	$2,249,320	$4,395,415

a) Todd Property

The Company, though its subsidiary NTE (Note 4), holds a 51% interest in the Todd Creek Joint Venture ("the Joint Venture"). A 2.5% net smelter return royalty ("NSR") was granted to Geofine upon the execution of the JV agreement. The NSR may be purchased in 0.5% increments for $750,000 in the 4 year period following the granting of the NSR. The Joint Venture is obligated to pay $25,000 in annual advance royalty payments until an NSR is derived from the property.

The Joint Venture also holds an option to acquire 100% of the Kelly Funk Property, a property adjacent to and East of the Todd Property, pursuant to an option agreement dated August 19, 2008, between Intuitive and Kelly Funk. In consideration, a total of $450,000 has to be paid in cash and 350,000 shares issued. As of July 31, 2010, $65,000 has been paid and 65,000 shares issued.

The property is subject to an NSR of 2.0%, which may be purchased at any time during the four year period following the grant of the royalty in 0.5% increments at $750,000 per increment.

NTE is the manager of the Joint Venture.

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

As at July 31, 2010, 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

b) Captain Property

On April 30, 2007, the Company entered into a Property Purchase Agreement (the "Purchase Agreement"), with certain directors of the Company, to acquire a 100% right, title and interest in certain claims (the "Captain Property") located near Fort St. James, British Columbia. In consideration, the Company issued 4,000,000 common shares at an exchange price, representing the cost base of the vendors, of $21,000 for the Captain Property. On May 19, 2008, the Company acquired a 100% interest in 11 mineral claims adjacent to the Captain Property for $3,000 (paid) and 20,000 common shares at a fair value of $6,000 (Note 9).

The Company has capitalized $9,747 in future income taxes, which reflects the "tax gross-up", required to be recorded on acquisition and represents the difference between the allocated accounting fair value and the tax base of the asset acquired.

A new 10 claim was staked July 14, 2010 at a cost of $178 and has an expiry date of July 14, 2011.

c) Connor Creek Property

On November 10, 2009, the Company entered into an arm's length letter agreement with Kootenay Gold Inc., to acquire 60% interest in the Connor Creek gold property, Nelson Mining Division, British Columbia.

In consideration, the Company will issue a total of 750,000 (150,000 issued) shares and incur an aggregate of $1,000,000 in work expenditures over a four year period.

6. RECLAMATION BONDS

As of July 31, 2010, the Company had posted a total of $34,000 as reclamation bonds to the Ministry of Energy, Mines and Petroleum Resources of British Columbia to guarantee reclamation of the environment on the Captain Property (Note 5). Subsequently during August 2010, a $5,000 reclamation bond was refunded to the Company.

7. RELATED PARTY TRANSACTIONS

During the period ended July 31, 2010, the Company paid or accrued management fees of $18,211 (2009 - $Nil) to directors and officers of the Company. As at July 31, 2010 $Nil (January 31, 2010 - $Nil) was owing to directors and officers of the Company.

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. LOAN PAYABLE

During the year ended January 31, 2009, the Company received a $25,000 loan from an arms-length party. This amount is unsecured, non-interest bearing and has no fixed terms of repayment. Subsequently, this loan was settled by the issuance of 250,000 common shares.

9. SHARE CAPITAL

Authorized: unlimited number of common shares without par value.

Warrants
The following warrant transactions occurred:

	Number of Warrants	Weighted Average Exercise Price
Outstanding, March 31, 2009	3,983,332	$0.31
Granted	3,650,400	0.15
Expired	(345,000)	0.20
Outstanding, March 31, 2010	7,288,732	0.30
Expired	(2,668,332)	0.50
Outstanding, July 31, 2010	4,620,400	$0.18

The weighted average remaining contractual life is 1.12 years.

The following warrants were outstanding at July 31, 2010:

Number	Exercise Price	Expiry Date
75,000	$0.50	August 14, 2010(subsequently expired)
280,000	$0.40	August 14, 2010(subsequently expired)
615,000	$0.20	September 30, 2010(subsequently expired)
3,650,400	$0.15	December 18, 2011
4,620,400		

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.

The following stock option transactions occurred:

	Number of Options	Weighted Average Exercise Price
Outstanding, March 31, 2009	1,782,333	$0.22
Granted	500,000	0.15
Expired	(230,000)	0.20
Outstanding, March 31, 2010	2,052,333	0.20
Expired	(266,833)	0.50
Outstanding, July 31, 2010	1,785,500	$0.23

9. SHARE CAPITAL (cont'd…)

The weighted average remaining contractual life is 3.13 years.

The following options were outstanding and exercisable at July 31, 2010:

Number of Options	Exercise Price	Expiry Date
1,250,000	$0.20	March 7, 2013
35,500	$0.30	August 14, 2010 (subsequently expired)
500,000	$0.15	January 12, 2015
1,785,500		

Stock-based compensation

The Company recognizes compensation expense for all stock options granted using the fair value based method of accounting. The fair value of stock options granted is recognized in income over the vesting period. The total fair value of stock options vested during the period ended July 31, 2010 was $Nil (2009 - $Nil).

The Company expenses the fair value of all stock-based compensation awards as determined using the Black-Scholes option pricing model. The following assumptions were used for the Black-Scholes valuation of warrants and stock options granted during the year:

	2010	2009
Risk-free interest rate	1.39%	1.43- 2.21%
Expected life of options	2 years	2 – 5 years
Annualized volatility	147%	141-163%
Dividend yield	0%	0%

Escrow shares

6,500,000 common shares were originally 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 July 31, 2010, 4,550,000 shares were released leaving the balance of 1,950,000 shares held in escrow.

10. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

Significant non-cash transactions were as follows:

	For the four months ended July 31, 2010	For the three months ended July 31, 2009
Shares issued on property acquisitions	$ -	$ 431,100
Fair value of finders' options and warrants	15,270	49,793
Shares issued on reverse take-over	3,046,758	-

11. RISK MANAGEMENT

The fair values of the Company's cash, short-term investments, receivables, loan receivable, accounts payables and accrued liabilities and due to related parties approximate their carrying values.

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.

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.

13. SUBSEQUENT EVENT

Subsequent to the period, the Company issued 250,000 common shares pursuant to a shares-for-debt agreement with Datinvest International Ltd. with deemed value of $0.10 to settle $25,000 of a debt. The common shares issued pursuant to the shares-for-debt agreement are subject to a hold period expiring on December 26, 2010.