



Condensed interim consolidated financial statements

As at and for the the six months ended June 30, 2013 and 2012

(Financial information expressed in Canadian dollars unless otherwise noted)

Notice to Reader

These unaudited condensed interim consolidated financial statements for the six months ended June 30, 2013, have not been reviewed by an independent reviewer. They have been prepared by Josephine Mining Corp.'s management in accordance with International Financial Reporting Standards, 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.

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Josephine Mining Corp. (an exploration stage company)
Interim consolidated statements of financial position
As at June 30, 2013 and December 31, 2012
(Interim period is unaudited; Presented in Canadian dollars)

	Notes	June 30, 2013	December 31, 2012
Assets			
Current assets			
Cash and cash equivalents		\$ 3,005	\$ 4,596
Prepaid and other current assets		281,710	9,289
Deferred interest expense	6(b)	19,423	41,385
Total current assets		304,138	55,270
Non-current assets			
Property and equipment	4	26,131	39,323
Mineral properties	5	8,037,181	7,847,658
Deposits		4,120	1,492
Total non-current assets		8,067,432	7,888,473
Total assets		\$ 8,371,570	\$ 7,943,743
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable		\$ 546,441	\$ 427,559
Due to related parties	6(e)	387,812	228,096
Note payable to related party	6(b)	561,809	454,984
Convertible note payable to related party	6(c)	51,836	50,448
Total current liabilities		1,547,898	1,161,087
Equity			
Share capital	7(b)	7,276,901	7,276,901
Contributed surplus	7(c)	167,722	167,722
Option reserves	7(d)	798,574	750,087
Warrant reserves	7(e)	3,609,239	3,609,239
Accumulated other comprehensive loss attributable to shareholders		(59,810)	(64,781)
Accumulated deficit		(5,345,411)	(4,956,512)
Attributable to shareholders		6,447,215	6,782,656
Non-controlling interest in subsidiary	6(f)	382,109	-
Accumulated other comprehensive loss attributable to non-controlling interest		(5,652)	-
Total equity		6,823,672	6,782,656
Total liabilities and equity		\$ 8,371,570	\$ 7,943,743
Going concern	2		
Commitments and contingencies	5,6		
Events after the reporting period	10		

The accompanying notes are an integral part of these unaudited 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 and six months ended June 30, 2013 and 2012
(Unaudited and presented in Canadian dollars)

		Three months ended June 30,		Six months ended June 30,	
	Notes	2013	2012	2013	2012
Operating expenses					
General and administrative		\$ 105,133	\$ 435,246	\$ 256,226	\$ 618,830
Exploration		5,337	2,051	12,501	33,710
Share-based payments	7(d)	7,330	52,351	48,487	176,623
Depreciation	4	7,526	5,810	13,115	13,081
Total operating expenses		\$ 125,326	\$ 495,458	\$ 330,329	\$ 842,244
Other income and expense					
Other income		\$ -	\$ (261)	\$ -	\$ 199
Interest expense		(38,655)	-	(77,056)	-
Foreign exchange income		688	34,507	595	39,450
Total other income (loss)		\$ (37,967)	\$ 34,246	\$ (76,461)	\$ 39,649
Net loss		\$ (163,293)	\$ (461,212)	\$ (406,790)	\$ (802,595)
Attributable to shareholders		(163,293)	(461,212)	(388,899)	(802,595)
Attributable to non-controlling interest		(17,891)	-	(17,891)	-
Total		\$ (181,184)	\$ (461,212)	\$ (406,790)	\$ (802,595)
Other comprehensive income (loss)		(331,842)	57,961	(342,912)	(116,794)
Attributable to shareholders		(331,842)	57,961	4,971	(116,794)
Attributable to non-controlling interest		(5,652)	-	(5,652)	-
Total		\$ (337,494)	\$ 57,961	\$ (681)	\$ (116,794)
Total comprehensive loss		\$ (495,135)	\$ (403,251)	\$ (749,702)	\$ (919,389)
Net loss per common share, basic and diluted		\$ (0.01)	\$ (0.02)	\$ (0.02)	\$ (0.03)
Weighted average common shares outstanding, basic and diluted	8	25,551,010	25,451,010	25,551,010	25,451,010

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

Josephine Mining Corp. (an exploration stage company)
Interim consolidated statements of changes in equity
Six months ended June 30, 2013 and 2012
(Unaudited and presented in Canadian dollars)

	Notes	Shareholder							Non-controlling interest		
		Shares	Share capital	Contributed surplus	Option reserves	Warrant reserves	Accumulated deficit	Accumulated other comprehensive loss	In subsidiary	Accumulated other comprehensive 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		-	-	-	176,623	-	-	-	-	-	176,623
Net loss for the year		-	-	-	-	-	(802,595)	-	-	-	(802,595)
Other comprehensive loss for the period		-	-	-	-	-	-	(116,794)	-	-	(116,794)
Balance, June 30, 2012		25,451,010	\$ 7,264,401	\$ 167,722	\$ 680,696	\$ 3,509,439	\$ (4,886,364)	\$ (18,004)	\$ -	\$ -	\$ 6,717,890
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)	-	-	-	48,487	-	-	-	-	-	48,487
Sale of investment in subsidiary to related party	6(f)	-	-	-	-	-	-	-	400,000	-	400,000
Net loss for the period		-	-	-	-	-	(388,899)	-	(17,891)	-	(406,790)
Other comprehensive loss for the period		-	-	-	-	-	-	4,971	-	(5,652)	(681)
Balance, June 30, 2013		25,551,010	\$ 7,276,901	\$ 167,722	\$ 798,574	\$ 3,609,239	\$ (5,345,411)	\$ (59,810)	\$ 382,109	\$ (5,652)	\$ 6,823,672

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

Josephine Mining Corp. (an exploration stage company)
Interim consolidated statements of cash flows
Six months ended June 30, 2013 and 2012
(Unaudited and presented in Canadian dollars)

		Six months ended June 30,	
	Notes	2013	2012
Cash flows from operating activities			
Net loss		\$ (406,790)	\$ (802,595)
Share-based payments	7(d)	48,487	176,623
Foreign currency translation		3,624	(116,794)
Amortization of note discount	6(b)	50,686	-
Depreciation	4	13,115	13,081
Changes in assets and liabilities			
Increase in prepaid and other current assets		-	(8,310)
Reversal of undeclared bonus and vacation accruals		-	(407,847)
Increase in due to related parties		159,716	403,647
Accrued interest expense, unpaid		26,359	-
Return of operating deposits		-	75,781
Net cash used by operating activities		\$ (104,803)	\$ (666,414)
Cash flows from investing activities			
Payments toward mineral properties		\$ (461,944)	\$ (93,604)
Changes in non-cash working capital		118,866	(7,842)
Disposal of property and equipment		-	21,257
Payments of deposits		(2,628)	-
Gain from asset disposal		(1,539)	(5,215)
Net cash used by investing activities		\$ (347,245)	\$ (85,404)
Cash flows from financing activities			
Sale of investment in subsidiary		\$ 400,000	\$ -
Short-term debt financing	6(c)	50,458	40,491
Net cash provided by financing activities		\$ 450,458	\$ 40,491
Decrease in cash		(1,591)	(711,327)
Cash, beginning of period		4,596	728,272
Cash, end of period		\$ 3,005	\$ 16,945

The accompanying notes are an integral part of these unaudited 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 \$5,345,411 through June 30, 2013 (December 31, 2012- \$4,956,512). Further, the Company had a working capital deficit of \$1,243,760 as at June 30, 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 June 30, 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 August 29, 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 79%-owned subsidiary. Intercompany balances and transactions are eliminated in the preparation of the Financial Statements. The non-controlling 21% interest in Gold Coast (Note 6(f)) is presented on the consolidated statement of financial position as “Non-controlling interest in subsidiary.”

(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.

(f) *Non-controlling interest*

The Company accounts for the non-controlling interest in its subsidiary, Gold Coast, by adjusting the non-controlling interest's equity by its proportionate share of income or loss in Gold Coast at each reporting period. Accumulated other

comprehensive income, which to date has been entirely attributable to translation gains and losses, is also reported under the components attributable to the Company's shareholders and the component attributable to the non-controlling interest. The transaction resulting in the non-controlling interest in Gold Coast is described at Note 6(f).

4. Property and equipment

	Software		Equipment		Vehicles		Total
Cost							
Balance, December 31, 2012	\$	46,533	\$	3,468	\$	26,512	\$ 76,513
Disposals		-		(3,468)		-	(3,468)
Balance, June 30, 2013	\$	46,533	\$	-	\$	26,512	\$ 73,045
Accumulated depreciation							
Balance, December 31, 2012	\$	25,548	\$	2,467	\$	9,175	\$ 37,190
Depreciation expense		9,458		924		2,733	13,115
Disposals		-		(3,391)		-	(3,391)
Balance, June 30, 2013	\$	35,006	\$	-	\$	11,908	\$ 46,914
Net book value, December 31, 2012	\$	20,985	\$	1,001	\$	17,337	\$ 39,323
Net book value, June 30, 2013	\$	11,527	\$	-	\$	14,604	\$ 26,131

There were no circumstances requiring impairment expense to be recognized during the six months ended June 30, 2013 or the year ended December 31, 2012.

5. Mineral properties

(a) Additions to mineral properties

The following additions were made during the six months ended June 30, 2013 and the year ended December 31, 2012:

	June 30, 2013	December 31, 2012
Balance, beginning of period	\$ 7,847,658	\$ 7,293,077
Option and land payments (i)	452,323	497,450
Exploration expenditures	-	179,946
Exchange rate variances	-	(122,815)
Property damage loss (ii)	(262,800)	-
Balance, end of period	\$ 8,037,181	\$ 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.
- (ii) In June 2013, a fire damaged approximately 15% of the Turner Gold Property drilling core. Subsequent to June 30, 2013, the Company received an insurance claim payment of US\$250,000 against the loss. The effect of the loss of the core was a reduction to the Company's mineral properties asset and an increase in prepaids and other current assets.

Management has noted that the Company's market capitalization as at and during the six months ended June 30, 2013 was below the value of its investment in mineral properties. Current economic conditions have made fundraising difficult, and the market prices for gold and copper have recently experienced rapid declines. These factors, should they persist, may represent indicators of impairment for which management may be required to test its investment in mineral properties for impairment within the next 12 months.

(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.

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

Payment	Date	Payment to GMI, US\$			Balance of purchase price due, US\$
		Extension fee	Credit to purchase price	Total	
Initial 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
6th extension and payment	May 2013	-	400,000	400,000	600,000
Total		\$ 200,000	\$ 1,400,000	\$ 1,600,000	\$ 600,000

Following the May 2013 payment, in order for the Company to purchase the property under the Turner Option, the US\$600,000 balance must be paid by December 2, 2013. 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.

RMC made the US\$400,000 payment in May 2013 (Note 6(f)).

(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\$	Scheduled credit to purchase price	Total payments remitted through June 30, 2013, US\$	Balance of purchase price due at June 30, 2013
Initial 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	875,000
2nd extension	September 30, 2013		-	50,000	-	875,000
Purchase payment	September 30, 2015		-	825,000	-	875,000
Total			\$ 5,000	\$ 925,000	\$ 55,000	\$ 875,000

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.

(a) Transactions with key management and directors

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

	Six months ended June 30,	
	2013	2012
Officer compensation and director fees (i)	\$ 97,707	\$ 287,248
Reversal of accrued officer bonus (ii)	-	(267,514)
Share-based payments	41,536	135,268
Total	\$ 139,242	\$ 155,002

(i) The expenses incurred during the six months ended June 30, 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

Item	Date		Creditor amount, US\$	
			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)
Amortization 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 - June 2013	(ii)		48,000
Minimum interest on additional advances	January - June 2013	(ii)		3,722
Amortization of warrant discount	January - June 2013	(iii)		49,900
Balance, June 30, 2013, US\$				\$ 558,938
Balance, June 30, 2013				\$ 561,809

- (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"), a private company whose shareholders include some officers and directors of the Company. 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 six months ended June 30, 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 six months ended June 30, 2013 was \$50,686 (from the inception of the loan through December 31, 2012 - US\$8,317).

(c) *Convertible note payable*

On September 26, 2012, the Company issued a note payable to RMC, a private company with officers and directors common to the Company, for US\$50,000. The principal and accrued interest were 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 June 30, 2013 or December 31, 2012, as the value was immaterial. Interest of \$1,388 had accrued at June 30, 2013 (December 31, 2012 - \$448), for total note and interest payable of \$51,836 (2012 - \$50,448). Although the note is past due, it continues to accrue interest at the stated rate until a method of settlement is identified. The note provided proceeds of \$50,458.

(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 six months ended June 30,	
	June 30, 2013	December 31, 2012	2013	2012
SAGC (i)	\$ 179,874	\$ 132,911	\$ 41,819	\$ 34,000
RMC	143,331	20,578	61,450	-
Norton Rose (ii)	64,607	74,607	5,475	42,000
Totals	\$ 387,812	\$ 228,096	\$ 108,744	\$ 76,000

- (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 partner of Norton Rose is the corporate secretary.

(f) *RMC purchase of Gold Coast shares*

On May 30, 2013, RMC and the Company executed an agreement whereby RMC acquired a 21% interest in the Turner Gold Property by acquiring 21% of the issued and outstanding shares of Gold Coast in exchange for RMC's payment of US\$400,000 to GMI (Note 5(b)). RMC may make the final US\$600,000 payment on the Company's behalf in order to take an additional 30% interest, for a possible maximum interest of 51%, in the Turner Gold Property and take over operatorship.

7. Share capital and reserves

(a) *Authorized share capital*

As at June 30, 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 six months ended June 30, 2013 or 2012. Common shares were placed into escrow in 2011; of these shares, 3,150,003 shares remain to be released as at June 30, 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 in exchange for shares of the Company. Subsequent to this announcement, additional negotiations were undertaken, and management expects the agreement to change further. 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 six months ended June 30, 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 \$798,574 during the six months ended June 30, 2013, an increase of \$48,487 (2012 - \$124,272); the increases are attributable to vesting of share options issued under the Plan.

Josephine Mining Corp. (an exploration stage company)
Condensed notes to the interim consolidated financial statements
For the three and six months ended June 30, 2013 and 2012
(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 - \$1.00	(450,000)
Balance, June 30, 2012	\$0.30 - \$0.75	2,704,000
Balance, January 1, 2013	\$0.30 - \$0.60	2,554,000
Expired	\$0.30 - \$0.50	(754,000)
Balance, June 30, 2013	\$0.50 - \$0.60	1,800,000

Summary of options outstanding and exercisable as at June 30, 2013:

Exercise prices	Number outstanding	Weighted average exercise price	Weighted average remaining years
\$ 0.50	1,400,000	\$ 0.50	2.7
\$ 0.60	400,000	0.60	3.0
Totals	1,800,000	\$ 0.52	2.8

(e) *Warrant reserves*

There were no changes to warrant reserves during the six months ended June 30, 2013 or 2012.

Warrant continuity schedule	Exercise price range	Number
Balance, January 1, 2012	\$0.75 - \$2.00	17,537,500
Exercised	\$0.75	(7,000)
Balance, June 30, 2012	\$0.75 - \$2.00	17,530,500
Balance, January 1, 2013	\$0.10 - \$2.00	19,750,500
Expired	\$0.75	(7,030,500)
Balance, June 30, 2013	\$0.10 - \$2.00	12,720,000

Summary of warrants outstanding and exercisable as at June 30, 2013:

Exercise price	Number exercisable	Expiry date	Weighted average exercise price	Weighted average remaining years
\$ 0.10	2,220,000	May 1, 2014	\$ 0.10	0.84
1.50	5,250,000	June 24, 2014	1.50	0.98
2.00	5,250,000	June 24, 2014	2.00	0.98
	12,720,000		1.46	0.96

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 June 30, 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.

(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 and six months ended June 30, 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:

	June 30, 2013	December 31, 2012
Cash and cash equivalents	\$ 3,005	4,596
Prepaid and other current assets	281,710	9,289
Accounts payable	546,441	427,559
Due to related parties	387,812	228,096
Note payable to related party	561,809	454,984
Convertible note payable to related party	51,836	50,448
Share capital	7,276,901	7,276,901
Option reserves	798,574	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. Events after the reporting period

Subsequent to June 30, 2013, the Company received US\$250,000 for an insurance claim on the value of core lost in a core shack fire. The amount was recorded as a receivable as at June 30, 2013.