Josephine Mining Corp

Condensed interim consolidated financial statements

As at and for the three months ended March 31, 2013 and 2012

(Financial information expressed in Canadian dollars unless otherwise noted)

Notice to Reader

These unaudited condensed interim consolidated financial statements for the three months ended March 31, 2013 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, 2012.

Table of contents

Interim consolidated financial statements

Financial position ... 1
Comprehensive loss ... 2
Changes in shareholders' equity ... 3
Cash flows ... 4

Condensed notes to the interim consolidated financial statements

1. Nature and continuance of operations ... 5
2. Going concern ... 5
3. Significant accounting policies ... 5
   (a) Statement of compliance ... 5
   (b) Basis of preparation ... 5
   (c) Basis of consolidation ... 5
   (d) Recent accounting pronouncements ... 6
   (e) Recently adopted accounting pronouncements ... 6
4. Property and equipment ... 7
5. Mineral properties ... 7
   (a) Additions to mineral properties ... 7
   (b) Option to purchase agreement ("Turner Option") from General Moly, Inc. ("GMI") ... 7
   (c) Option to purchase agreement ("Wagner Option") from Wagner Timber Enterprises, LLC ("Wagner") ... 8
6. Related party transactions ... 8
   (a) Transactions with key management and directors ... 9
   (b) Notes payable to related party ... 9
   (c) Convertible note payable ... 10
   (d) Finder's Agreement ... 10
   (e) Summary of other related party transactions ... 10
7. Share capital and reserves ... 11
   (a) Authorized share capital ... 11
   (b) Common shares and share capital ... 11
   (c) Contributed surplus ... 11
   (d) Option reserves ... 11
   (e) Warrant reserves ... 12
8. Earnings (loss) per share ("EPS") ... 12
   (a) Basic EPS ... 12
   (b) Diluted EPS ... 13
9. Capital risk management ... 13
10. Comparative figures ... 13

Josephine Mining Corp. (an exploration stage company)
Interim consolidated statements of financial position
As at March 31, 2013 and December 31, 2012
(Interim period is unaudited; Presented in Canadian dollars)

	Notes	March 31, 2013	December 31, 2012
Assets			
Current assets			
Cash and cash equivalents		$ 2,241	$ 4,596
Prepaid and other current assets		8,884	9,289
Deferred interest expense	6(b)	32,847	41,385
Total current assets		43,972	55,270
Non-current assets			
Property and equipment	4	33,734	39,323
Mineral properties	5	7,878,122	7,847,658
Deposits		4,013	1,492
Total non-current assets		7,915,869	7,888,473
Total assets		**$ 7,959,841**	**$ 7,943,743**
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable		$ 653,464	$ 427,559
Due to related parties	6(e)	153,711	228,096
Note payable to related party	6(b)	532,309	454,984
Convertible note payable to related party	6(c)	51,111	50,448
Total current liabilities		1,390,595	1,161,087
Shareholders' equity			
Share capital	7(b)	7,276,901	7,276,901
Contributed surplus	7(c)	167,722	167,722
Option reserves	7(d)	791,244	750,087
Warrant reserves	7(e)	3,609,239	3,609,239
Accumulated deficit		(5,200,009)	(4,956,512)
Accumulated other comprehensive loss		(75,851)	(64,781)
Total shareholders' equity		6,569,246	6,782,656
Total liabilities and shareholders' equity		**$ 7,959,841**	**$ 7,943,743**
Going concern	2		
Commitments and contingencies	5,6		

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)
Interim consolidated statements of comprehensive loss
Three months ended March 31, 2013 and 2012
(Unaudited and presented in Canadian dollars)

	Notes	Three months ended March 31, 2013	2012
Operating expenses			
General and administrative		$ 151,093	$ 183,584
Exploration		7,164	31,659
Share-based payments	7(d)	41,157	124,272
Depreciation	4	5,589	7,271
Total operating expenses		$ 205,003	$ 346,786
Other income and expense			
Other income		$ -	$ 460
Interest expense		(38,401)	-
Foreign exchange income (expense)		(93)	4,943
Total other income (loss)		$ (38,494)	$ 5,403
Net loss		**$ (243,497)**	**$ (341,383)**
Other comprehensive loss		(11,070)	(174,755)
Total comprehensive loss		**$ (254,567)**	**$ (516,138)**
Net loss per common share, basic and diluted		$ (0.01)	$ (0.01)
Weighted average common shares outstanding, basic and diluted	8	25,451,010	25,451,010

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

Josephine Mining Corp. (an exploration stage company)
Interim consolidated statements of changes in shareholders' equity
Three months ended March 31, 2013 and 2012
(Unaudited and presented in Canadian dollars)

	Notes	Shares	Share capital	Contributed surplus	Option reserves	Warrant reserves	Accumulated deficit	Accumulated other comprehensive income (loss)	Total
Balance, January 1, 2012		25,451,010	$ 7,264,401	$ 167,722	$ 504,073	$ 3,509,439	$ (4,083,769)	$ 98,790	$ 7,460,656
Share-based payments		-	-	-	124,272	-	-	-	124,272
Net loss for the year		-	-	-	-	-	(341,383)	-	(341,383)
Other comprehensive loss for the year		-	-	-	-	-	-	(174,755)	(174,755)
Balance, March 31, 2012		25,451,010	$ 7,264,401	$ 167,722	$ 628,345	$ 3,509,439	$ (4,425,152)	$ (75,965)	$ 7,068,790
Balance, January 1, 2013		25,551,010	$ 7,276,901	$ 167,722	$ 750,087	$ 3,609,239	$ (4,956,512)	$ (64,781)	$ 6,782,656
Share-based payments	7(d)	-	-	-	41,157	-	-	-	41,157
Net loss for the year		-	-	-	-	-	(243,497)	-	(243,497)
Other comprehensive loss for the year		-	-	-	-	-	-	(11,070)	(11,070)
Balance, March 31, 2013		25,551,010	$ 7,276,901	$ 167,722	$ 791,244	$ 3,609,239	$ (5,200,009)	$ (75,851)	$ 6,569,246

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

Josephine Mining Corp. (an exploration stage company)
Interim consolidated statements of cash flows
Three months ended March 31, 2013 and 2012
(Unaudited and presented in Canadian dollars)

	Notes	Three months ended March 31, 2013	2012
Cash flows from operating activities			
Net loss		$ (243,497)	$ (341,383)
Share-based payments	7(d)	41,157	124,272
Foreign currency translation		(11,353)	(172,973)
Depreciation	4	5,589	7,271
Changes in assets and liabilities			
Decrease (increase) in prepaid and other current assets		405	29,694
Increase (decrease) in due to related parties		(74,385)	96,483
Net cash used by operating activities		$ (282,084)	$ (256,636)
Cash flows from investing activities			
Payments toward mineral properties		(30,464)	8,398
Changes in non-cash working capital		225,905	(497,386)
Payments of deposits		(2,521)	40,800
Net cash used by investing activities		$ 192,920	$ (448,188)
Cash flows from financing activities			
Accrued interest expense		38,401	-
Short-term debt financing	6(b)	48,408	-
Net cash provided by financing activities		$ 86,809	$ -
Increase (decrease) in cash and cash equivalents		(2,355)	(704,824)
Cash, beginning of period		4,596	728,272
Cash, end of period		**$ 2,241**	**$ 23,448**
Cash comprised of:			
Cash		$ 2,241	$ (279,200)
Cash equivalents		-	302,648
Total cash and cash equivalents		**$ 2,241**	**$ 23,448**

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" or "JMC") 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.

The Company's activities relate to the retention and exploration of mineral properties known as the Turner Gold Property located in southern Oregon, and other assets as management identifies new opportunities.

2. Going concern

These 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 Financial Statements, the Company earns no operating revenues and has incurred an accumulated deficit of $5,200,009 through March 31, 2013 (December 31, 2012- $4,956,512). Further, the Company had a working capital deficit of $1,346,623 as at March 31, 2013 (December 31, 2012 – $1,105,817). These and other 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 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

(a) *Statement of compliance*

These 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 March 31, 2013, as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee.

These 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, 2012. 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 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, 2012.

These condensed interim consolidated financial statements were approved by the Company's board of directors on May 22, 2013.

(b) *Basis of preparation*

These Financial Statements have been prepared on a historical cost basis except for certain financial instruments measured at fair value. References to United States dollars are indicated by "US$."

(c) *Basis of consolidation*

The Financial Statements include the accounts of the Company; 0890810 B.C. Ltd. ("0890810"), the Company's wholly-owned subsidiary; and Gold Coast Mining Inc. ("Gold Coast"), 0890810's wholly-owned subsidiary. Intercompany balances and transactions are eliminated in the preparation of the Financial Statements.

(d) *Recent accounting pronouncements*

Management is currently evaluating the impact of the changes relevant to IFRS 9 and IAS 32; these standards are not anticipated to have a significant impact on the Company's financial statements upon adoption and implementation.

- 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.

- IAS 32 - Financial Instruments Offsetting Financial Assets and Financial Liabilities. The amendment provides further clarification on the application of the offsetting requirements. The Company will start the application of IAS 32 in the financial statements effective January 1, 2014.

(e) *Recently adopted accounting pronouncements*

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or International Financial Reporting Issues Committee that were adopted and implemented by the Company beginning January 1, 2013, as identified below:

- IFRS 7 – Financial Instruments Disclosures requires adoption of amendments for annual periods beginning January 1, 2013. These amendments require an entity to disclose information about rights to set-off and related arrangements.

- IFRS 10 - Consolidated Financial Statements supersedes 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 was 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.

    - IFRS 7, 10 and 13 and IAS 27 were adopted without impact to the Financial Statements.

- IAS 1 - Presentation of Financial Statements. The primary effect of an amendment to IAS 1 requires separate presentation of changes in equity of an entity during a period arising from transactions with owners in their capacity as owners from other changes in equity. Owner changes in equity should be presented in the statement of changes in equity, separately from non-owner changes in equity. The amendment became effective for annual periods beginning on or after 1 July 2012.

    - IAS 1 was adopted with a limited disclosure and presentation impact to the Financial Statements.

(Interim financial information is unaudited and presented in Canadian dollars unless otherwise noted)

4. Property and equipment

	Software	Equipment	Vehicles	Total
Cost				
Balance, December 31, 2012 and March 31, 2013	$ 46,533	$ 3,468	$ 26,512	$ 76,513
Accumulated depreciation				
Balance, December 31, 2012	$ 25,548	$ 2,467	$ 9,175	$ 37,190
Depreciation expense	3,862	446	1,281	5,589
Balance, March 31, 2013	$ 29,410	$ 2,913	$ 10,456	$ 42,779
Net book value, December 31, 2012	**$ 20,985**	**$ 1,001**	**$ 17,337**	**$ 39,323**
Net book value, March 31, 2013	**$ 17,123**	**$ 555**	**$ 16,056**	**$ 33,734**

There were no circumstances requiring impairment expense to be recognized during the three months ended March 31, 2013 or the year ended December 31, 2012.

5. Mineral properties

(a) *Additions to mineral properties*

The following additions were made during the three months ended March 31, 2013 and the year ended December 31, 2012:

	March 31, 2013	December 31, 2012
Balance, beginning of period	$ 7,847,658	$ 7,293,077
Option and land payments (i)	30,464	497,450
Exploration expenditures	-	179,946
Exchange rate variances	-	(122,815)
Balance, end of period	$ 7,878,122	$ 7,847,658

(i) The Company owns land adjacent to the Company's mineral project which was acquired for total payments of US$325,000 in 2011.

(b) *Option to purchase agreement ("Turner Option") from General Moly, Inc. ("GMI")*

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

(Interim financial information is unaudited and presented in Canadian dollars unless otherwise noted)

The agreement was amended and extended through subsequent agreements; the following table summarizes these payments:

		Payment to GMI, US$			
Payment	**Date**	**Extension fee**	**Credit to purchase price**	**Total**	**Balance of purchase price due, US$**
Intial balance due					**$ 2,000,000**
Initial payment	June 2009	$ -	$ 100,000	$ 100,000	1,900,000
1st extension payment	December 2010	-	300,000	300,000	1,600,000
2nd extension payment	December 2011	50,000	250,000	300,000	1,350,000
3rd extension payment	September 2012	50,000	-	50,000	1,350,000
4th extension payment	October 2012	50,000	-	50,000	1,350,000
5th extension and payment	December 2012	50,000	350,000	400,000	1,000,000
Total		$ 200,000	$ 1,000,000	$ 1,200,000	$ 1,000,000

Following the December 2012 payment an additional US$1,000,000 is due on May 31, 2013, in order for the Company to purchase the property under the Turner Option. If the Company does not exercise the option to purchase the Turner Gold 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 production royalty of 1.5% of net smelter return on future production from the Turner Gold Property.

(c) *Option to purchase agreement ("Wagner Option") from Wagner Timber Enterprises, LLC ("Wagner")*

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 paid US$25,000 for this option, which applies against the purchase price of US$925,000.

On February 6, 2013, the Company amended the Wagner Option and paid a $15,000 extension payment. The extension payment was recorded at the full extension price of $30,000, with a $15,000 liability due to Wagner for Wagner's option to re-attach mineral rights to the underlying property. The $15,000 liability is payable to Wagner in all circumstances except where the Company does not complete the Turner Option (Note 5(b)) and GMI does not require the Company to transfer the mineral rights to GMI. The following table summarizes the Company's current commitments under the amended agreement:

Payment	**Scheduled due date**	**Date paid**	**Extension fee, US$**	**Credit to purchase price**	**Total payment, US$**	**Balance of purchase price due**
Intial purchase price						**$ 925,000**
Initial payment	June 30, 2011	June 2011	$ -	$ 25,000	$ 25,000	900,000
1st extension	January 30, 2013	January 2013	5,000	25,000	30,000	870,000
2nd extension	September 30, 2013		-	50,000	-	870,000
Purchase payment	September 30, 2015		-	825,000	-	870,000
Total			$ 5,000	$ 925,000	$ 55,000	

6. 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.

(Interim financial information is unaudited and presented in Canadian dollars unless otherwise noted)

(a) *Transactions with key management and directors*

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

	Three months ended March 31,			
		2013		2012
Officer compensation and director fees (i)	$	51,078	$	185,146
Reversal of accrued officer bonus (ii)		-		(263,026)
Share-based payments		34,207		88,037
Total	$	85,284	$	10,157

(i) The expenses incurred during the three months ended March 31, 2013 had not been paid as at the end of that period.

(ii) Employee bonuses accrued in 2011 were reversed during the three months ended March 31, 2012

(b) *Notes payable to related party*

			Creditor amount, US$			
Item	**Date**		**Company President**			**Big Rock**
Note payable	May 2012		$	40,000	$	-
2nd note payable	August 2012			12,100		-
3rd note payable	October 2012			50,000		-
Accrued interest	December 2012			2,102		-
Total		(i)	$	104,202	$	-
Note payable, 1st advance	December 2012		$	-	$	400,000
Note payable, assumption of debt	December 2012	(ii)		(104,202)		104,202
Unamortized minimum interest commitment	December 2012	(ii)				44,597
Discount for warrants issued as loan fee	December 2012	(iii)				(99,800)
Amoritization of warrant discount	May - December 2012	(iii)				8,317
Total, December 31, 2012, US$					**$**	**457,316**
Total, December 31, 2012					**$**	**454,984**
Note payable, additional advances	January - March 2013	(ii)				48,000
Minimum interest on additional advances	January - March 2013	(ii)				3,722
Amoritization of warrant discount	January - March 2013	(iii)				24,951
Balance, March 31, 2013, US$					**$**	**533,989**
Balance, March 31, 2013					**$**	**532,309**

(i) Total amount payable to the Company's president in the form of notes payable and related accrued interest. This amount was assumed by Big Rock during December 2012 (see (ii), directly below).

(ii) Big Rock assumed this amount, payable to the Company's president under certain notes payable; in December 2012, the Company executed a new note payable agreement with Big Rock Holdings, LLC ("Big Rock"). The loan was executed for a total loan amount of US$550,000 and interest payable at 9% per annum. The agreement requires a minimum of twelve months of interest payments. Big Rock assumed the total amount due to the Company's President and paid US$400,000 directly to GMI (Note 5(b)) on the Company's behalf, such that at December 31, 2012, the principal owed to Big Rock was US$504,202. Further, as at December 31, 2012, the Company had a minimum interest commitment for the principal loaned of $44,597. During the three months ended March 31, 2013, US$48,000 was advanced to the Company, resulting in additional minimum interest of $3,722.

(iii) The value of 2,220,000 warrants (Note 7(e)) issued to Big Rock under the loan described directly above was $99,800. The value is being amortized over the life of the loan, and amortization for the three months ended March 31, 2013 was $24,951 (from the inception of the loan through December 31, 2012 - $8,317).

(c) *Convertible note payable*

On September 26, 2012, the Company issued a note payable to RMC for US$50,000. The principal and accrued interest are payable March 26, 2013. RMC was issued 100,000 shares ("Finance Shares"), fair-valued on the grant-date at $12,500, as part of the consideration for the note, and may convert the note at US$0.125 per one common share. The note is convertible in United States dollars and the underlying shares are issuable denominated in Canadian dollars; this embedded derivative liability was not reported as a separate line item on the statement of financial position as at March 31, 2013 or December 31, 2012, as the value was immaterial. Interest of $1,111 had accrued at March 31, 2013 (December 31, 2012 - $448), for total note and interest payable of $51,111 (2012 - $50,448). Although the note is past due, the Company and RMC's management, some of whom are common to both entities, continute to accrue interest at the stated rate until a method of settlement is identified.

(d) *Finder's Agreement*

On June 22, 2009, the Company entered into a finder's agreement with Russell Mining and Minerals, ULC. ("RMMU"; formerly Russell Mining and Minerals, Inc.), an entity related through common management, for mining claims located in Josephine County, Oregon. Pursuant to this agreement, RMMU agreed to advance the Company funds and provide the technical support to complete a reserve study on the claims. The agreement also contemplates RMMU and the Company entering into a management agreement for RMMU to provide technical and administrative services to the Company (Note 6(e)).

When production begins on the Turner Gold Property, US$1,500,000 is due to Russell Mining Corp. ("RMC"), an entity which has replaced RMMU in all material respects, in 24 equal installments.

(e) *Summary of other related party transactions*

	Amounts payable as at		Expenses incurred during the three months ended March 31,	
	March 31, 2013	**December 31, 2012**	**2013**	**2012**
SAGC (i)	$ 175,953	$ 132,911	$ 43,473	$ 1,684
RMC	22,995	20,578	9,220	83,318
Norton Rose (iii)	74,607	74,607	-	19,919
Totals	$ 273,555	$ 228,096	$ 52,693	$ 104,921

(Interim financial information is unaudited and presented in Canadian dollars unless otherwise noted)

(i) The Company utilizes the services of corporate employees of St. Augustine Gold and Copper Limited ("SAGC") and its subsidiaries.

(ii) 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.

7. Share capital and reserves

(a) *Authorized share capital*

As at March 31, 2013, the Company's authorized share capital was comprised of an unlimited number of common shares and preferred shares without par value.

(b) *Common shares and share capital*

No shares were issued during the three months ended March 31, 2013 or 2012. Common shares were placed into escrow in 2011; of these shares, 3,150,003 shares remain to be released as at March 31, 2013. The following schedule summarizes the release schedule of these escrowed shares.

Number	Scheduled release date	Release %	Escrow balance
10,500,010			10,500,010
1,050,001	March 24, 2011	10%	9,450,009
1,575,002	September 24, 2011	15%	7,875,008
1,575,002	March 24, 2012	15%	6,300,006
1,575,002	September 24, 2012	15%	4,725,005
1,575,002	March 24, 2013	15%	3,150,003
1,575,002	September 24, 2013	15%	1,575,002
1,575,002	March 24, 2014	15%	-

On March 28, 2013, the Company announced the acquisition of a mining property in Nevada for 5,000,000 shares from treasury. Subsequent to this announcement, additional negotiations were undertaken, and management expects the agreement to change. Accordingly, these shares are not reflected in equity as issuable, as the outcome is not reliably estimable at the date of this document.

(c) *Contributed surplus*

There were no changes to contributed surplus during the three months ended March 31, 2013 or 2012.

(d) *Option reserves*

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.

Option reserves increased from $750,087 to $791,244 during the three months ended March 31, 2013, an increase of $41,157 (2012 - $124,272); the increases are attributable to vesting of share options issued under the Plan.

(Interim financial information is unaudited and presented in Canadian dollars unless otherwise noted)

Option continuity schedule	Exercise price range	Number
Balance, January 1, 2012	$0.30 - $1.00	3,154,000
Forfeited	$0.50	(150,000)
Balance, March 31, 2012	$0.30 - $1.00	3,004,000
Balance, January 1, 2013	$0.30 - $0.60	2,554,000
Expired	$0.30 - $0.50	(754,000)
Balance, March 31, 2013	$0.50 - $0.60	1,800,000

Summary of options outstanding and exercisable as at March 31, 2013:

	Outstanding			Exercisable		
Exercise prices	Number outstanding	Weighted average exercise price	Weighted average remaining years	Number outstanding	Weighted average exercise price	Weighted average remaining years
$ 0.50	1,400,000	$ 0.50	3.0	1,400,000	$ 0.50	3.0
$ 0.60	400,000	0.60	3.2	266,667	0.60	3.2
Totals	**1,800,000**	**$ 0.52**	**3.0**	**1,666,667**	**$ 0.52**	**3.0**

(e) *Warrant reserves*

There were no changes to warrant reserves during the three months ended March 31, 2013 or 2012.

Warrant continuity schedule	Exercise price range	Number
Balance, January 1, 2012 and March 31, 2012	$0.75 - $2.00	17,537,500
Balance, January 1, 2013	$0.10 - $2.00	19,750,500
Expired	$0.75	(7,030,500)
Balance, March 31, 2013	$0.10 - $2.00	12,720,000

Summary of warrants outstanding and exercisable as at March 31, 2013:

Exercise price	Number exercisable	Expiry date	Weighted average exercise price	Weighted average remaining years
$ 0.10	2,220,000	May 1, 2013	$ 0.10	0.08
1.50	5,250,000	June 24, 2014	1.50	1.23
2.00	5,250,000	June 24, 2014	2.00	1.23
	12,720,000		**1.46**	**1.03**

Of the issued warrants, 10,500,000 warrants are subject to the same escrow release schedule, on a percent basis, as the shares discussed at Note 7(b). There were 3,150,000 warrants in escrow at March 31, 2013 (December 31, 2012 – 4,725,000).

8. Earnings (loss) per share ("EPS")

(a) *Basic EPS*

Basic EPS is computed by dividing net loss for a period by the weighted average number of common shares outstanding during that period.

(Interim financial information is unaudited and presented in Canadian dollars unless otherwise noted)

(b) *Diluted EPS*

Diluted EPS is computed by dividing net loss for a period by the diluted number of common shares. Diluted common shares includes the effects of instruments, such as share options and warrants, which could cause the number of common shares outstanding to increase.

The Company reported net losses for the three months ended March 31, 2013 and 2012; the Company has accordingly presented basic and diluted EPS, which are the same, on a single line in the statements of comprehensive loss. Diluted loss per share did not include the effect of share purchase options and warrants as they were anti-dilutive.

9. Capital risk management

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

		March 31, 2013	December 31, 2012
Cash and cash equivalents	$	2,241	4,596
Prepaid and other current assets		8,884	9,289
Accounts payable		653,464	427,559
Due to related parties		153,711	228,096
Note payable to related party		532,309	454,984
Convertible note payable to related party		51,111	50,448
Share capital		7,276,901	7,276,901
Option reserves		791,244	750,087
Contributed surplus		167,722	167,722
Warrant reserves		3,609,239	3,609,239

The Company's objectives when managing capital are to safeguard the Company's ability 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.

10. Comparative figures

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