



## **Josephine Mining Corp.**

Condensed interim consolidated financial statements  
As at and for the six months ended June 30, 2012 and 2011  
(Unaudited and expressed in Canadian dollars)

## **Notice to reader**

These unaudited condensed interim consolidated financial statements for the six months ended June 30, 2012 have not been reviewed by an independent reviewer. They have been prepared by Josephine Mining Corp.'s management in accordance with accounting principles generally accepted in Canada, consistent with prior periods. These unaudited condensed interim consolidated financial statements should be read in conjunction with the audited financial statements for the year ended December 31, 2011.

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Josephine Mining Corp. (an exploration stage company)  
Condensed consolidated statements of financial position  
As at the interim period ended June 30, 2012 and as at December 31, 2011  
(Unaudited and presented in Canadian dollars)

	Notes	June 30, 2012	December 31, 2011
<b>Assets</b>			
Current assets			
Cash and cash equivalents		\$ 16,945	\$ 728,272
Prepaid expenses		67,627	56,623
Accounts receivable		1,833	4,527
Total current assets		86,405	789,422
Non-current assets			
Property and equipment	4	50,904	80,027
Mineral properties	5	7,386,681	7,293,077
Deposits		3,068	78,849
Total non-current assets		7,440,653	7,451,953
<b>Total assets</b>		<b>\$ 7,527,058</b>	<b>\$ 8,241,375</b>
<b>Liabilities and shareholders' equity</b>			
Current liabilities			
Accounts payable		\$ 311,997	\$ 727,686
Due to related parties	7	456,680	53,033
Note payable to related party	7(b)	40,491	-
Total current liabilities		809,168	780,719
<b>Shareholders' equity</b>			
Share capital	6(b)	7,264,401	7,264,401
Contributed surplus	6(e)	854,922	678,299
Warrants	6(d)	3,502,935	3,502,935
Accumulated deficit		(4,886,364)	(4,083,769)
Accumulated other comprehensive income (loss)		(18,004)	98,790
Total shareholders' equity		6,717,890	7,460,656
<b>Total liabilities and shareholders' equity</b>		<b>\$ 7,527,058</b>	<b>\$ 8,241,375</b>
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*The accompanying notes are an integral part of these condensed interim consolidated financial statements.*

Approved on behalf of the Board of Directors:

**"SIGNED"**

**Robert L. Russell**  
Director

**"SIGNED"**

**James O'Neil**  
Director

Josephine Mining Corp. (an exploration stage company)  
Condensed consolidated statements of comprehensive loss  
Three and six months ended June 30, 2012 and 2011  
(Unaudited and presented in Canadian dollars)

	Notes	Three months ended June 30,		Six months ended June 30,	
		2012	2011	2012	2011
<b>Operating expenses</b>					
General and administrative		\$ 435,246	\$ 514,014	\$ 618,830	\$ 652,410
Exploration		2,051	87,830	33,710	119,258
Share-based payments	6(e)	52,351	178,915	176,623	187,887
Depreciation	4	5,810	3,262	13,081	3,262
Total operating expenses		\$ 495,458	\$ 784,021	\$ 842,244	\$ 962,817
<b>Other income and expense</b>					
Other income (expense)		\$ (261)	\$ 15,142	\$ 199	\$ 16,020
Public company listing		-	-	-	(458,329)
Foreign exchange income (expense)		34,507	(4,450)	39,450	(5,352)
Total other income (loss)		\$ 34,246	\$ 10,692	\$ 39,649	\$ (447,661)
<b>Net loss</b>		<b>\$ 461,212</b>	<b>\$ 773,329</b>	<b>\$ 802,595</b>	<b>\$ 1,410,478</b>
Other comprehensive income (loss)		57,961	2,237	(116,794)	(20,589)
<b>Total comprehensive loss attributable to shareholders</b>		<b>\$ 403,251</b>	<b>\$ 771,092</b>	<b>\$ 919,389</b>	<b>\$ 1,431,067</b>
Net loss per common share, basic and diluted		\$ 0.02	\$ 0.03	\$ 0.03	\$ 0.08
Weighted average common stock shares outstanding, basic and diluted		25,451,010	25,431,889	25,451,010	18,584,408

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

Josephine Mining Corp. (an exploration stage company)  
Condensed consolidated statements of changes in equity  
Six months ended June 30, 2012 and 2011  
(Unaudited and presented in Canadian dollars)

	Shares	Share capital	Warrants	Contributed surplus	Accumulated deficit	Accumulated other comprehensive income (loss)	Total
Balance, January 1, 2011	10,500,010	\$ 1,720,880	\$ 46,825	\$ -	\$ (1,086,849)	\$ (79,040)	\$ 601,816
Additional capital contributed	-	79,119	-	-	-	-	79,119
Unit offering shares and warrants less issuance costs	14,000,000	4,985,938	1,214,031	-	-	-	6,199,969
0890810 B.C. Ltd. shares eliminated	(10,500,010)	-	-	-	-	-	-
Qualifying Transaction	10,500,010	425,000	2,243,293	-	-	-	2,668,293
Green Park shares acquired	850,000	-	-	-	-	-	-
Incentive stock options	-	-	-	8,972	-	-	8,972
Corporate finance units and agent compensation	75,000	37,500	-	174,226	-	-	211,726
Warrants exercised	7,000	6,464	(1,214)	-	-	-	5,250
Options exercised	19,000	9,500	-	-	-	-	9,500
Share based payments	-	-	-	178,915	-	-	178,915
Other comprehensive loss for the period	-	-	-	-	-	(20,589)	(20,589)
Net loss for the period	-	-	-	-	(1,410,478)	-	(1,410,478)
Balance, June 30, 2011	25,451,010	\$ 7,264,401	\$ 3,502,935	\$ 362,113	\$ (2,497,327)	\$ (99,629)	\$ 8,532,493
Balance, January 1, 2012	25,451,010	\$ 7,264,401	\$ 3,502,935	\$ 678,299	\$ (4,083,769)	\$ 98,790	\$ 7,460,656
Share based payments	-	-	-	176,623	-	-	176,623
Foreign exchange translation loss for the period	-	-	-	-	-	(116,794)	(116,794)
Net loss for the period	-	-	-	-	(802,595)	-	(802,595)
Balance, June 30, 2012	25,451,010	\$ 7,264,401	\$ 3,502,935	\$ 854,922	\$ (4,886,364)	\$ (18,004)	\$ 6,717,890

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

Josephine Mining Corp. (an exploration stage company)  
Condensed consolidated statements of cash flows  
Six months ended June 30, 2012 and 2011  
(Unaudited and presented in Canadian dollars)

		Six months ended June 30,	
	Notes	2012	2011
<b>Cash flows from operating activities</b>			
Net loss		\$ (802,595)	\$ (1,410,478)
Share-based payments	6(e)	176,623	187,887
Public company listing expense		-	458,329
Foreign currency translation		(116,794)	(20,589)
Depreciation		13,081	3,262
Gain on disposal of equipment		(5,215)	-
Changes in assets and liabilities			
Increase in prepaid expenses		(11,004)	(12,518)
Decrease (increase) in accounts receivable		2,694	(26,034)
Reversal of undeclared bonus and vacation accruals		(407,847)	-
Increase in accounts payable		-	221,524
Increase in accrued liabilities - related parties		403,647	52,917
Return of operating deposits		75,781	-
Net cash used by operating activities		\$ (671,629)	\$ (545,700)
<b>Cash flows from investing activities</b>			
Purchase of property and equipment		\$ -	\$ (95,589)
Disposal of property and equipment		21,257	-
Payments toward mineral properties		(93,604)	(1,360,667)
Changes in non-cash working capital		(7,842)	116,156
Net cash used by investing activities		\$ (80,189)	\$ (1,340,100)
<b>Cash flows from financing activities</b>			
Short-term debt financing	7(b)	\$ 40,491	\$ -
Qualifying transaction and unit financing		-	6,432,360
Net cash provided by financing activities		\$ 40,491	\$ 6,432,360
<b>Increase (decrease) in cash and cash equivalents</b>		\$ (711,327)	\$ 4,546,560
<b>Cash, beginning of period</b>		728,272	16,022
<b>Cash, end of period</b>		<b>\$ 16,945</b>	<b>\$ 4,562,582</b>
<b>Cash comprised of:</b>			
Cash		\$ 16,945	\$ 750,838
Cash equivalents		-	3,811,744
<b>Total cash and cash equivalents</b>		<b>\$ 16,945</b>	<b>\$ 4,562,582</b>

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

## **1. Nature and continuance of operations**

Josephine Mining Corp. (the "Company") (formerly Green Park Capital Corp.) was incorporated on June 4, 2007, under the Business Corporations Act of British Columbia and is in the exploration stage. The registered office of the Company is 1000 - 595 Burrard Street - P.O. Box 49290 - Vancouver, British Columbia, Canada V7X 1S8. On March 24, 2011, the Company completed its Qualifying Transaction (details of which can be found in the Company's December 31, 2011 consolidated financial statements). Since the Qualifying Transaction, the Company's sole activities have related to the retention and exploration of mineral properties known as the Turner Gold Property located in southern Oregon, the Company's only mineral asset. A listing of subsidiaries can be found in Note 10.

In connection with the Qualifying Transaction, the Company changed its name to Josephine Mining Corp., ceased to be a Capital Pool Company as defined in Policy 2.4 of the Exchange and commenced trading as a Tier 2 mining issuer on the TSX Venture Exchange on March 29, 2011. On commencement of trading, the Company's trading symbol changed from "GRP.H" to "JMC."

## **2. Going concern**

These condensed interim consolidated financial statements have been prepared assuming the Company will continue as a going concern, which contemplates the realization of assets and discharge of liabilities in the normal course of business. As shown in the accompanying condensed interim consolidated financial statements, the Company has had no operating revenues and has incurred an accumulated deficit of \$4,886,364 through June 30, 2012 (December 31, 2011- \$4,083,769). These factors raise doubt about the Company's ability to continue as a going concern. The ability of the Company to continue as a going concern is dependent upon obtaining necessary financing to complete exploration activities and placement of a mineral property into commercial production. Management intends to complete additional financing but while the Company has been successful in raising funds from related parties and other private parties in the past, there can be no assurance that it will be able to do so in the future. There can be no objective reliance on continuing support from related parties, which has been essential for the Company's development. The condensed interim consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classification of liabilities that might be necessary in the event the Company cannot continue in existence.

## **3. Significant accounting policies**

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") and its interpretations including International Accounting Standards ("IAS") prevailing as of June 30, 2012, as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

These condensed interim consolidated financial statements have been prepared following the same accounting policies and methods of computation as the consolidated financial statements of the Company for the year ended December 31, 2011. The disclosures provided below are incremental to those included with the annual consolidated financial statements and certain disclosures, which are normally required to be included in the notes to the annual consolidated financial statements, have been condensed or omitted. These condensed interim consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto in the Company's annual filings for the year ended December 31, 2011.

These condensed interim consolidated financial statements were approved by the Company's board of directors on August 27, 2012.

### *(a) Recent accounting pronouncements*

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or International Financial Reporting Issues Committee that are mandatory for accounting periods beginning after January 1, 2012 or later periods. The standards impacted that are applicable to the Company are as follows:



- IFRS 7 – *Financial Instruments Disclosures* requires adoption of amendments for annual periods beginning January 1, 2013.
- IFRS 9 – *Financial Instruments* was issued as the first step in its project to replace IAS 39 – *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces new requirements for classifying and measuring financial assets that must be applied starting January 1, 2015, with early adoption permitted. The IASB intends to expand IFRS 9 during the intervening period to add new requirements for classifying and measuring financial liabilities, de-recognition of financial instruments, impairment and hedge accounting.
- IFRS 10 – *Consolidated Financial Statements* will supersede the consolidation requirements in SIC-12 – *Consolidation – Special Purpose Entities* and IAS 27 – *Consolidated and Separate Financial Statements* effective for annual periods beginning on or after January 1, 2013, with early application permitted. IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard also provides additional guidance to assist in the determination of control where this is difficult to assess.
- IFRS 13 – *Fair Value Measurement* sets out in a single IFRS a framework for measuring fair value. IFRS 13 defines fair value as 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. This definition of fair value emphasizes that fair value is a market-based measurement, not an entity-specific measurement. In addition, IFRS 13 also requires specific disclosures about fair value measurement. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.
- IAS 27 – *Consolidation and Separate Financial Statements* is required to be adopted for periods beginning January 1, 2013. IAS 27 applies in the preparation and presentation of consolidated financial statements for a group of entities under the control of a parent and in accounting for investments in subsidiaries, jointly controlled entities, and associates when an entity presents separate financial statements.

#### 4. Property and equipment

	Software		Equipment		Vehicles		Total
<b>Cost</b>							
Balance, December 31, 2011	\$	46,533	\$	26,803	\$	26,512	\$ 99,848
Disposals		-		(21,586)			(21,586)
Balance, June 30, 2012	\$	46,533	\$	5,217	\$	26,512	\$ 78,262
<b>Accumulated depreciation</b>							
Balance, December 31, 2011	\$	10,341	\$	5,503	\$	3,977	\$ 19,821
Depreciation expense		7,751		2,680		2,650	13,081
Disposals		-		(5,544)		-	(5,544)
Balance, June 30, 2012	\$	18,092	\$	2,639	\$	6,627	\$ 27,358
<b>Net book value, December 31, 2011</b>	<b>\$</b>	<b>36,192</b>	<b>\$</b>	<b>21,300</b>	<b>\$</b>	<b>22,535</b>	<b>\$ 80,027</b>
<b>Net book value, June 30, 2012</b>	<b>\$</b>	<b>28,441</b>	<b>\$</b>	<b>2,578</b>	<b>\$</b>	<b>19,885</b>	<b>\$ 50,904</b>

There were no circumstances requiring impairment loss to be recognized during the period ended June 30, 2012.

## 5. Mineral properties

The Company has entered into two option to purchase agreements.

### (a) Option #1

On June 26, 2009, the Company entered into an option to purchase agreement for land, patented mining claims and unpatented mining claims at the Turner Gold Property in Josephine County, Oregon, USA for \$2,000,000 originally to be paid by December 2011.

The December 2011 amendment to the original agreement resulted in the option exercise price of US\$1,350,000, less the initial payment and subsequent extension payments totaling \$650,000 (\$50,000 of the December 2011 payment does not apply to the purchase price). The full exercise price is due in full upon the earlier of September 28, 2012, or upon the Company obtaining all permits and/or approvals necessary to commence mining operations plus three months from the date of the execution of the permit. The total purchase price of the property remained the same as agreed to in the 2011 amendment.

Schedule of payments made under Option #1:

Payment	Date	Amount
Initial payment	June 2009	\$ 100,000
12 month extension	December 2010	300,000
Amendment to original agreement - 12 month extension	December 2011	250,000
Total		\$ 650,000

If the Company does not exercise the option to purchase the Property, all amounts paid by the Company are forfeited.

During the option term, the Company will have possession of and maintain the Turner Gold Property, including paying all claim maintenance fees. GMI retains a net smelter royalty ("NSR") on the Turner Gold Property, entitling GMI to 1.5% of all net smelter returns on future production of all metals from the Turner Gold Property. The NSR is to be calculated by deduction from gross sale proceeds of all minerals from the Turner Gold Property of the following: sales taxes, transportation costs, smelting and refinement costs, and all assaying and umpire fees.

### (b) Option #2

On June 30, 2009, the Company acquired an exclusive option to purchase approximately 333 acres of land in Josephine County, Oregon, for a 12 month period commencing June 18, 2011. The Company made an initial payment of US\$25,000. The contract provides for an extension of the option term for another 12 months via an additional payment of US\$25,000 made by June 30, 2012. Subsequent to June 30, 2012, an amended agreement was executed to extend the payment deadline to September 30, 2012 (Note 11) at which time US\$30,000 is to be paid, US\$25,000 of which will be applied to the purchase price. The contract provides for an extension of the option term for 24 more months with an additional payment of US\$50,000 by June 30, 2013.

The total purchase price of the property is US\$925,000 and all payments made on the option terms, unless otherwise noted, apply to the final purchase price. In the event the Company utilizes all extensions allowed in the contract, the remaining US\$825,000 is due in full upon the earlier of June 30, 2015, or upon the Company obtaining all permits and/or approvals necessary to commence mining operations plus three months from the date of the execution of the permit.

If the Company does not exercise the Option and purchase the land, all amounts paid by the Company are forfeited.

At June 30, 2012, Mineral Properties were comprised of the following:

	<b>June 30, 2012</b>	<b>December 31, 2011</b>
Balance, beginning of period	\$ 7,293,077	\$ 1,129,534
Option and land payments	-	342,016
Warrant-based payments	-	2,243,293
Exploration expenditures	162,301	3,578,234
Exchange rate variances	(68,697)	-
Balance, June 30, 2012	\$ 7,386,681	\$ 7,293,077

## 6. Share capital and reserves

### (a) Authorized share capital

As of June 30, 2012, the Company's authorized share capital was comprised of an unlimited number of common shares and preferred shares without par value.

### (b) Common shares

There were no share issuances during the six months ended June 30, 2012.

### (c) Escrowed shares

In connection with the Qualifying Transaction, all shares held in escrow at March 24, 2011 have been consolidated on the basis of one post-consolidation share for every five pre-consolidation shares, resulting in a total of 250,000 shares held in escrow upon completion of the Qualifying Transaction. An additional 10,500,010 shares were purchased by a major shareholder through the private placement and were put into escrow as per an escrow agreement dated March 24, 2011.

After the completion of a Qualifying Transaction, as required by the British Columbia Securities Commission and the Exchange, the escrowed shares will be released pro rata to the escrow shareholders as follows:

- i) 10% - upon final exchange approval to a Qualifying Transaction by the Company (March 24, 2011);
- ii) 15% - 6 months following the initial release (September 24, 2011);
- iii) 15% - 12 months following the initial release (March 24, 2012);
- iv) 15% - 18 months following the initial release (September 24, 2012);
- v) 15% - 24 months following the initial release (March 24, 2013);
- vi) 15% - 30 months following the initial release (September 24, 2013); and
- vii) 15% - 36 months following the initial release (March 24, 2014).

The number of shares in escrow at June 30, 2012 was 6,450,006 (December 31, 2011- 8,062,508).

### (d) Warrants

There were no warrants issued, exercised, or expired during the six months ended June 30, 2012. A summary of outstanding warrants is as follows:

<b>Exercise price</b>	<b>Number issued</b>	<b>Number exercised</b>	<b>Expired, forfeited</b>	<b>Remaining</b>	<b>Number exercisable</b>	<b>Weighted average exercise price</b>
\$ 0.75	7,000,000	7,000	-	6,993,000	6,993,000	\$ 0.75
\$ 1.50	5,250,000	-	-	5,250,000	5,250,000	1.50
\$ 2.00	5,250,000	-	-	5,250,000	5,250,000	2.00
	17,500,000	7,000	-	17,493,000	17,493,000	\$ 1.35

### (e) Stock options

The Company has a stock option plan (the "Plan"), under which it is authorized to grant options to directors, officers, consultants or employees of the Company. The number of options granted under the Plan is limited to 10% in the aggregate of the number of issued and outstanding common shares of the Company at the date of the grant of the options. The board of directors has discretion over the vesting of options.

A summary of stock options outstanding is as follows:

	Number of options	Weighted average exercise price
Balance at December 31, 2011	3,248,500	\$ 0.53
Options expired	(57,000)	0.30
Options forfeited	(450,000)	0.60
<b>Balance at June 30, 2012 (i)</b>	<b>2,741,500</b>	<b>\$ 0.52</b>

(i) Includes 772,500 options issued to agents during Qualifying Transaction.

Exercise price	Number issued	Number exercised	Expired, forfeited	Remaining	Number exercisable	Weighted average exercise price
\$ 0.30	110,000	19,000	72,000	19,000	19,000	\$ 0.30
0.50	2,585,000	-	300,000	2,285,000	1,510,000	0.50
0.60	400,000	-	-	400,000	266,667	0.60
0.70	100,000	-	100,000	-	-	0.70
0.75	37,500	-	-	37,500	37,500	0.75
1.00	50,000	-	50,000	-	-	1.00
	3,282,500	19,000	522,000	2,741,500	1,833,167	\$ 0.52

Share-based payment expense of \$176,623 for the period ending June 30, 2012 comprised the only change to contributed surplus during the six months ended June 30, 2012.

## 7. Related party transactions

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

The following entities transacted with the Company in the reporting period of these Financial Statements. The terms and conditions of the transactions with key management personnel and their related parties were no more favorable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities at an arm's length basis.

### (a) Transactions with Key Management Personnel

The key managers, with the power and responsibility, directly or indirectly, to plan, direct and control the operations of the Company, including directors, include the following:

The aggregate value of transactions with key management was as follows:

	Six months ended June 30,	
	2012	2011
Compensation	\$ 287,248	\$ 132,483
Bonus reversal	(267,514)	-
Share-based payments	135,268	134,170
<b>Total</b>	<b>\$ 155,002</b>	<b>\$ 266,653</b>

Bonuses accrued in 2011 were reversed during the three months ended March 31, 2012.

*(b) Note Payable*

On May 18, 2012, the Company entered into a note payable agreement for US\$40,000 with the President and Chairman of the board of directors of the Company (presented at the translated value of \$40,491 at June 30, 2012). The principal and accrued interest are payable on November 17, 2012. The note accrues interest at prime plus two percent (2%) per annum and, per the agreement, is to be repaid as soon as possible using certain receivables of the Company as they are collected. As of the date of this filing no principal payments have been made on the note.

*(c) Finder's Agreement*

On June 22, 2009, the Company entered into a finder's agreement with Russell Mining and Minerals, Inc. ("RMMI"), an entity related through common management, for the mining claims located in Josephine County, Oregon. Pursuant to this agreement, RMMI agreed to advance the Company funds and provide the technical support to complete a reserve study on the claims. The agreement also contemplates RMMI and the Company entering into a management agreement for RMMI to provide technical and administrative services to the Company (Note 7(d)).

When production begins on the property, USD\$1,500,000 is due in 24 equal installments. Pursuant to the Qualifying Transaction, the Company issued 10,500,010 common shares and 10,500,000 warrants to RMMI under the Finder's Agreement terms.

*(d) Consulting Agreement*

The Company is party to a consulting agreement with RMMI dated April 15, 2009, pursuant to which RMMI provides services and office space. The Company incurred approximately \$150,000 in consulting fees payable to RMMI during the six months ended June 30, 2012 (2011 – \$75,000). Other office rent and other general expenses repayable to RMMI during the six months ended June 30, 2012 totaled approximately \$146,000 (2011 - \$261,000).

In a transaction not related to the consulting agreement, RMMI paid US\$50,000 to a financing company on the Company's behalf in order to commence due diligence on a potential debt financing. The US\$50,000 has been recorded as a payable to RMMI.

*(e) Other related parties*

The Company utilizes the services of corporate office and accounting employees of St. Augustine Gold and Copper Limited ("SAGC"). The Company incurred approximately \$34,000 in labor expense repayable to SAGC during the six months ended June 30, 2012 (2011 – nil).

The Company's legal counsel, Norton Rose Canada LLP ("Norton Rose") is a related party because a principal of Norton Rose is the corporate secretary. Norton Rose billed the Company approximately \$43,000 during the six months ended June 30, 2012 (2011- \$84,000). The payable to Norton Rose at June 30, 2012 was \$29,000 (2011 - \$17,000).

The above transactions were conducted in the normal course of operations and measured at the agreed upon exchange amounts, which is the amount of consideration established and agreed to by the related parties.

## 8. Capital risk management

The following table summarizes capital under the Company's capital management program:

	June 30, 2012	December 31, 2011
Cash and cash equivalents	\$ 16,945	\$ 728,272
Prepaid expenses	67,627	56,623
Accounts receivable	1,833	4,527
Accounts payable	311,997	727,686
Due to related parties	456,680	53,033
Note payable to related party	40,491	-
Share capital	7,264,401	7,264,401
Contributed surplus	854,922	678,299
Warrants	3,502,935	3,502,935

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to continue exploration of its mineral property and to maintain a flexible capital structure which optimizes the costs of capital.

The Company is not subjected to any internally or externally imposed capital requirements.

Management implements adjustments according to changes in economic conditions and risk characteristics of capital instruments. To maintain or adjust the capital structure, the Company may attempt to issue new shares and acquire or dispose of assets.

When available cash permits, the Company invests in highly liquid short-term interest-bearing investments with short term maturities.

## 9. Comparative figures

Certain comparative figures have been reclassified to conform to current year presentation.

## 10. Subsidiaries

The following table identifies the consolidated subsidiaries of the Company at June 30, 2012:

Name	Country	Ownership %	Principal activity
Gold Coast Mining Inc.	United States of America	100%	U.S. exploration and employment
0890810 B.C. Ltd.	Canada	100%	Dormant

## 11. Subsequent events

On June 26, 2012, the Company initiated a private placement to raise funds for the continued permitting of the Turner Gold project. The Company plans to raise up to \$20 million by the issuance of up to 100 million units at \$0.20, with each unit consisting of one common share and half a warrant. Each whole warrant will entitle the holder to subscribe for one common share for \$0.35 for a period of eighteen months. Subsequent to June 30, 2012, the Company received some funds resulting from the private placement. The money is currently not available to the Company for operating or other uses due to the terms of the raise.

Also subsequent to June 30, 2012, the Company executed an amendment to Option #2 that was agreed to prior to June 30, 2012 (Note 5(b)) to cause the \$25,000 payment due June 30, 2012 to be payable by September 30, 2012 at the increased amount of \$30,000. This revised option extension payment will extend the option period by 12 months. Another extension payment of \$50,000, made by June 30, 2013, will extend the option period for 24 months.

Josephine Mining Corp. (an exploration stage company)

Notes to the unaudited interim condensed consolidated financial statements

For the six months ended June 30, 2012 and 2011

(Unaudited and presented in Canadian dollars unless otherwise noted)

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Also subsequent to June 30, 2012, the Company entered into a note payable agreement with the President and Chairman of the board of directors of the Company for US\$12,100. The principal and accrued interest are payable on November 30, 2012. Interest accrues at prime plus two percent (2%) per annum. The note is to be repaid as soon as possible using certain receivables of the Company as they are collected.