Bonterra Resources Inc.

Condensed Consolidated Interim Financial Statements

For the nine months ended February 28, 2013

Bonterra Resources Inc.

Unaudited Condensed Consolidated Interim Financial Statements
For the nine months ended February 28, 2013

Notice of No Auditor Review of Condensed Consolidated Interim Financial Statements

The accompanying unaudited condensed consolidated interim financial statements have been prepared by management and approved by the Audit Committee.

The Company's independent auditors have not performed a review of these condensed consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors.

Bonterra Resources Inc.
Condensed Consolidated Interim Statements of Financial Position
(Unaudited)

	Note	February 28, 2013	May 31, 2012
ASSETS			
Current Assets			
Cash and cash equivalents		$ 13,560	$ 239,588
HST receivable		8,002	112,408
Prepaid expenses and deposits		24,929	58,704
		46,491	410,700
Equipment	6	22,494	23,722
Exploration and evaluation assets	7	12,142,247	11,786,265
		$ 12,211,232	$ 12,220,687
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities		$ 776,562	$ 676,925
Other liabilities	8	127,137	-
Due to related parties	9	19,665	63,039
		923,364	739,964
SHAREHOLDERS' EQUITY			
Share capital	10	19,432,257	18,813,522
Share-based payment reserve	11	2,193,329	1,972,071
Deficit		(10,337,718)	(9,304,870)
		11,287,868	11,480,723
		$ 12,211,232	$ 12,220,687

Approved on behalf of the Board:

"Nav Dhaliwal" Director

"Casey Forward" Director

Bonterra Resources Inc.
Condensed Consolidated Interim Statements of Comprehensive Loss
(Unaudited)

	Note	For the three months ended February 28, 2013	For the three months ended February 29, 2012	**For the nine months ended February 28, 2013**	For the nine months ended February 29, 2012
Expenses					
Amortization		$ 1,609	$ 1,807	$ 4,825	$ 5,420
Bank charges and interest		280	396	1,143	3,492
Consulting fees	9	38,166	61,000	142,470	110,200
Management fees	9	30,000	30,000	92,000	90,000
Office and general		19,513	39,008	82,773	107,032
Pre-exploration costs		-	-	79,167	28,208
Professional fees	9	34,425	29,977	96,254	121,546
Rent (net of recovery)	9	12,650	12,300	40,450	36,300
Shareholder communications and investor relations		145,382	96,849	283,565	347,743
Stock-based compensation		-	-	191,585	-
Transfer agent and filing		12,948	11,530	22,594	27,636
Travel		1,254	15,711	52,428	59,490
Write off of exploration and evaluation assets	7b	-	-	-	1,325,000
Total expenses		(296,227)	(298,578)	(1,089,254)	(2,262,067)
Interest income		-	16	43	91
Other income	8	4,403	-	56,363	-
Net loss and comprehensive loss for the period		(291,824)	(298,562)	(1,032,848)	(2,261,976)
Loss per share, basic and diluted		$ (0.00)	$ (0.00)	$ (0.01)	$ (0.03)
Weighted average number of shares outstanding		86,272,040	70,839,173	86,272,040	70,839,173

See accompanying notes to the unaudited condensed consolidated interim financial statements

Bonterra Resources Inc.
Condensed Consolidated Interim Statements of Cash Flows
(Unaudited)

	Note	For the nine months ended February 28, 2013	For the nine months ended February 29, 2012
Operating Activities			
Net loss for the period		$ (1,032,848)	$ (2,261,976)
Items not involving cash			
Amortization		4,825	5,420
Stock-based compensation		191,585	-
Other income		82,512	-
Write off of exploration and evaluation assets		-	1,325,000
		(753,926)	(931,556)
Operating cash flows before movements in working capital			
Changes in non-cash working capital			
HST receivable		104,406	133,852
Prepaid expenses		33,775	7,516
Accounts payable and accrued liabilities		99,636	236,992
Due to related parties		(43,374)	-
Net cash used in operating activities		(559,483)	(553,196)
Financing Activities			
Shares issued for cash, net of issuance costs		693,033	1,470,191
Share subscriptions		-	401,450
Net cash provided from financing activities		693,033	1,871,641
Investing Activities			
Purchase of capital assets		(3,596)	(3,825)
Acquisition and exploration of mineral properties		(355,982)	(1,785,040)
Net cash used in investing activities		(359,578)	(1,788,865)
Change in cash		(226,028)	(470,420)
Cash and cash equivalents, beginning of period		239,588	925,373
Cash and cash equivalents, end of period		$ 13,560	$ 454,953
Supplemental cash flow information	5		

Bonterra Resources Inc.

Condensed Consolidated Interim Statements of Equity

(unaudited)

	Note	Share Capital Shares	Share Capital Amount	Share-based Payment Reserves	Deficit	Total
Balance, June 1, 2011		63,905,679	$ 16,252,088	$ 1,636,119	$ (6,522,164)	$ 11,366,043
Issued for cash						
Private placement - July 2011	10	4,347,826	652,138	-	-	652,138
Private placement - July 2011	10	3,331,666	499,750	-	-	499,750
Issue costs		-	(144,058)	-	-	(144,058)
Exercise of options		575,000	87,500	-	-	87,500
Exercise of warrants		135,000	27,000	-	-	27,000
Issued for acquisition of mineral properties		250,000	70,000	-	-	70,000
Fair value of stock options exercised		-	74,051	(74,051)	-	-
Warrants and units issued		-	(61,192)	61,192	-	-
Comprehensive loss		-	-	-	(1,963,414)	(1,963,414)
Balance, February 29, 2012		72,545,171	$ 17,457,277	$ 1,623,260	$ (8,485,578)	$ 10,594,959
Balance, June 1, 2012		82,005,501	18,813,522	1,972,071	(9,304,870)	$ 11,480,723
Issued for cash						
Private placements		6,555,000	557,175	-	-	557,175
Private placements - FT Febraury 2013		1,487,500	74,375			74,375
Private placements - NFT February 2013		2,420,000	121,000			121,000
Issue costs		-	(104,142)	-	-	(104,142)
Fair value of agent's warrants		-	(29,673)	29,673	-	-
Stock-based compensation		-	-	191,585	-	191,585
Comprehensive loss		-	-	-	(1,032,848)	(1,032,848)
Balance, February 28, 2013		92,468,001	$ 19,432,257	$ 2,193,329	$ (10,337,718)	$ 11,287,868

1. NATURE OF OPERATIONS

Bonterra Resources Inc. (the "Company") is an exploration stage company incorporated on May 1, 2007, under the laws of the Province of British Columbia, Canada. Its principal business activity is the acquisition, exploration and evaluation of mineral properties located in the Provinces of British Columbia and Quebec, Canada. The Company's common shares are traded on the TSX Venture Exchange ("TSX-V") under the symbol "BTR". The Company's head office and principal business address is 4006 – 1011 West Cordova Street, Vancouver, British Columbia, Canada, V6C 0B2.

The Company is in the process of acquiring and exploring its resource properties and has not yet determined whether these properties contain mineral reserves that are economically recoverable. The continued operations of the Company and the recoverability of the amounts shown for resource properties and related deferred exploration costs is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and upon future profitable production.

2. BASIS OF PREPARATION

(a) Statement of Compliance

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting using accounting policies consistent with International Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"). These condensed consolidated interim financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in, and should be read in conjunction with, the Company's May 31, 2012 audited consolidated financial statements.

These financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on April 26, 2013.

(b) Going Concern

The Company incurred a loss of $1,032,848 for the nine months ended February 28, 2013, and had a working capital defiency of $777,368 and an accumulated deficit of $10,337,718 at February 28, 2013 which has been funded primarily by the issuance of equity. These factors indicate the existence of material uncertainity that may cast significant doubt about the Company's ability to continue as a going concern.

The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon its ability to fund its existing acquisition and exploration commitments on its resource properties when they come due, which would cease to exist if the Company decides to terminate its commitments, and to cover its operating costs. The Company may be able to generate working capital to fund its operations by the sale of its exploration and evaluation assets or raising additional capital through equity markets. However, there is no assurance it will be able to raise funds in the future. These financial statements do not give effect to any adjustments required to realize it assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the audited annual consolidated financial statements as at May 31, 2012. These unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended May 31, 2012.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the revision affects both current and future periods.

5. SUPPLEMENTAL CASH FLOW INFORMATION

	For the nine months ended February 28, 2013	For the nine months ended February 29, 2012
Interest paid	$ -	$ -
Income taxes paid	$ -	$ -
Acquisition of mineral properties by the issuance of shares	$ -	$ 70,000
Transfer from contributed surplus on exercise of options/warrants	$ -	$ 74,051
Fair value of finder's warrants	$ 29,673	$ 30,663
Mineral property costs incurred in accounts payable	$ 732,757	$ 365,655

6. EQUIPMENT

Property and equipment	Furniture and equipment	Computer equipment	Total
June 1, 2011	$ 17,410	$ 14,874	$ 32,284
Additions	720	3,105	3,825
May 31, 2012	18,130	17,979	36,109
Additions	-	3,597	3,597
February 28, 2013	$ 18,130	$ 21,576	$ 39,706

Accumulated amortization			
June 1, 2011	$ 2,929	$ 2,231	$ 5,160
Amortization	2,968	4,259	7,227
May 31, 2012	5,897	6,490	12,387
Amortization	1,835	2,990	4,825
February 28, 2013	7,732	9,480	17,212

Net book value, May 31, 2012	$ 12,233	$ 11,489	$ 23,722
Net book value, February 28, 2013	$ 10,398	$ 12,096	$ 22,494

7. EXPLORATION AND EVALUATION ASSETS

For the nine months ended February 28, 2013

	Zacatecas North	Eastern Extension/ Urban Barry	Total
Balance, beginning of period	$ 5,811,170	$ 5,975,095	$ 11,786,265
Acquisition costs			
Shares	-	-	-
	-	-	-
Deferred exploration expenditures			
Assays	-	2,479	2,479
Drilling	-	215,721	215,721
Geological consulting (note 9)	-	132,771	132,771
Geophysical surveys	5,011	-	5,011
Recovery of Quebec Mineral Credits	-	-	-
	5,011	350,971	355,982
Subtotal	5,816,181	6,326,066	12,142,247
Write-offs	-	-	-
Balance at February 28, 2013	$ 5,816,181	$ 6,326,066	$ 12,142,247

For the year ended May 31, 2012

	Zacatecas North	Eastern Extension/ Urban Barry	Total
Balance, June 1, 2010	$ 5,698,377	$ 4,761,271	$ 10,459,648
Acquisition costs			
Cash	-	-	-
Shares	-	270,000	270,000
	-	270,000	270,000
Deferred exploration expenditures			
Geological consulting (note 10)	-	767,453	767,453
Drilling	-	1,300,258	1,300,258
Assays	-	268,861	268,861
Geophysical surveys	112,793	-	112,793
Recovery of Quebec Mineral Credits	-	(67,748)	(67,748)
	112,793	2,268,824	2,381,617
Total	5,811,170	7,300,095	13,111,265
Write-offs	-	(1,325,000)	(1,325,000)
Balance at May 31, 2012	$ 5,811,170	$ 5,975,095	$ 11,786,265

7. EXPLORATION AND EVALUATION ASSETS continued

(a) Zacatecas North Property (Symphony)

By an asset purchase agreement dated April 30, 2008 and amended May 30, 2008 between Symphony and the property's vendor, Symphony purchased an undivided 100% interest in 18 mineral claims located adjacent to the Silver Queen mine property in central British Columbia, Canada, referred to as the Zacatecas North Property. In consideration for the claims, Symphony paid $10,000 in cash and issued 500,000 of its common shares valued at $0.125 per share based on the market value of the shares on share issue date.

On May 26, 2009, through the completion of the share exchange transaction, the Company acquired all of the issued and outstanding shares in the capital of Symphony from the Symphony shareholders in exchange for the issuance, by the Company, of 10,000,000 common shares to the Symphony shareholders and an additional 850,000 common shares for finders fees, all of which were capitalized as exploration and evaluation assets. The shares issued had a fair value of $0.46 per share resulting in $4,991,000 being capitalized as exploration and evaluation assets.

During the year ended May 31, 2010, the Company reduced the mineral claims to 6 claims.

(b) Eastern Extension Properties/ Urban Barry

(i) Urban Barry (Windfall Lake)

During the year ended May 31, 2010, the Company acquired a 100-per-cent interest in 95 claim blocks in Quebec near Windfall Lake at a cost of $20,000 (paid), the issuance of 1,000,000 common shares to the vendors and 108,800 common shares to a finder (issued) and incurring $140,000 of exploration expenditures (incurred). The shares were valued at $155,232 based on the market value of the shares on share issue date. The property is subject to a 2% net smelter returns royalty of which 0.5% can be purchased by the Company for $1,000,000.

In addition the Company purchased a 100% interest in 27 mineral claims located in the James Bay area in Quebec. The aggregate consideration is $3,900 (paid) and 2,000,000 common shares (issued). The fair value of the shares was $360,000 based on the market value of the shares on the share issue date.

(ii) Eastern Extension

On September 15, 2010, the Company entered into an option agreement to acquire 100% interest in 22 additional mineral claims adjacent to the Urban Barry claims in Quebec. To earn an initial 50% interest in the claims, the Company must issue a total 1,250,000 common shares (issued 500,000, balance of shares to be issued at the rate of 250,000 per year for three years), and make a cash payment of $10,000 (paid) and incur total exploration expenditures of $750,000 over four years. To earn a 100% interest in the claims, the Company must issue an additional 100,000 shares and make a further cash payment of $100,000 within two years of effective date. The agreement is subject to a 2% NSR of which 1% can be purchased for $500,000. A finder's fee of 56,890 shares was paid in connection with this acquisition.

On March 19, 2012 the Company agreed to a further amendment to the option agreement dated September 15, 2010 as amended February 8, 2011 resulting in the issuance of 1,250,000 common shares to acquire 100% ownership of the properties. The amended aggregate consideration is now $10,000, 1,750,000 common shares and $750,000 in exploration expenditures (of which $10,000 have been paid, 1,750,000 common shares issued and $750,000 incurred in exploration expenditures). The company has completed the acquisition and owns 100% subject to the NSR above.

(iii) Lavoie Property acquisition - adjacent to Eastern Extension

On December 30, 2010, the Company closed and received approval from the TSX Venture Exchange for a property purchase agreement entered into on December 10, 2010 to acquire 100% interest in 57 mineral claims east of the Urban-Barry Township in Quebec. Consideration paid was 2,000,000 common shares valued at $860,000 based on the market price of the shares on the share issue date, and cash payments of $35,000. The agreement is subject to a 2% NSR of which 1% may be purchased for $1,000,000.

7. EXPLORATION AND EVALUATION ASSETS continued

(iv) Anderson Property acquisition - Urban Barry Area

On December 3, 2010, the Company closed and received approval from the TSX Venture Exchange for an option agreement entered into on November 8, 2010 to acquire 100% interest in 37 mineral claims in Quebec. The Company must issue a total 3,000,000 common shares (issued) of which the fair value is $1,320,000 based on the market value of the shares on the share issue date, and make cash payments of $5,000 on closing (paid) and $5,000 within one year, and incur total exploration expenditures of $400,000 evenly over two years. The agreement is subject to a 2% NSR.

The Company decided not to continue with this acquisition and wrote off the costs incurred of $1,325,000 in the year ended May 31, 2012.

8. OTHER LIABILITIES

Other liabilities include the liability portion of the flow-through shares issued. The following is a continuity schedule of the liability portion of the flow-through share issuances.

Flow-through shares	Issued during the nine months ended February 28, 2013	Issued during the year ended May 31, 2012	Issued during the year ended May 31, 2011	Total
Balance, June 1, 2011	$ -	$ -	$ 100,424	$ 100,424
Liability incurred on flow-through shares issued	-	347,862	-	347,862
Settlement of flow-through share liability on incurring expenditures	-	(347,862)	(100,424)	(448,286)
Balance, May 31, 2012	-	-	-	-
Liability incurred on flow-through shares issued in September 2012	138,875	-	-	-
Liability incurred on flow-through shares issued in February 2013	44,625	-	-	-
Settlement of flow-through share liability on incurring expenditures	(56,363)	-	-	-
Balance, February 28, 2013	127,137	-	-	-

In February 2013 the Company completed a non-brokered private placement consisting of the issue and sale of 1,487,500 flow-through units at $0.08 per flow-through unit. All proceeds were received by December 31, 2012 giving flow through tax deductions to subscribers for 2012.

In September 2012 the Company completed a brokered private placement consisting of the issue and sale of 5,555,000 flow-through units at $0.11 per flow-through unit. Each flow-through unit consisted of one flow-through common share and one half of one common share purchase warrant; each common share unit consisted of one common share and one half of one common share purchase warrant.

During the year ended May 31, 2011, the Company completed private placements consisting of the issue and sale of 9,000,000 flow through units at a price of between $0.10 and $0.50 per unit for aggregate gross proceeds of $2,500,000. Each flow-through unit consisted of one common share and one share purchase warrant.

On July 15, 2011 the Company completed a brokered private placement consisting of the issue and sale of 4,347,826 flow-through units at $0.23 per flow-through unit and 3,331,666 common share units at $0.15 per NFT Unit for a total gross proceeds of $1,499,750. Each flow-through unit consisted of one flow-through common share and one half of one common share purchase warrant; each common share unit consisted of one common share and one half of one common share purchase warrant.

9. RELATED PARTY TRANSACTIONS AND BALANCES

The following expenses were incurred with directors and officers of the Company and companies controlled by directors:

Key management personnel remuneration	For the nine months ended February 28, 2013	For the nine months ended February 29, 2012
Management and director fees	$ 92,000	$ 90,000
Accounting fees	67,500	52,500
Consulting fees	20,000	66,500
Pre-exploration costs	30,000	-
Deferred exploration costs	50,500	45,000
Stock-based compensation	89,805	-
Total key management personnel remuneration	**$ 349,805**	$ 254,000
Other		
Rent (recovery)	(18,250)	24,000
Total	**$ 331,555**	$ 278,000

As at February 28, 2013 amounts due to related parties of $19,665 (May 31, 2012 - $63,089) was owing to current and former officers and directors.

Amounts due to related parties are unsecured, do not bear interest and have no fixed repayment terms.

These charges were measured by the exchange amount, which is the amount agreed upon by the related parties.

10. SHARE CAPITAL

(a) Authorized

Unlimited common shares of no par value

(b) Issued and outstanding

For the nine months ended February 28, 2013

In February 2013 the Company completed the first tranche of a non-brokered private placement of 1,487,500 flow-through units of the Company at $0.08 each and 2,420,000 non-flow through units of the Company at $0.05 per for total gross proceeds of $240,000. Each unit consists of one flow-through common share of the Company and one non-transferable common share purchase warrant to purchase one non-flow through common share of the Company at a price of $0.12 until February 4, 2015. Each unit consists of one common share of the Company and one common share purchase warrant to purchase one common share at a price of $0.10 until February 4, 2015. Share issue costs were $11,609.

In September 2012 the Company completed a brokered private placement of 5,555,000 flow-through units of the Company at $0.11 each and 1,000,000 non-flow through units of the Company at $0.085 per unit for total gross proceeds of $696,050. Each flow through unit consists of one flow-through common share of the Company and one-half of one non-transferable common share purchase warrant where each warrant entitles the holder to purchase one non-flow through common share of the Company at a price of $0.15 until March 21, 2014. Each unit consists of one common share of the Company and one common share purchase warrant where each warrant entitles the holder to purchase one common share at a price of $0.12 until March 21, 2014. The Company paid a cash finder's fee of 8% of $55,684 and granted 524,400 warrants at a value of $29,673. Each agent's warrant entitles the holder to purchase one common share of the Company at a price of $0.085 until March 21, 2014.

10. SHARE CAPITAL continued

For the year ended May 31, 2012

On March 12, 2012 the Company completed a non-brokered private placement of 7,710,330 units at $0.23 per unit. Each unit consisted of one common share and one share purchase warrant entitling the holder to acquire an additional common share at an exercise price of $0.20 per common share until March 12, 2014. Finder's fees of $49,900 and 153,866 warrants valued at $14,045 entitling the holder to acquire one common share at an exercise price of $0.20 until March 12, 2014 were paid.

On July 15, 2011 the Company completed a brokered and non-brokered private placement of 4,347,826 flow-through units at $0.23 per unit and 3,331,666 non flow-through units at $0.15 per unit for a total gross proceeds of $1,499,750. Each flow through unit consisted of one common share issued on a flow-through basis and one half of one common share purchase warrant, with each full warrant entitling the holder to acquire an additional common share at an exercise price of $0.50 per common share for a period of two years from the closing date. Each non-flow through unit consisted of one common share issued on a non flow-through basis and one common share purchase warrant entitling the holder to acquire an additional common share at an exercise price of $0.25 per common share for a period of one year from the closing date.

In connection with the brokered private placement, the Company paid a cash finder's fee of $89,473 and granted 434,783 agent's options valued at $61,192. Each Option entitles the holder to purchase one unit until July 15, 2013 at $0.23 per unit with each unit consisting of one common share and one half of one common share purchase warrant, with each full warrant entitling the holder to acquire an additional common share at an exercise price of $0.50 per common share until July 15, 2013. Legal and filing fees were $27,586.

10. SHARE CAPITAL continued

(c) Stock options

On January 14, 2013, the Company adopted the 2013 incentive share option plan for granting options to directors, employees and consultants, under which the total outstanding options are limited to 10% of the issued and outstanding common shares of the Company. The options vest when granted except for options granted for investor relations activities which vest over a 12 month period with no more than 25% of the options vesting in any three month period.

On October 10, 2012 the Company granted 3,500,000 incentive stock options to officers, directors and consultants at a price of $0.10 per share for period of two years.

	Number of stock options	Weighted Average Exercise Price
Balance outstanding, June 1, 2011	5,180,000	0.30
Options granted	3,500,000	0.18
Options granted to broker pursuant to financing (note 10b)	434,783	0.23
Options exercised	(1,075,000)	0.13
Options cancelled	(1,900,000)	$ 0.38
Options expired	(1,750,000)	0.33
Balance outstanding, May 31, 2012	4,389,783	0.21
Options granted	3,200,000	0.10
Options cancelled	(1,200,000)	0.24
Options expired	(755,000)	0.33
Balance outstanding, February 28, 2013	5,634,783	$ 0.13

The following table summarizes information about stock options, outstanding at February 28, 2013:

Exercise prices	Number outstanding at February 28, 2013	Number exercisable at February 28, 2013	Weighted average remaining contractual life (years)
$ 0.10	3,200,000	3,200,000	1.6
$ 0.175	2,000,000	2,000,000	1.0
$ 0.23	* 434,783	434,783	0.4
	5,634,783	5,634,783	1.3

* Further to the options granted at $0.23 there are 217,392 warrants available at $0.50 per share for a similar period if the options are exercised.

The Company used the Black-Scholes option pricing model to value stock options based on the following assumptions:

	For the nine months ended February 28, 2013	Year ended May 31, 2012
Risk-free interest rate	1.25%	1.25%
Expected dividend rate	0%	0%
Expected stock price volatility	116.31%	121.00%
Expected life in years	2	2

10. SHARE CAPITAL continued

(d) Warrants

(i) The changes in warrants were as follows:	**For the nine months ended February 28, 2013**		Weighted average exercise price $	For the year ended May 31, 2012		Weighted average exercise price
Balance of warrants at beginning of period	26,109,433	$	0.38	12,807,488	$	0.38
Issued	8,209,400		0.07	13,866,575		0.26
Exercised	-		-	(135,000)		0.20
Expired	(12,831,666)		0.37	(429,630)		0.25
Balance of warrants at end of period	21,487,167	$	0.19	26,109,433	$	0.38

(ii) A summary of warrants outstanding is:

Number of Warrants		Exercise Price	Expiry Date
524,400	$	0.085	21-Mar-14
2,420,000	$	0.10	1-Feb-15
1,000,000	$	0.12	21-Mar-14
1,487,500	$	0.12	1-Feb-15
2,777,500	$	0.15	21-Mar-14
7,860,996	$	0.20	12-Mar-14
3,242,858	$	0.28	16-Nov-13
2,173,913	$	0.50	21-Jul-13
21,487,167			

11. SHARE-BASED PAYMENT RESERVE

	For the nine months ended February 28, 2013	For the year ended May 31, 2012
Balance, beginning of period	$ 1,972,071	$ 1,636,119
Fair value of finder's warrants issued	29,673	75,237
Share-based payments	191,585	362,090
Value of stock options exercised	-	(101,375)
Balance, end of period	$ 2,193,329	$ 1,972,071

12. INCOME TAXES

At May 31, 2012, the Canadian parent company has accumulated Canadian Exploration and Development Expenditures of $5,475,000 (2011 - $4,656,000) and has accumulated non-capital losses totaling $4,361,000 (2011 - $2,671,000), which expire in various amounts from 2028 to 2032.

During the year ended May 31, 2012, the Company renounced proceeds of flow-through share issuances of $1,787,000 (2011 - $1,713,000).

13. CAPITAL DISCLOSURES

The Company's objectives when managing capital are to identify, pursue and complete the exploration and development of resource properties, to maintain financial strength, to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. The Company does not have any externally imposed capital requirements to which it is subject. Capital of the Company comprises shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares. There were no changes in the Company's approach to capital management during the year.

The Company's investment policy is to invest its cash in financial instruments in high credit quality financial institutions with terms to maturity selected with regards to the expected timing of expenditures from continuing operations.

14. FINANCIAL INSTRUMENTS AND RISKS

As at February 28, 2013, the Company's financial instruments consist of cash and cash equivalents, accounts payable and accrued liabilities, and due to related parties. The carrying values of these financial instruments approximate their fair values.

Fair Value

The Company classifies its fair value measurements in accordance with an established hierarchy that priorities the inputs in valuation techniques used to measure fair value as follows:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities

Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, and

Level 3 - Inputs that are not based on observable market date

The following table sets for the Company's financial assets measured at fair value by level within the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 13,560	$ -	$ -	$ 13,560

Credit Risk

Financial instruments that potentially expose the Company to credit risk are cash and cash equivalents. To minimize the credit risk on cash the Company places the instrument with a high credit quality financial institution. The maximum exposure to loss arising from these advances is equal to their total carrying amounts. The Company is exposed to credit risk with respect to its cash and cash equivalents. However, the risk is minimized as they are held at a major Canadian Chartered Bank.

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, investment fluctuations, and commodity and equity prices. Market conditions will cause fluctuations in the fair values of financial assets classified as held-for-trading and available-for-sale and cause fluctuations in the fair value of future cash flows for assets or liabilities classified as held-to-maturity, available-for-sale, loans and receivables and other financial liabilities. The Company is not exposed to significant market risk. The Company is not exposed to significant interest rate risk as the Company has no interest bearing debt. The Company's ability to raise capital to fund mineral resource exploration is subject to risks associated with fluctuations in mineral resource prices. Management closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined in Note 13.

The Company monitors its ability to meet its short-term administrative expenditures by matching investment income received to expenditures to be incurred, and by disposing its investments when required. All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms.

Foreign Exchange Risk

The Company's operations are transacted in Canadian dollar and are not exposed to significant foreign exchange risk.

Interest Rate Risk

The Company is not exposed to significant interest rate risk.

15. RISK MANAGEMENT

The Company is engaged primarily in mineral exploration and manages related industry risk issues directly. The Company may be at risk for environmental issues and fluctuations in commodity pricing. Management is not aware of and does not anticipate any significant environmental remediation costs or liabilities in respect of its current operations; however it is not possible to be certain that all aspects of environmental issues affecting the Company, if any, have been fully determined or resolved.

16. EVENTS OCCURRING AFTER THE REPORTING DATE

Nil