CONFEDERATION
MINERALS LTD.

Condensed Consolidated Interim Financial Statements

Second Quarter Ended December 31, 2012

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The accompanying unaudited interim financial statements of Confederation Minerals Ltd. for the six months ended December 31, 2012, have been prepared by the management of the Company and approved by the Company's Audit Committee and the Company's Board of Directors.

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indication that an auditor has not reviewed the financial statements.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

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

CONFEDERATION MINERALS LTD.
Condensed Consolidated Interim Statements of Financial Position
(Unaudited – Prepared by Management)

As at	Notes	December 31, 2012	June 30, 2012
		$	$
ASSETS			
Current assets			
Cash and cash equivalents		214,659	96,899
Short-term investment	3	4,026,285	8,962,775
Marketable securities	5	800,000	-
Prepaid expenses		18,695	35,417
HST/GST receivable		158,455	123,133
Total current assets		5,218,094	9,218,224
Non-current assets			
Exploration and evaluation assets	6	9,237,430	8,706,134
Intangible assets		-	455,422
Total non-current assets		9,237,430	9,161,556
Total assets		14,455,524	18,379,780
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		156,045	514,391
Income tax payable		39,761	518,223
Total current liabilities		195,806	1,032,614
Total liabilities		195,806	1,032,614
EQUITY			
Equity attributable to shareholders			
Share capital	5, 7	18,993,270	19,581,335
Reserves	7	2,418,614	3,078,871
Deferred share based payment		(27,258)	(39,838)
Accumulated deficit		(7,498,595)	(6,221,380)
Accumulated other comprehensive income (loss)		373,687	(3,442)
Non-controlling interest		-	951,620
Total equity		14,259,718	17,347,166
Total liabilities and equity		14,455,524	18,379,780

Nature of Operations and Continuance of Operation 1

These consolidated financial statements are authorised for issue by the Board of Directors on March 1, 2013. They are signed on the Company's behalf by:

On behalf of the Board:

"Brian Bapty" Director *"Lawrence Dick"* Director
Brian Bapty Lawrence Dick

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

CONFEDERATION MINERALS LTD.
Condensed Consolidated Interim Statements of Operation and Comprehensive Loss
(Unaudited – Prepared by Management)

	Notes	Three months ended December 31, 2012	Three months ended December 31, 2011	Six months ended December 31, 2012	Six months ended December 31, 2011
		$	$	$	$
General and administrative expenses					
Bank charges and interest		201	178	1,010	374
Consulting fees	8	209,899	216,650	439,826	426,165
Filing fees		16,064	14,960	27,695	22,703
Foreign exchange loss (gain)		573	42	796	42
Insurance		17,207	2,268	32,981	4,199
License and permits		(28,386)	-	(28,103)	-
Meals and entertainment		4,981	3,146	10,195	8,564
Office expenses		41,821	2,948	60,496	7,498
Professional fees		219,751	45,023	279,170	48,380
Project investigation		645	-	645	-
Rent		4,001	-	8,501	-
Shareholder information		10,865	15,904	22,739	20,036
Share-based payments		39,842	(21,989)	62,544	144,589
Transfer agent fees		3,945	2,561	5,651	5,686
Travel and accommodation		31,883	5,118	45,796	20,291
Wages	8	81,819	-	167,125	-
		(655,111)	(286,809)	(1,137,067)	(708,527)
Loss on assets held for distribution		(654,329)	-	(654,329)	-
Interest and miscellaneous income		9,943	22,474	33,987	51,957
Loss before income tax		(1,299,497)	(264,335)	(1,757,409)	(656,570)
Income tax (expenses) recovery		342,123	-	351,508	-
Loss from continuing operations		(957,374)	(264,335)	(1,405,901)	(656,570)
Loss from discontinued operations		-	(2,753)	-	(23,956)
Loss for the period		(957,374)	(267,088)	(1,405,901)	(680,526)
Loss attributable to:					
Shareholders of the Company		(883,416)	-	(1,277,215)	-
Non-controlling interest		(73,958)	-	(128,686)	-
		(957,374)	-	(1,405,901)	-
Other comprehensive income (loss)					
Items that may be reclassified into profit and loss					
Foreign currency translation difference from discontinued operations		-	17	-	17
Loss and comprehensive loss for the period		(957,374)	(267,088)	(1,405,901)	(680,526)
Loss per share, basic and diluted		(0.02)	(0.01)	(0.02)	(0.02)
Weighted average common shares outstanding - basic and diluted		55,206,793	45,174,993	55,167,662	44,953,520

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

CONFEDERATION MINERALS LTD.
Condensed Consolidated Interim Statements of Cash Flows
(Unaudited – Prepared by Management)

For the Six Months Ended December 31,	2012	2011
	$	$
Cash provided by (used in):		
Operating activities		
Net loss for the period	(1,405,901)	(680,526)
Items not involving cash:		
Share-based payments	62,544	144,589
Loss/(gain) on disposal of short-term investment	-	18,255
Future income tax expense	-	1,282
Loss on assets held for distribution	654,329	-
Deferred income tax expense (recovery)	(351,508)	-
Changes in non-cash working capital:		
Receivables	(79,683)	(239,804)
Prepaid expenses	(8,663)	3,431
Accounts payable and accrued liabilities	(302,982)	(92,716)
Loan receivable	-	70,000
Proceeds from discontinued operation	-	(20,078)
	(1,431,864)	(795,567)
Investing activities:		
Deconsolidation of Magna Resources Ltd.	(54,898)	-
Sale (purchase) of short-term investment	4,006,453	4,683,524
Exploration and evaluation assets and intangible assets	(2,400,083)	(4,546,372)
Proceeds from discontinued operation	-	(112,019)
	1,551,472	25,133
Financing activities:		
Proceeds from shares issued	-	339,795
Proceeds from discontinued operation	-	86,180
	-	425,975
Net change in cash and cash equivalents	119,608	(344,459)
Effect of exchange rate changes on cash	(1,848)	-
Cash and cash equivalents, beginning of period	96,899	685,229
Cash and cash equivalents, end of period	214,659	340,770

Supplementary cash flow information (Note 10)

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

CONFEDERATION MINERALS LTD.
Condensed Consolidated Interim Statements of Changes in Equity
(Unaudited – Prepared by Management)

	Common Shares Number of Shares	Amount	Reserves	Deferred Share Based Payment	Deficit	Accumulated Other Comprehensive Income (Loss)	Non-Controlling Interest	Total Shareholder`s Equity
		$	$	$	$	$		$
Balance on June 30, 2011	44,350,121	14,792,879	1,209,800	(64,998)	(3,009,535)	(19,159)	-	12,908,987
Common shares issued:								
Issuance of shares for Newman Property	100,000	47,000	-	-	-	-	-	47,000
Share-based payment	-	-	132,009	12,580	-	-	-	144,589
Exercise of purchase warrants	660,500	297,225	-	-	-	-	-	297,225
Exercise of agent's Warrants	94,600	42,570	-	-	-	-	-	42,570
Fair value on agents warrants issued	-	12,787	(12,787)	-	-	-	-	-
Loss for the period	-	-	-	-	(680,526)	-	-	(680,509)
Other comprehensive income (loss)				-	-	17		17
Balance - December 31, 2011	45,205,221	15,192,461	1,329,022	(52,418)	(3,690,061)	(19,142)	-	12,759,879
Balance on June 30, 2012	55,128,532	19,581,335	3,078,871	(39,838)	(6,221,380)	(3,442)	951,620	17,347,166
Common shares issued:								
Issuance of shares for Newman Property	150,000	46,500	-	-	-	-	-	46,500
Share-based payment	-	-	49,964	12,580	-	-	-	62,544
Distribution of Magna shares	-	(634,565)	-	-	-	-		(634,565)
Loss for the year	-	-	-	-	(1,277,215)	-	-	(1,277,215)
Other comprehensive income (loss)	-	-	-	-	-	373,687	-	373,687
Deconsolidation of Magna Resources Ltd.		-	(710,221)	-	-	3,442	(951,620)	(1,658,399)
Balance - December 31, 2012	55,278,532	18,993,270	2,418,614	(27,258)	(7,498,595)	373,687	-	14,259,718

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

1. NATURE OF OPERATIONS AND CONTINUANCE OF OPERATIONS

The Company was incorporated on November 3, 2005 under the Business Corporations Act (British Columbia) as "Medina Ventures Inc.", changed its name to "Sienna Minerals Ltd." on April 26, 2006 and changed its name to Confederation Minerals Ltd. on April 11, 2007. The Company's principal business activity is the exploration of exploration and evaluation assets.

The Company is in the process of exploring its exploration and evaluation assets and has not yet determined whether its exploration and evaluation assets contain mineral reserves that are economically recoverable. The Company's continuing operations, and the recoverability of the amounts shown for exploration and evaluation assets are entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its exploration and evaluation assets, and on future profitable production or proceeds from the disposition of the exploration and evaluation assets.

The business of exploring for and mining of exploration and evaluation assets involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations.

The financial information is presented in Canadian Dollars (CDN$), which is the functional currency of the Company.

The head office and principal address of the Company are located at Suite 1980, 1075 West Georgia Street, Vancouver, British Columbia, V6E 3C9.

2. BASIS OF PRESENTATION

Statement of compliance

These condensed consolidated interim financial statements for the six months ending December 31, 2012 have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), on a basis consistent with the significant accounting policies disclosed in note 2 of the most recent annual consolidated financial statements as at and for the year ended June 30, 2012 as filed on SEDAR at www.sedar.com. These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and were approved and authorized for issue by the Board of Directors on March 1, 2013.

Basis of measurement

These condensed consolidated interim financial statements have been prepared on a historical cost basis, except for financial instruments classified as at fair value through profit or loss ("FVTPL") and available-for-sale that have been measured at fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

2. BASIS OF PRESENTATION (continued)

Critical accounting estimates and assumptions

The preparation of consolidated interim financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. Financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both the current and future periods.

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Significant assumptions about the future and other sources of estimation uncertainty that management has made at the balance sheet date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

(a) The purchase price allocation. Business acquisitions are accounted for by the acquisition method of accounting whereby the purchase price is allocated to the assets acquired and the liabilities assumed based on fair value at the time of the acquisition. The excess purchase price over the fair value of identifiable assets and liabilities acquired, if any, is goodwill. The determination of fair value often requires management to make assumptions and estimates. The assumptions and estimates with respect to determining the fair value of property, plant and equipment acquired generally require a high degree of judgment. Changes in the assumptions or estimates used in determining the fair value of acquired assets and liabilities could impact the amounts assigned to assets, liabilities and goodwill, if any, in the purchase price allocation.

(b) The inputs used in accounting for share purchase option expense in the consolidated interim statements of operations and comprehensive loss.

(c) The provision for income taxes which is included in the consolidated statements of operations and comprehensive loss and composition and quantification of deferred income tax assets and liabilities included in the consolidated statements of financial position.

(d) The recoverability of exploration and evaluation assets in the consolidated statements of financial position.

2. BASIS OF PRESENTATION (continued)

New Accounting Standards and Interpretations

The following standards have been issued but are not yet effective. They may result in future changes to accounting policies and other note disclosures.

(a) IFRS 9, Financial Instruments

IFRS 9 Financial Instruments is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2015.

(b) IFRS 10, Consolidated Financial Statements

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 provides additional guidance to assist in the determination of control where this is difficult to assess. The Company is yet to assess the full impact of IFRS 10 is required to adopt the standard no later than the accounting period beginning on or after January 1, 2013

(c) IFRS 11, Joint Arrangements

IFRS 11 describes the accounting for arrangements in which there is joint control; proportionate consolidation is not permitted for joint ventures (as newly defined). IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC 13 Jointly Controlled Entities — Non-Monetary Contributions by Venturers. The Company has yet to assess the full impact of IFRS 11 and is required to adopt the standard no later than the accounting period beginning on or after January 1, 2013.

(d) IFRS 12, Disclosure of Interests in Other Entities

IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Company has yet to assess the full impact of IFRS 12 and is required to adopt the standard no later than the accounting period beginning on or after January 1, 2013

(e) IFRS 13 Fair Value Measurement

IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. . The Company has yet to assess the full impact of IFRS 13 and is required to adopt the standard no later than the accounting period beginning on or after January 1, 2013.

(f) IFRS 7, Financial Instruments: Disclosures

Amendments to IFRS 7, provides disclosure requirements for the offsetting of a financial asset and financial liabilities when offsetting is permitted under IFRS. The disclosure amendments are required to be adopted retrospectively for periods beginning January 1, 2013.

2. BASIS OF PRESENTATION (continued)

(g) IAS 19 – Employee Benefits

Amendments to IAS 19 provide new requirements for the accounting for defined benefit pension plans. Most notably, the amendments mandate the immediate recognition of actuarial gains and losses, and require companies to use the same discount rate for both the defined benefit obligation and the expect asset return when calculating the interest component of pension expense. The Company does not believe the adoption of IAS 19 will materially affect its financial performance or its financial position.

(h) IAS 32 – Financial Instruments: Presentation

Amendments to IAS 32 provide specific guidance for when an entity can offset financial assets and liabilities by clarifying when a legally enforceable right to do so exists, and when an entity meets the criterion for the intent to settle on a net basis. These amendments are effective for annual periods beginning after January 1, 2014. The Company does not believe the amendments to IAS 32 will materially affect its financial performance or its financial position.

3. SHORT-TERM INVESTMENT

As at December 31, 2012, the Company has short-term investment of $4,026,285 of principal including $36,285 of interest with a further $12,733 of interest due on January 17, 2013. The short-term investment has an annual yield of prime minus 1.8% (June 30, 2012 - $7,440,000).

4. BUSINESS ACQUISITION

On November 21, 2011, the Company and Magna Resources Ltd. ("Magna") signed a purchase and sale agreement whereby the Company sold to Magna the 50% interest in American Potash LLC then held by the Company ("Purchase and Sale Transaction"). Under the terms of the agreement Magna completed a 2 for 1 subdivision of its outstanding common shares, resulting in the Magna having 22,420,000 common shares being issued and outstanding immediately prior to closing of the Purchase and Sale Transaction.

As consideration for the purchase, Magna issued 22,420,000 common shares (the "Magna Shares") and 2,400,000 common share purchase warrants of Magna ("Purchase Consideration"). Each warrant entitles the Company to purchase a further common share at a price of $0.10 until February 25, 2016. Under IFRS 3, the Magna Shares were measured using the acquisition-date fair value. As a result, a discount from the deemed value of $0.20 per share has been applied due to a lack of marketability of Magna's shares which resulted in the fair value of the Magna Shares being determined at $0.06 per share.

On January 19, 2012 the Purchase and Sale Transaction was completed. As a result of the Purchase and Sale Transaction, the Company effectively controlled Magna and Magna holds a 100% interest in American Potash, which holds potash leases and an option in respect of potash lease applications in the State of Utah.

(Expressed in Canadian Dollars)

4. BUSINESS ACQUISITION (continued)

The Purchase and Sale Transaction was accounted for in accordance with IFRS 3, Business Combination, and the Company is considered to be the accounting acquirer. The purchase price allocation is listed below:

Consideration	$
Fair value of 50% interest in American Potash	1,299,200
	1,299,200
Fair Value of Net Asset Acquired	
Receivables	12,413
Prepaid	10,095
Bank indebtedness	(27,648)
Trade and other payables	(223,132)
Loan	(296,611)
Exploration and evaluation costs	2,801,633
Intangiable assets	322,810
Non-controlling interest	(1,300,360)
	1,299,200

The fair value of the 50% interest of American Potash is determined based on the fair value of the Purchase Consideration on January 19, 2012. Any goodwill recognized on acquisition is attributed to the expected value of the potash properties held by American Potash and is included in exploration and evaluation assets. The non-controlling interest is measured based on the fair value of shares of Magna held by non-controlling shareholders right after this transaction.

Magna contributed to revenue of $Nil and loss of $859,817 to the Company's result from January 20, 2012 to June 30, 2012.

Acquisition related cost of $86,000 is reported as legal expenses in the June 30, 2012 consolidated statements of operation and comprehensive loss.

In addition to Purchase and Sale Transaction, the Company subscribed for 6,666,666 common shares of Magna at $0.30 per share for gross proceeds to Magna of $2,000,000. As at September 30, 2012, Magna has an aggregate of 51,506,666 common shares and 4,800,000 common share purchases warrants exercisable at $0.10 per share issued and outstanding (on a non-diluted basis) and the Company holds 56.47% of the shares and 50% of the warrants in Magna.

Prior to the completion of the Purchase and Sale Transaction on January 19, 2012, the assets and liabilities relating to the 50% interest in American Potash are presented as assets and liabilities held for sale by the Company.

(Expressed in Canadian Dollars)

5. ASSETS HELD FOR DISTRIBUTION TO SHAREHOLDERS

On December 19, 2012, the Company received an order from the Supreme Court of British Columbia approving the distribution (the "Distribution") of 21,086,656 common shares (the "Magna's Shares") in the share capital of Magna Resources Ltd. ("Arrangement"), being an approximate 40.94% interest in Magna, on a pro rata basis to the Company's shareholders. Upon completion of the Distribution, the Company's ownership interest in Magna decreased from approximately 56.47% to approximately16%. As of December 19, 2012, the Company determined that it no longer controlled Magna, and, as a result, would no longer consolidate the operations of Magna. As a result, the Company derecognized the carrying amounts of assets, liabilities and non-controlling interest related to Magna and recognized its retained investment in Magna at its fair value as at the date of deconsolidation of Magna. The difference between the fair and carrying values at the date of deconsolidation was recorded as a loss of $654,329 on the statement of operations and comprehensive loss, as the Company was required to recognize the fair value of the Magna's net assets which had a book value of $1,982,280 and contributed surplus of $710,221 and accumulated comprehensive income of $16,834. The fair value was based on 40.94% of fair market value of Magna. The spin out was accounted for as a return of capital with a $634,564 charge to share capital.

The fair value of the Magna shares transferred under the Distribution is summarized in the table below:

	December 19, 2012 $
Cash	54,897
Short term investment	930,037
Prepaid	25,123
Accounts receivable	44,368
Intangibles	659,278
Mineral Properties	96,667
Accounts payable and accrued liabilities	(260,370)
Fair value of the Magna's net assets	**1,550,000**
Fair value of the net assets distributed to shareholders	**634,564**

The fair value of the 8,000,000 shares retained by the Company was valued at $426,313 and recognized as marketable securities designated as available-for-sale instruments. During the period ended December 31, 2012, the Company recognized an unrealized holding gain of $373,687 (June 30, 2012 - $nil).

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS

The exploration and evaluation assets of the Company are comprised as follows:

	June 30, 2011	Change	June 30, 2012	Change	December 31, 2012
	$	$	$	$	$
Newman Todd Project	2,358,837	4,627,655	6,986,492	2,250,938	9,237,430
Green River Potash	-	1,719,642	1,719,642	9,748	1,729,390
Deconsolidation	-	-	-	(9,748)	(1,729,390)
	2,358,837	6,347,297	8,706,134	2,250,938	9,237,430

Newman Todd Project

	June 30, 2011	Change	June 30, 2012	Change	December 31, 2012
	$	$	$	$	$
Acquisition					
Cash payments	166,250	50,000	216,250	75,000	291,250
Share issuance	197,250	47,000	244,250	46,500	290,750
	363,500	97,000	460,500	121,500	582,000
Deferred exploration expenditure					
Advance payment	200,000	-	200,000	-	200,000
Assays and reports	114,354	717,252	831,606	225,928	1,057,534
Camp construction	38,662	65,394	104,056	5,565	109,621
Drilling	659,160	2,100,468	2,759,628	963,880	3,723,508
Equipment installation	101,950	-	101,950	-	101,950
Field expenses	366,700	387,380	754,080	173,816	927,896
General administration	5,597	23,736	29,333	9,518	38,851
Surveys	7,068	-	7,068	-	7,068
Geological consulting	422,483	1,011,963	1,434,446	640,745	2,075,191
Permitting	686	1,237	1,923	-	1,923
Reclamation	-	10,000	10,000	-	10,000
Travel and Accommodation	78,677	213,225	291,902	109,986	401,888
	1,995,337	4,530,655	6,525,992	2,129,438	8,655,430
	2,358,837	4,627,655	6,986,492	2,250,938	9,237,430

Pursuant to an option agreement dated November 19, 2010 with Redstar Gold Corp. (“Redstar”), the Company was granted an option to acquire up to 70% of Redstar’s Newman Todd project (the “Newman Todd Project”), located in the Red Lake Mining District of Northern Ontario.

To exercise the option to earn an initial 50% interest, the Company is required to incur a cumulative of $5,000,000 of work expenditures on the Property, issue to Redstar a total of 500,000 shares of the Company and make payments to Redstar totalling $250,000 in the following manner:

6. EXPLORATION AND EVALUATION ASSETS (continued)

(a) 100,000 shares (issued) and a $50,000 payment (paid) within 10 business days of approval of the Agreement by the TSX Venture Exchange (December 22, 2010);

(b) work expenditures of $2,000,000 (incurred), 100,000 shares (issued) and a further $50,000 payment (paid) on or before the first anniversary of the Agreement;

(c) further work expenditures of $1,500,000 (incurred), a further 150,000 shares (issued) and a further $75,000 payment (paid) on or before the second anniversary of the Agreement; and

(d) further expenditures of $1,500,000 (incurred), a further 150,000 shares and a further $75,000 payment on or before the third anniversary of this Agreement.

To exercise the option to earn a further 20% interest, thereby increasing its overall interest to 70%, the Company will be required to produce, at its own cost, a preliminary assessment of the Property and issue a further 500,000 shares to Redstar on or before the sixth anniversary of the Agreement, subject to minimum annual expenditures of $250,000 during the last three years of the option period. The parties also have agreed to form a joint venture following the exercise of the option by the Company. The Property is subject to a two percent net smelter return and a fifteen percent net carried interest. The latter interest does not receive payment until capital expenditures have been recovered with interest. A finder's fee of $132,500 was paid with respect to the Newman Todd project by cash of $66,250 and issuance of 228,448 shares at a fair value of $0.29.

On April 14, 2011, the Company and Redstar entered into a purchase agreement with Ronald Gangloff ("Gangloff") to purchase a fifty percent (50%) interest in 18 mineral claims immediately adjacent to the Newman Todd Project. Of the 50% interest acquired, the Company has acquired an undivided 35% interest in the claims for a sum of $50,000 (paid May 25, 2011) and 125,000 shares (issued May 12, 2011) and Redstar acquired an undivided 15% interest in the claims for the sum of $70,000.

Confederation Lake (Mitchell & Belanger) Claims, Ontario

On February 10, 2006, as amended on August 31, 2006, December 14, 2006, February 10, 2009 and March 23, 2010, the Company entered into an option agreement to acquire a 100% interest in 26 mining claims (184 units) located in the Red Lake Mining District of Ontario by making cash payments of $70,500 (paid) and issuing 430,000 shares (issued) to Rubicon Minerals Corporation and Perry English.

Although the Company still holds the claims, during the year ended June 30, 2011, management decided to abandon these claims for accounting purposes and wrote off $660,583 costs incurred to date.

(Expressed in Canadian Dollars)

7. SHARE CAPITAL

a) Authorized:

Unlimited common shares with no par value

b) Issued Share Capital:

On December 31, 2012, there were 55,278,532 common shares issued and outstanding (June 30, 2012 – 55,128,532).

c) Common Shares:

On October 27, 2011, the Company issued 100,000 common shares for the Newman Todd project at a fair value of $0.47 per share. See Note 5 for details.

On November 13, 2012, the Company issued 150,000 shares at a fair value of $0.31 per share for the Newman Todd project. See Note 5 for details.

d) Escrow Shares

As at December 31, 2012 and June 30, 2012, all shares have been released from escrow.

e) Reserves

Reserves comprise the fair value of stock option grants and warrants prior to exercise. The following is a summary of changes in reserves from June 30, 2011 to December 31, 2012.

	$
Balance, June 30, 2011	1,209,800
Fair value of agent warrants exercised	(74,092)
Residual value applied on exercise of warrants	(34,480)
Share-based compensation	1,977,643
Balance, June 30, 2012	3,078,871
Share-based compensation	49,964
Deconsolidation of Magna Resources Ltd.	(710,221)
Balance, December 31, 2012	2,418,614

f) Stock Options

The Company has a stock option plan whereby the Company is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. Under the plan, the exercise price of each option will not be less than the discounted market price of the common shares as permitted by the TSX Venture Exchange policies. The options can be granted for a maximum term of 5 years.

7. SHARE CAPITAL (continued)

e) Stock Options (continued)

Fiscal 2012

On July 25, 2011, 150,000 incentive stock options were granted to an officer, exercisable at $0.84 per share on or before July 25, 2016, 100% vesting immediately. A total of $99,049 of share-based payment was recorded during the year ended June 30, 2012 for these options.

On January 1, 2012, the Company engaged a consultant to perform investor relations services. The Company granted the consultant 150,000 options, exercisable at $0.47 per share on or before January 1, 2014, with 8.33% vesting each month. The investor relation agreement was terminated on May 1, 2012 and the entire 150,000 options were forfeited on June 1, 2012. A total of $17,266 of share-based payment was recorded during the year ended June 30, 2012 for these options.

On January 30, 2012, the Company granted stock options, exercisable to purchase up to an aggregate of 2,000,000 shares of the Company, to directors and consultants of the Company. The options are all exercisable at the price of $0.57 per share until January 30, 2017. All options were vested immediately at grant date. A total of $947,925 of share-based payment was recorded during the year ended June 30, 2012 for these options.

On March 16, 2012, 400,000 incentive stock options were granted to an officer, exercisable at $0.54 per share on or before March 16, 2017, 100% vesting immediately. A total of $183,445 of share-based payment was recorded during the year ended June 30, 2012 for these options.

Fiscal 2013

On September 1, 2012, 200,000 incentive stock options were granted to a consultant, exercisable at $0.45 per share on or before September 1, 2014, with 25% vesting every 3 months. The exercise price is greater than the market price at the date of grant. Using the graded vesting method, a total of $16,912 of share-based payment was recorded to date.

Option-pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Changes in the underlying assumptions can materially affect the fair value estimates and therefore in management’s opinion, existing models do not necessarily provide a reliable measure of the fair value of the Company’s stock options.

(Expressed in Canadian Dollars)

7. SHARE CAPITAL (continued)

f) Stock Options (cont'd...)

The continuity of stock options for the period ended December 31, 2012 is as follows:

	Number of Options Outstanding	Weighted Average Exercise Price ($)
Balance, June 30, 2011	2,500,000	0.46
Granted, exercisable on or before July 25, 2016	150,000	0.84
Granted, exercisable on or before January 1,2014	150,000	0.47
Granted, exercisable on or before January 30,2017	2,000,000	0.57
Granted, exercisable on or before March 16,2017	400,000	0.54
Forfeited	(150,000)	0.47
Balance, June 30, 2012	**5,050,000**	**0.52**
Granted, exercisable on or before September 1, 2014	200,000	0.45
Forfeited	(200,000)	0.45
Balance December 31, 2012	**5,050,000**	**0.52**

The options outstanding and exercisable at December 31, 2012, are as follows:

Number Outstanding	Weighted Average Exercise Price ($)	Weighted Average Remaining Contractual Life (Years)	Number Outstanding	Weighted Average Exercise Price ($)	Weighted Average Remaining Contractual Life (Years)
350,000	0.25	0.54	350,000	0.25	0.54
300,000	0.25	2.88	300,000	0.25	2.88
1,050,000	0.45	3.09	1,050,000	0.45	3.09
250,000	0.69	3.16	250,000	0.69	3.16
100,000	1.04	0.30	100,000	1.04	0.30
250,000	0.60	0.45	250,000	0.60	0.45
150,000	0.84	3.56	150,000	0.84	3.56
2,000,000	0.57	4.08	2,000,000	0.57	4.08
400,000	0.54	4.21	400,000	0.54	4.21
200,000	0.45	1.67	100,000	0.45	1.67
5,050,000	0.52	3.16	4,950,000	0.52	3.16

(Expressed in Canadian Dollars)

7. SHARE CAPITAL (continued)

The fair value of share options awarded to officers, directors and consultants was estimated on the dates of award using the Black-Scholes option pricing model with the following assumptions:

	2012	2011
Risk-free interest rate (%)	1.07-1.15	1.03-1.74
Expected dividend yield (%)	-	-
Expected stock price volatility (%)	104.57-125.24	121.91-141.76
Expected life (years)	2	3-5
Weighted average grant date fair value ($)	0.21	0.48

f) Warrants

The continuity of warrants for the period ended December 31, 2012 is as follows:

	Number of Warrants	Weighted Average Exercise Price ($)
Balance, June 30, 2011	20,588,691	0.62
Exercised	(10,678,411)	0.43
Expired	(2,631,681)	0.11
Balance June 30, 2012	**7,278,599**	**0.96**
Expired	(7,278,599)	0.96
Balance December 31, 2012	**-**	**-**

(Expressed in Canadian Dollars)

8. RELATED PARTY TRANSACTIONS

The aggregate value of transactions and outstanding balances relating to key management personnel and entities which they have control or significant influence were as follows:

Services provided by:	Notes	Three months ended December 31, 2012	Three months ended December 31, 2011	Six months ended December 31, 2012	Six months ended December 31, 2011
		$	$	$	$
Lawrence Dick	(a)	30,000	30,000	60,000	60,000
Brian Bapty	(b)	37,750	-	75,000	-
Primarius Capital Corp.	(c)	30,000	30,000	60,000	60,000
Baron Global Financial Canada Ltd.	(d)	30,000	30,000	60,000	60,000
St. Cloud Mining Services Inc.	(e)	-	-	30,000	-
Compensation benefits to key management	(f)	-	-	-	99,049

(a) Lawrence Dick, the CEO of the Company provided management services throughout the year.
(b) Brian Bapty, the President of the Company received management salaries for the year.
(c) Primarius Capital Corp. is a privately held corporation controlled by a director, which provides consulting services to the Company.
(d) Pursuant to a management and advisory agreement with Baron Global Financial Canada Ltd. ("Baron"), Baron agreed to act as corporate advisor and Chief Financial Officer of the Company in return for a monthly fee. During the period, the Company paid $30,000 in management fees and $4,680 in geological consulting fees to Baron.
(e) St. Cloud Mining Services Inc. is a privately held corporation controlled by a director of Magna, who provided consulting services to the Company.

Related party payables:

	December 31, 2012	June 30, 2012
	$	$
Lawrence Dick	-	926
Brian Bapty	2,160	18,082
Baron Global Financial Canada Ltd.	2,160	2,563
Kenneth Holmes	291	-

9. LOSS PER SHARE

The calculation of the basic and diluted loss per share for the period ended December 31 2012 and 2011 were as follows:

	Three months ended December 31, 2012	Three months ended December 31, 2011	Six months ended December 31, 2012	Six months ended December 31, 2011
Loss for the period	($883,416)	($267,088)	($1,277,215)	($680,526)
Weighted average number of common shares outstanding	55,206,793	45,174,993	55,167,662	44,953,520
	($0.02)	($0.01)	($0.02)	($0.02)

(Expressed in Canadian Dollars)

10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS:

Supplementary disclosure of non-cash investing and financing activities during the six months ended December 31, 2012 and 2011 were as follows:

For the Six Months Ended December 31,	2012	2011
	$	$
Reallocation of fair value on warrants exercised	-	12,787
Shares issued for exploration and evaluation asset payment	46,500	47,000
Mineral property expenditures included within accounts payable	110,085	260,895
Distribution of assets of Magna Resources Ltd.	634,565	-

11. COMMITMENTS

On March 1, 2012 the Company entered into four consulting agreements with four different third parties to provide business consulting services. Each of the four consultants will be paid a monthly fee of $10,000 for an indefinite term. On October 1, 2012 one of the consulting agreements was terminated.

On February 1, 2012, the Company entered into a 12 month management and advisory agreement with Baron Global Financial Canada Ltd. (“Baron”), whereby Baron agreed to act as corporate advisor and CFO of the Company in return for a monthly fee of $10,000. The CFO of the Company is also a Senior Manager at Baron.

On February 1, 2011, the Company entered into a consulting agreement with a third party to provide corporate communications services. The consultant was paid a monthly fee of $4,000. The agreement expired on July 31, 2012. A new agreement was signed on September 1, 2012. The agreement has a term of 12 months and may be renewed. The consultant was paid a monthly fee of $2,500 per month under the new agreement.

On May 15, 2011, the Company entered into a consulting agreement with a third party to provide corporate communications services for $15,000 per month. The term of the agreement was for 6 months but has been continued on a month to month basis.

12. SEGMENTAL INFORMATION

The Company has one reportable operating segment, being the acquisition and exploration of exploration and evaluation assets.