
Condensed Interim Financial Statements

CANADIAN OREBODIES INC.

July 31, 2012

(expressed in Canadian dollars)

(Unaudited)

Responsibility for Financial Statements

The accompanying condensed interim financial statements for Canadian Orebodies Inc. have been prepared by management in accordance with International Accounting Standard 34 - Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances. These statements are presented on the accrual basis of accounting. Accordingly, a precise determination of many assets and liabilities is dependent upon future events. Therefore, estimates and approximations have been made using careful judgement. Recognizing that the Company is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these unaudited condensed interim financial statements have been fairly presented.

The auditors of Canadian Orebodies Inc. have not performed a review of the unaudited condensed interim financial statements for the six months ended July 31, 2012.

CANADIAN OREBODIES INC.
Condensed interim statements of financial position
(expressed in Canadian dollars)
(Unaudited)

	July 31 2012	January 31 2012
Assets		
Current assets		
Cash and cash equivalents	\$ 2,734,753	\$ 1,686,740
Accounts receivable	121,623	344,543
Prepaid expenses	5,840	6,773
Exploration advances	265,000	30,000
Marketable securities (note 4)	423,500	722,400
	3,550,716	2,790,456
Mineral properties and deferred exploration costs (note 5)	10,720,724	7,386,641
Total Assets	\$ 14,271,440	\$ 10,177,097
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 651,733	\$ 241,177
Deferred premium on flow through shares (note 11)	24,000	-
Due to related party (note 10)	233,035	233,035
	908,768	474,212
Shareholders' Equity		
Share Capital (note 6)	16,100,678	12,233,921
Contributed surplus (note 7)	1,848,578	1,465,733
Warrants (note 8)	2,511,688	2,098,379
Accumulated other comprehensive income	(50,000)	175,000
Deficit	(7,048,272)	(6,270,148)
	13,362,672	9,702,885
Total Equity and Liabilities	\$ 14,271,440	\$ 10,177,097

See accompanying notes to the financial statements

CANADIAN OREBODIES INC.
Condensed interim statements of Comprehensive loss
(expressed in Canadian dollars)
(Unaudited)

	Three months ended		Six months ended	
	July 31		July 31	
	2012	2011	2012	2011
Revenue	\$ -	\$ -	\$ -	\$ -
Expenses				
Professional and consulting	\$ 45,708	\$ 43,447	\$ 136,951	\$ 210,165
Management and administrative services	75,973	32,730	159,263	63,730
Office and administration	18,946	26,238	63,535	47,585
Shareholder information	55,804	56,422	126,726	145,570
Representation and travel	5,188	1,123	27,660	4,945
Share based compensation	11,280	-	382,845	285,200
Recovery of mineral properties and deferred exploration expenditures	-	-	(34,674)	-
Interest income	(2,203)	(9,170)	(8,082)	(9,170)
Investment loss	75,100	-	73,900	-
Deferred premium on flow through benefits	(150,000)	-	(150,000)	-
	135,796	150,790	778,124	748,025
Net Loss before other comprehensive income (loss)	(135,796)	(150,790)	(778,124)	(748,025)
Comprehensive income (loss)				
Unrealized gain (loss) on available-for-sale marketable securities arising during the period	(250,000)	(184,000)	(225,000)	431,300
Total comprehensive income (loss)	\$ (385,796)	\$ (334,790)	\$ (1,003,124)	\$ (316,725)
Basic and diluted net income (loss) per share (note 9)	\$ 0.00	\$ 0.00	\$ (0.01)	\$ (0.01)

See accompanying notes to the financial statements

CANADIAN OREBODIES INC.
Condensed interim statement of cash flows
(expressed in Canadian dollars)
(Unaudited)

Six months ended July 31,	2012	2011
Operating Activities		
Net loss	\$ (778,124)	\$ (748,025)
Adjustments to reconcile net loss from operating activities		
Investment gain	73,900	-
Recovery of mineral properties and deferred exploration activities	(34,674)	-
Share based compensation	382,845	285,200
Deferred premium on flow through benefits	(150,000)	-
Changes in non-cash working capital items		
Accounts receivable	222,920	(97,267)
Prepays and deposits	933	(6,980)
Accounts payable and accrued liabilities	410,556	728,774
Exploration advances	(235,000)	(780,000)
	(106,644)	(618,298)
Financing Activities		
Issue of common shares	3,010,000	5,250,000
Exercise of warrants	10,516	530,411
Share issue costs	(41,450)	(315,000)
	2,979,066	5,465,411
Investing Activities		
Mineral Properties and deferred exploration expenditures	(1,824,409)	(1,485,719)
Net change in cash and cash equivalents	1,048,013	3,361,394
Cash and cash equivalents, beginning of period	1,686,740	716,001
Cash and cash equivalents, end of period	\$ 2,734,753	\$ 4,077,395
Non-cash transactions		
Issuance of common shares for property acquisition	\$ 1,475,000	\$ 71,750

See accompanying notes to the financial statements

CANADIAN OREBODIES INC.
Condensed interim statements of changes in equity
(expressed in Canadian dollars)

	Share Capital		Reserves				
	Number of shares	Amount \$	Equity settled employee benefits \$	Warrants \$	Available for sale financial assets \$	Deficit \$	Total \$
Balance, January 31, 2011	78,717,455	6,029,987	1,097,321	590,800	67,640	(4,242,626)	3,543,122
Private placement	15,000,000	5,250,000	-	-	-	-	5,250,000
Value of warrants attributed to private placements	-	(1,237,600)	-	-	-	-	(1,237,600)
Cost of issue	-	(603,630)	-	-	-	-	(603,630)
Issued for mineral property	3,175,000	911,750	-	-	-	-	911,750
Fair value of warrants issued	-	-	-	1,526,230	-	-	1,526,230
Exercise of warrants	3,091,421	698,311	-	(167,900)	-	-	530,411
Share-based compensation	-	-	285,200	-	-	-	285,200
Unrealized gain on marketable securities	-	-	-	-	431,300	(431,300)	-
Comprehensive loss for the period	-	-	-	-	-	(316,725)	(316,725)
Balance, July 31, 2011	99,983,876	11,048,818	1,382,521	1,949,130	498,940	(4,990,651)	9,888,758
Private placement, issued for cash	3,955,000	1,309,250	-	-	-	-	1,309,250
Value of warrants attributed to private placement	-	(104,800)	-	-	-	-	(104,800)
Cost of issue	-	(421,877)	-	-	-	-	(421,877)
Exercise of warrants	2,501,600	525,280	-	(107,329)	-	-	417,951
Fair value of warrants issued	-	-	-	304,000	-	-	304,000
Fair value of warrants expired	-	-	47,422	(47,422)	-	-	-
Share-based compensation	-	-	35,790	-	-	-	35,790
Deferred premium on flow-through shares	-	(122,750)	-	-	-	-	(122,750)
Unrealized gain on marketable securities	-	-	-	-	(323,940)	323,940	-
Total comprehensive loss for the period	-	-	-	-	-	(1,603,437)	(1,603,437)
Balance, January 31, 2012	106,440,476	12,233,921	1,465,733	2,098,379	175,000	(6,270,148)	9,702,885

CANADIAN OREBODIES INC.
Condensed interim statements of changes in equity
(expressed in Canadian dollars)

	Share Capital		Reserves				
	Number of shares	Amount \$	Equity settled employee benefits \$	Warrants \$	Available for sale financial assets \$	Deficit \$	Total \$
Balance, January 31, 2012	106,440,476	12,233,921	1,465,733	2,098,379	175,000	(6,270,148)	9,702,885
Private placement, issued for cash	15,755,556	3,010,000	-	-	-	-	3,010,000
Value of warrants attributed to private placements	-	(400,164)	-	-	-	-	(400,164)
Cost of issue	-	(54,595)	-	-	-	-	(54,595)
Fair value of warrants issued	-	-	-	413,309	-	-	413,309
Issued for mineral properties	7,650,000	1,475,000	-	-	-	-	1,475,000
Exercise of warrants	58,425	10,516	-	-	-	-	10,516
Deferred premium on flow through shares	-	(174,000)	-	-	-	-	(174,000)
Fair value of options issued	-	-	382,845	-	-	-	382,845
Unrealized gain (loss) on marketable securities	-	-	-	-	(225,000)	225,000	-
Comprehensive loss for the period	-	-	-	-	-	(1,003,124)	(1,003,124)
Balance, July 31, 2012	129,904,457	16,100,678	1,848,578	2,511,688	(50,000)	(7,048,272)	13,362,672

See accompanying notes to the financial statements

CANADIAN OREBODIES INC.
Notes to the condensed interim financial statements
July 31, 2012
(expressed in Canadian dollars)
(Unaudited)

1. Nature of operations and continuance of operations

Canadian Orebodies Inc. (the "Company") was incorporated pursuant to the provision of the Business Corporations Act (of Alberta) on January 28, 2008 ("inception date"). On July 21, 2008, the Company was authorized to continue its operations from the jurisdiction of Alberta to Ontario. Its principal business activity is the exploration of mineral properties. The address of the Company's registered office is Suite 301 – 141 Adelaide Street West, Toronto, Ontario M5H 3L5. The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of the amount shown for mineral properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete exploration and development, and upon future profitable production or proceeds from disposition of such properties.

The accompanying condensed interim financial statements have been prepared on the basis of a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company is currently in the exploration stage and has not commenced commercial operations. As at the date of issue of these interim financial statements, the Company has an accumulated deficit of \$7,048,272 and is not yet generating operating cash flows.

Continuation of the Company as a going concern is dependent upon obtaining additional capital. The interim financial statements do not include any adjustments relating to the realization of assets and liquidation of liabilities that might be necessary should the Company be unable to continue as a going concern. Although successful resolution of these uncertainties is not assured, management is of the opinion that additional capital can be raised.

2. Basis of presentation

These condensed financial statements have been prepared on a historical cost basis except for the revaluation of certain financial instruments. In addition, these condensed financial statements have been prepared using the accrual basis of accounting except for cash flow information.

In the preparation of these condensed financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the period. Actual results could differ from these estimates.

3. Significant accounting policies

These condensed interim 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") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). Accordingly, they do not include all of the information required for full annual financial statements and should be read in conjunction with the financial statements for the year ended January 31, 2012. The accounting policies adopted are consistent with those of the previous financial year and the corresponding interim reporting period. Furthermore the information on accounting standards effective in future periods and not yet adopted remains unchanged from that disclosed in the annual financial statements.

The condensed financial statements were approved by the Board of Directors on September 21, 2012

CANADIAN OREBODIES INC.
Notes to the condensed financial statements
July 31, 2012
(expressed in Canadian dollars)
(Unaudited)

4. Marketable securities

The following is a summary of the Company's marketable securities:

	July 31 2012	January 31 2012
Equity securities	\$ 325,000	\$ 550,000
Share purchase warrants	98,500	172,400
	\$ 423,500	\$ 722,400

5. Mineral properties and deferred exploration expenditures

Management reviews property exploration costs to ensure deferred expenditures include only costs and projects that are eligible for capitalization. Specific changes to the Company's mineral property portfolio that occurred during the six months ended July 31, 2012 are as follows:

	Haig Inlet Iron Ore Project	Hawkins Project	Lithium Rare Metal Project	Trump Webeque Area Project	Total
January 31, 2012	\$5,601,658	\$ 400,000	1,154,028	\$ 230,955	\$7,386,641
Additions	3,259,111	-	69,272	-	3,328,383
July 31, 2012	\$8,860,769	\$ 405,700	\$ 1,223,300	\$ 230,955	\$ 10,720,724

Haig Inlet Iron Ore Property

On June 15, 2011, the Company closed the Haig Inlet Iron Ore Property acquisition and a private placement contemporaneously as described below:

On February 14, 2011 the Company entered into a non-arm's length Purchase Agreement (the "Agreement") to acquire up to a 100% legal and beneficial interest (subject to a 3% GOR retained by the Vendors, of which 1/3rd can be purchased by the Company for a maximum of \$3,000,000) in the Inuit Owned Lands Mineral Exploration Agreement (the "NTI Agreement") with Nunavut Tunngavik Incorporated ("NTI") which covers the Haig Inlet Iron Ore Project with an area of approximately 2,680 hectares, located on the Belcher Islands, Nunavut, Canada (the "Property").

Terms of Agreement:

The Agreement is a non-arm's length transaction between Donald McKinnon, Gordon McKinnon, Randall Salo (the "Vendors") and the Company. In order to purchase a 100% interest in the NTI Agreement, the Company is required to:

1. Issue to the Vendors an aggregate amount of 3,000,000 common shares (issued) on closing to earn a 10% interest in the NTI Agreement.

CANADIAN OREBODIES INC.
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Haig Inlet Iron Ore Property - continued

Terms of Agreement: - continued

2. Issue to the Vendors an aggregate amount of 4,000,000 common shares (issued) on the first year anniversary of closing to earn an additional 15% interest in the NTI Agreement.
3. Issue to the Vendors an aggregate amount of 7,000,000 common shares on the second year anniversary of closing to earn the remaining 75% interest in the Agreement.

After the issuance of 3,000,000 common shares on closing to earn a 10% interest in the NTI Agreement, the Company may elect not to proceed with the share issuances outlined in items 2 and 3 above.

4. Grant a 3% Gross Overriding Royalty (“GOR”) of which 1/3rd may be purchased at anytime by the Company for \$3,000,000, in the event that the Company has acquired the 100% interest in the NTI Agreement. If the Company has elected not to purchase a 100% interest in the NTI Agreement, the consideration for a purchase of such 1/3rd of the GOR shall be pro-rated to the Company's interest in the NTI Agreement at such time.
5. Grant a \$250,000 advance royalty, in the event that the Company has acquired the 100% interest in the NTI Agreement, commencing on the earlier of (i) the date on which a production lease is entered into pursuant to the NTI Agreement, or (ii) on the 6th year anniversary from closing. If the Company does not hold the 100% interest in the NTI Agreement at such time as the advance royalty becomes payable, the advance royalty shall be pro-rated to the Company's' interest in the NTI Agreement at such time.
6. Enter into a joint venture agreement on closing which governs the activities of the Company and the Vendors in respect of the Property and the NTI Agreement, until such time, as the Company acquires a 100% interest in the NTI Agreement.

In addition, if the Company has acquired a 100% interest in the NTI Agreement, the Company covenants to issue and deliver to the Vendors an additional 14,000,000 common shares on the following basis:

1. Issue an aggregate 7,000,000 common shares (each such common share a “First Milestone Share”) in the event that a technical report compliant with NI 43-101, which demonstrates at least 80,000,000 tonnes of Mineral Resources (defined in the Agreement as 'indicated mineral resources' or 'measured mineral resources' as those terms are defined in NI 43-101) grading at least an average of 23% iron. As at July 31, 2012, the Company has issued 1,750,000 common shares representing 25% ownership.
2. Issue a further 7,000,000 common shares (each such common share a “Second Milestone Share”) in the event that a technical report compliant with NI 43-101, which demonstrates at least 200,000,000 tonnes which includes the 80,000,000 tonnes comprising the threshold for the First Milestone Shares, of Mineral Resources grading at least an average of 23% iron. In the event that the Company has not acquired a 100% interest in the NTI Agreement at the relevant time that First Milestone Shares or Second Milestone Shares are to be issued, the Company covenants to issue to the Sellers in aggregate a percentage of First Milestone Shares or Second Milestone Shares, as the case may be, that is equal to the Company's interest in the NTI Agreement at the relevant time. As at July 31, 2012, the Company has issued 1,750,000 common shares representing 25% ownership.

CANADIAN OREBODIES INC.
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Haig Inlet Iron Ore Property - continued

Terms of Agreement: - continued

The Agreement provides to an extended area concept whereby the 3% GOR and the requirement to issue First Milestone Shares and/or Second Milestone Shares applies beyond the Property to include (i) specified additional areas in proximity to the Property where the Company has staked mineral dispositions, and (ii) any areas or part thereof, lying within a distance of 10 kilometres from the external perimeters of the Property in which the Company has or will stake any mineral dispositions.

Lithium & Rare Metals

Falcon Lake Property

On November 20, 2009, the Company entered into an option agreement to acquire a 100% interest in various mining claims known as Falcon Lake, Barbara Lake and Greenbush Lake Properties that make up its lithium and rare metals properties, for 1,600,000 shares of the Company valued at \$160,000 and 1,600,000 warrants of the Company valued at \$104,000, all of which were exercised. The vendor retains a 2% NSR on the property, one half of which can be purchased for \$1,000,000.

Ultra Lithium Inc. Option

On March 3, 2010, the Company signed a property option agreement with Ultra Lithium Inc. ("Ultra") and the underlying property owners (the "Owners") to acquire 80% interest in 129 mining claims units located approximately 60km northeast of Armstrong, Ontario. The owners retain a 2% NSR, 50% of which can be purchased by the Company for \$1,000,000. Commencing on the fourth anniversary, the Joint venture group will need to pay \$10,000 per annum in pre-production royalties in either cash or shares.

In order for the Company to earn its interest it is required to:

- 1) Pay to Ultra \$100,000 in cash as follows: \$10,000 (paid) on signing, \$15,000 (paid) on the first anniversary of signing, \$25,000 (paid) on the second anniversary of signing, and \$50,000 on the third anniversary of signing;
- 2) Issue to Ultra an aggregate amount of 650,000 common shares of the Company as follows: 200,000 (issued) within 10 days of TSXV approval, 175,000 (issued) on the first anniversary of signing, 150,000 on the second anniversary of signing (issued), and 125,000 on the third anniversary of signing;
- 3) Issue to the Owners an aggregate amount of 150,000 common shares (issued) of the Company on TSXV approval; and
- 4) Fund \$350,000 of exploration expenditures on the property as follows: \$50,000 (completed) by October 31 2010, \$50,000 by October 31 2011 (completed), \$100,000 by October 31 2012, and \$150,000 by October 31 2013.

CANADIAN OREBODIES INC.
Notes to the condensed interim financial statements
July 31, 2012
(expressed in Canadian dollars)
(Unaudited)

5. Mineral properties and deferred exploration expenditures - continued

Hawkins Property

The Hawkins property is comprised of 86 claim units covering 1,376 hectares located in Hawkins Township, approximately 200 kilometers East of Timmins

Trump Property (Webequie)

On July 8, 2008, the Company announced it has entered into a LOI with Rainy Mountain Royalty Corp. (formally East West Resource Corporation) granting it an option to acquire 80% legal and beneficial interest in 96 claim units comprising more than 1,536 hectares in the James Bay Lowlands. In order to earn its 80% legal and beneficial interest, Orebodies is required to:

1. Pay to Rainy Mountain \$10,000 (paid);
2. Issue to Rainy Mountain an aggregate amount of 280,000 common shares of Orebodies (issued);
3. Commission a VTEM airborne survey on the property (completed);
4. Rainy Mountain will hold a 20% carried interest in the property until a Bankable Feasibility study is produced.

6. Share capital

Authorized share capital

At July 31, 2012, the authorized share capital consisted of an unlimited number of common shares and the issued share capital amounted to \$16,100,678. The common shares do not have a par value. All issued shares are fully paid.

Fiscal year ended January 31, 2012

Private placement - March 10, 2011

On March 10, 2011, (the "Escrow Closing Date") the Company completed a brokered private placement of 15,000,000 subscription receipts ("Subscription Receipts") at a price of \$0.35 per Subscription Receipt for aggregate gross proceeds of \$5,250,000 (the "Offering"). The gross proceeds from the sale of the Subscription Receipts (the "Escrowed Proceeds") were deposited in escrow with an escrow agent (the "Escrow Agent"). On June 15, 2011, the Company closed the private placement which was held in escrow. The escrowed proceeds (less the Agents' commission related to the sale of the Subscription Receipts) were released on June 16, 2011 on satisfying the required conditions:

Each Subscription Receipt was automatically converted into one unit of the Company (a "Unit") without payment of additional consideration and without any further action by the holder thereof.

Each Unit consists of one common share in the capital of the Company (each a "Common Share") and one-half of one Common Share purchase warrant (each whole Common Share purchase warrant, a "Warrant"). Each Warrant will entitle the holder thereof to purchase one Common Share (a "Warrant Share") at a price of \$0.475 per Warrant Share for a period of 18 months following the date that the Escrowed Funds were released to the Company.

CANADIAN OREBODIES INC.
Notes to the condensed interim financial statements
July 31, 2012
(Unaudited)

6. Share capital - continued

The Company paid to the Agents, in aggregate, a cash fee of 6% of the gross proceeds of the Offering, which was paid upon the Escrowed Funds being released to the Company. Additionally, the Company issued to the Agents, 900,000 compensation options, which is equal to 6% of the number of Subscription Receipts sold under the Offering, with each such compensation option entitling the holder to purchase one Unit of the Company at a price of \$0.35 for a period of 18 months from the date that the Escrowed Funds were released to the Company. The value ascribed to the 900,000 compensation options was estimated at \$288,645 using the Black-Scholes model for option pricing. The assumptions used were: Dividend rate - Nil%; Interest rate - 2.44%; annualized volatility - 145.54% and an expected life of 1.76 years.

Private placement - November 18, 2011

On November 18, 2011, the Company closed a non-brokered private placement comprising of 2,455,000 flow through units at a price of \$0.35 per unit and 1,500,000 non flow through units at \$0.30 per unit for gross proceeds of \$1,309,250.

Each flow through unit and non flow through unit consists of one common share and one-half share purchase warrant. One whole purchase share warrant entitles the holder to purchase one common share of the Company at \$0.475 per share for a period of 18 months from the date of issuance. The exercise date may be accelerated at the option of the Company, if the closing price on the TSX Venture Exchange exceeds \$0.60 per share for a period of 20 consecutive trading days, commencing anytime after the date that is four months and one day after the Closing Date, by giving notice to the holders thereof, in which case the Warrants will expire on the twentieth business day after the date on which such notice has been given.

In connection with the private placement, the Company paid finders fees of \$78,555 and issued 237,300 broker options. Each broker option entitles the holder to purchase one unit at a price of \$0.30 per unit. Each unit consists of one common share and one-half share purchase warrant. One whole warrant entitles the holder to purchase one common share of the Company at \$0.475 per share for a period of 18 months from the date of issuance.

Exercise of warrants

During the year ended January 31, 2012, a total of 5,593,021 share purchase warrants with exercise prices ranging between \$0.09 to \$0.20 per share were exercised for gross proceeds aggregating \$948,362.

CANADIAN OREBODIES INC.
Notes to the condensed interim financial statements
July 31, 2012
(Unaudited)

6. Share capital - continued

Fiscal year ending January 31, 2013

Exercise of warrants

During the six months ended July 31, 2012, a total of 58,425 share purchase warrants with exercise price of \$0.18 per share were exercised for gross proceeds aggregating \$10,516.

Private placement - June 28, 2012

On June 28, 2012 the Company closed the first tranche of a non-brokered private placement comprising of 8,700,000 flow through units at a price of \$0.20 per unit and 7,055,556 non flow through units at \$0.18 per unit for gross proceeds of \$3,010,000.

Each flow through unit and non flow through unit consists of one common share and one-half share purchase warrant. One whole purchase share warrant entitles the holder to purchase one common share of the Company at \$0.30 per share for a period of 18 months from the date of issuance. The exercise date maybe accelerated at the option of the Company, if the closing price on the TSX Venture Exchange exceeds \$0.40 per share for a period of 20 consecutive trading days, commencing anytime after the date that is four months and one day after the Closing Date, by giving notice to the holders thereof, in which case the Warrants will expire on the twentieth business day after the date on which such notice has been given.

In connection with the private placement, the Company paid finders fees of \$26,400 and issued 132,000 broker options. Each broker option entitles the holder to purchase one unit at a price of \$0.18 per unit. Each unit consists of one common share and one-half share purchase warrant. One whole warrant entitles the holder to purchase one common share of the Company at \$0.30 per share for a period of 18 months from the date of issuance.

7. Share Options

The Company has a Share Option Plan (the "Plan") under which it is authorized to grant options to purchase common shares of the Company to directors, senior officers, employees and/or consultants of the Company. The aggregate number of shares of the Company which may be issued and sold under the Plan will not exceed 10% of the total number of common shares issued and outstanding from time to time. Share options are granted with a maximum term of five years with vesting requirements at the discretion of the Board of Directors.

The Company records a charge to the statement of loss and comprehensive loss using the Black-Scholes fair valuation option pricing model with respect to a share option grant. The valuation is dependent on a number of estimates, including the risk free interest rate, the level of share volatility, together with an estimate of the level of forfeiture. The level of share volatility is calculated with reference to the historic traded daily closing share price at the date of issue. Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable measure of the fair value of the Company's share purchase options.

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July 31, 2012
(Unaudited)

7. Share options - continued

The following table reflects the continuity of share options for the period ended July 31, 2012:

	Options	Weighted Avg. Exercise Price
Balance, January 31, 2011	5,075,000	0.13
Granted	1,125,000	0.32
Balance, January 31, 2012	6,200,000	0.17
Granted	2,125,000	0.25
Balance, July 31, 2012	8,325,000	0.19

On March 24, 2011, the Company granted to Directors, Officers and consultants of the Company 925,000 share options exercisable at \$0.335 per share for a period of five years from the date of issuance. On August 5, 2011, the Company granted 200,000 share options to an employee exercisable at \$0.265 per share for a period of five years from date of issuance. The value ascribed to the 1,125,000 share options granted was estimated at \$320,990 using the Black-Scholes model for option pricing. The assumptions used to determine the value were: expected dividend yield - 0%; weighted expected volatility - 147%; risk-free interest rate - 2.37% and an expected life of 5 years.

On April 9, 2012, the Company granted to Directors, Officers and consultants of the Company 1,725,000 share options exercisable at \$0.25 per share for a period of five years from the date of issuance. The value ascribed to the 1,725,000 share options granted was estimated at \$371,565 using the Black-Scholes model for option pricing. The assumptions used to determine the value were: expected dividend yield - 0%; weighted expected volatility - 154%; risk-free interest rate - 2.37% and an expected life of 5 years. In addition, on April 5, 2012, the Company granted 400,000 share purchase options as part compensation for investor relations consulting services exercisable at \$0.25 per share for a period of five years from the date of issuance. Of the 400,000 share purchase options granted, 100,000 share purchase options vest after three months, with the remaining 300,000 share purchase options vesting in three month intervals. The value ascribed to the 100,000 share options granted was estimated at \$11,280 using the Black-Scholes model for option pricing. The assumptions used to determine the value were: expected dividend yield - 0%; weighted expected volatility - 105%; risk-free interest rate - 0.97% and an expected life of 5 years.

The following table reflects the actual share options issued and outstanding as at July 31, 2012.

No. of options Outstanding and Exercisable	Average Exercise Price	Expiry Date
1,950,000	0.18	March 31, 2013
1,200,000	0.10	September 17, 2014
1,925,000	0.10	July 28, 2015
925,000	0.335	March 24, 2016
200,000	0.265	August 5, 2016
2,125,000	0.25	April 5, 2017
8,325,000	-	

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8. Warrants

A summary of the Company's outstanding warrants, as at July 31, 2012 and January 31, 2012 are as follows:

	July 31 2012	January 31 2011
Balance, beginning of period	16,036,394	11,983,966
Issued	8,075,778	11,183,450
Exercised	(58,425)	(5,593,021)
Expired	-	(1,538,001)
Balance, end of period	24,053,747	16,036,394

The exercise price and expiry date on the warrants outstanding as at July 31, 2012 are as follows:

Warrants	Exercise Price	Type	Expiry Date
4,570,111	0.18	Warrants	November 19, 2012
141,055	0.09	Finder's unit	November 19, 2012
83,353	0.18	Finder's warrants on unit	November 19, 2012
7,500,000	0.475	Warrants	December 15, 2012
900,000	0.35	Finder's unit	December 15, 2012
450,000	0.475	Finder's warrants on unit	December 15, 2012
1,977,500	0.475	Warrants	May 18, 2013
237,300	0.35	Finder's unit	May 18, 2013
118,650	0.475	Finder's warrants on unit	May 18, 2013
7,877,778	0.30	Warrants	December 28, 2013
132,000	0.18	Finder's unit	December 28, 2013
66,000	0.30	Finder's warrants on unit	December 28, 2013
24,053,747	-		

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9. Loss per share

Basic and diluted loss per share

The calculations of basic and diluted loss per share for the three and six months ended July 31, 2012 and 2011 were based on the following losses attributable to common shareholders and weighted average number of common shares outstanding:

	Three months ended July 31		Six months ended July 31,	
	2012	2011	2012	2011
Loss	\$ (135,796)	\$ (150,790)	\$ (778,124)	\$ (748,025)
Weighted average number of common shares outstanding for the period	120,435,475	93,409,288	120,435,475	93,409,288
Loss per share	\$ 0.00	\$ 0.00	\$ (0.01)	\$ (0.01)

Diluted loss per share did not include the effect of the share options and warrants outstanding respectively as they are anti dilutive.

10. Related Party Transactions

- a) The financial statements include balances and transactions with directors and/or officers of the Company and/or corporations related to or controlled by them. These transactions are measured and recorded at their exchange amounts, being the amounts agreed to by the related parties.

Six months ended July 31,	2012	2011
Professional and consulting fees	\$ 33,000	\$ 27,000

- b) During the six months ended July 31, 2012, 1,500,000 (2011: 900,000) share options were granted to directors and officers.
- c) The Company has a loan from 695202 Ontario Limited, a corporation managed by a director, in the amount of \$233,035 and is due as at July 31, 2012. The loan is interest free, unsecured and no repayment terms exist.
- d) During the six months ended July 31, 2012, the Company made an exploration advance of \$75,000 (2011 - \$225,000) and incurred exploration drilling costs aggregating \$482,850 (2011 - \$297,617) to Cyr Drilling International Inc., a company controlled by a director.

11. Deferred Premium on Flow-through Shares

The premium paid for flow-through shares in excess of the market value of the shares without the flow-through features is initially recognized as a liability. The liability is reduced and the reduction of premium liability is recorded in loss from operations on a pro-rata basis based on the corresponding eligible expenditures that have been incurred when it is the Company's intention to file the appropriate renunciation forms with the Canadian taxation authorities. Accordingly, during the six months ended July 31, 2012, \$24,000 (2011 - \$Nil) was deferred and \$150,000 (2011 - \$Nil) was recognized as income in the statement of operations.

12. Capital risk management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the six months ended July 31, 2012. The Company is not subject to externally imposed capital requirements.

Financial risk Factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

(a) Credit risk

The Company's credit risk is primarily attributable to accounts receivable. The Company has no significant concentration of credit risk arising from operations. Management believes that the credit risk concentration with respect to financial instruments included in accounts receivable is remote.

(b) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at July 31, 2012, the Company has working capital of \$2,641,948. The Company had a cash balance of \$2,734,753 (January 31, 2012: \$1,686,740) to settle current liabilities of \$884,768 (January 31, 2012: \$474,212). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

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12. Capital risk management - continued

(c) Market risk

(i) Interest rate risk

The Company has cash balances and no interest-bearing debt. Interest rate risk is remote.

(ii) Price risk

The Company is indirectly exposed to price risk with respect to the price of base metals. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. Price risk is remote since the Company is not a producing entity.

Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

(d) Fair Value

The fair values of the Company's cash and cash equivalents, accounts receivable and accounts payables approximate their carrying values because of the short term-nature of these instruments.

(e) Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a twelve month period.

The Company's investments in public companies are sensitive to a plus or minus 50% change in Canadian equity prices which would affect comprehensive income (loss) by approximately \$211,750.

13. Subsequent events

On August 24, 2012 the Company closed the second and final tranche of a non-brokered private placement (as referred to in note 6) comprising of 5,000,000 flow through units at a price of \$0.20 per unit for gross proceeds of \$1,000,000.