

# Condensed Consolidated Interim Financial Statements of



Three months ended March 31, 2013 and 2012  
(Unaudited)

# Oracle Mining Corp.

March 31, 2013

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# Oracle Mining Corp.

## Condensed consolidated interim statements of operations and comprehensive loss (In thousands of US dollars, except share amounts, unaudited)

	Three months ended March 31,	
	2013	2012
	\$	\$
<b>Operating costs</b>		
General and administration expenses (Note 12)	1,278	2,128
Exploration and evaluation expenditures (Note 13)	2,628	2,715
<b>Loss from operations</b>	<b>(3,906)</b>	(4,843)
Other expenses (income)		
Foreign exchange (gain) loss	(126)	38
Financing charges	7	47
Interest income	(15)	(39)
Other	28	-
<b>Net loss</b>	<b>(3,800)</b>	(4,889)
<b>Other comprehensive income</b>		
Exchange differences on translating foreign operations	(204)	150
	(204)	150
<b>Total comprehensive loss</b>	<b>(4,004)</b>	(4,739)
Loss per share		
Basic and diluted	(0.08)	(0.14)
Weighted average number of shares outstanding		
Basic and diluted	49,034,070	34,176,927

# Oracle Mining Corp.

## Condensed consolidated interim statements of financial position

(In thousands of US dollars, unaudited)

	March 31, 2013	December 31, 2012
	\$	\$
<b>Assets</b>		
Current assets		
Cash and cash equivalents	5,428	11,051
Marketable securities	202	252
Prepaid expenses	92	65
Other receivables	372	487
	<b>6,094</b>	11,855
Non-current assets		
Plant and equipment (Note 5)	885	938
Mineral properties (Note 6)	13,962	13,969
Reclamation bond (Note 7)	831	-
<b>Total assets</b>	<b>21,772</b>	<b>26,762</b>
<b>Liabilities</b>		
Current liabilities		
Trade and other payables	1,157	2,231
Income taxes payable	-	75
Promissory note payable	706	700
	<b>1,863</b>	3,006
Non-current liabilities		
Reclamation provision	215	221
Other long-term liabilities	305	305
<b>Total liabilities</b>	<b>2,383</b>	<b>3,532</b>
<b>Equity</b>		
Issued capital (Note 10 (b))	86,597	86,597
Warrant reserve	2,432	2,432
Share-based payment reserve (Note 10 (d))	7,124	6,961
Foreign currency translation reserve	829	1,033
Deficit	(77,593)	(73,793)
<b>Total equity</b>	<b>19,389</b>	<b>23,230</b>
<b>Total liabilities and equity</b>	<b>21,772</b>	<b>26,762</b>

Nature and continuance of operations (Note 1 and Note 8)

Contingencies and commitments (Note 14)

Approved and authorized for issue by the Directors on May 13, 2013.

**(Signed) Paul Eagland**

Paul Eagland, Director

**(Signed) Derek Price**

Derek Price, Director

# Oracle Mining Corp.

## Condensed consolidated interim statements of changes in equity

(in thousands of US dollars, unaudited)

	Issued capital		Reserves			Deficit	Total
	Shares	Amount	Warrant reserve	Share-based payment reserve	Foreign currency translation reserve		
		\$	\$	\$	\$	\$	\$
At December 31, 2011	31,434,070	69,619	1,924	5,878	869	(52,128)	26,162
Private placement, net of share issue costs of \$663 (Note 10 (b))	7,800,000	9,097	-	-	-	-	9,097
Share-based payment expense	-	-	-	377	-	-	377
Total comprehensive loss	-	-	-	-	150	(4,889)	(4,739)
At March 31, 2012	39,234,070	78,716	1,924	6,255	1,019	(57,017)	30,897
Private placement, net of share issue costs of \$367 (Note 10 (b))	9,800,000	7,881	-	-	-	-	7,881
Warrants issued on private placement, net of issue costs of \$23 (Note 10 (b))	-	-	508	-	-	-	508
Share-based payment expense	-	-	-	706	-	-	706
Total comprehensive loss	-	-	-	-	14	(16,776)	(16,762)
At December 31, 2012	49,034,070	86,597	2,432	6,961	1,033	(73,793)	23,230
Share-based payment expense (Note 10 (d))	-	-	-	163	-	-	163
Total comprehensive loss	-	-	-	-	(204)	(3,800)	(4,004)
At March 31, 2013	49,034,070	86,597	2,432	7,124	829	(77,593)	19,389

# Oracle Mining Corp.

## Condensed consolidated interim statements of cash flows

(in thousands of US dollars, unaudited)

	Three months ended March 31,	
	2013	2012
	\$	\$
<b>Operating activities</b>		
Net loss	(3,800)	(4,889)
Items not affecting cash		
Share-based payment expense (Note 10 (d))	163	377
Foreign exchange (gain) loss	(253)	55
Depreciation (Note 5)	67	52
Financing charges	7	47
Other	45	-
	<b>(3,771)</b>	<b>(4,358)</b>
Net changes in non-cash components of working capital (Note 15)	<b>(1,062)</b>	<b>(23)</b>
	<b>(4,833)</b>	<b>(4,381)</b>
<b>Financing activities</b>		
Private placement, net of share issue costs (Note 10 (b))	-	9,097
	-	9,097
<b>Investing activities</b>		
Reclamation bond (Note 7)	(831)	-
Additions to plant and equipment (Note 5)	(26)	(258)
	<b>(857)</b>	<b>(258)</b>
Effect of exchange rate changes on cash and cash equivalents	<b>67</b>	<b>92</b>
Net change in cash and cash equivalents	<b>(5,623)</b>	<b>4,550</b>
Cash and cash equivalents, beginning of period	<b>11,051</b>	<b>7,942</b>
<b>Cash and cash equivalents, end of period</b>	<b>5,428</b>	<b>12,492</b>
Cash and cash equivalents consist of:		
Cash	<b>5,313</b>	<b>6,572</b>
Short-term deposits	<b>115</b>	<b>5,920</b>
	<b>5,428</b>	<b>12,492</b>

# Oracle Mining Corp.

Notes to the condensed consolidated interim financial statements

March 31, 2013

(In US\$, tabular amounts in thousands, unless otherwise noted, unaudited)

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## 1. Nature and continuance of operations

Oracle Mining Corp. (the "Company" or "Oracle Mining"), is listed on the TSX under the symbol "OMN", and is incorporated under the Canada Business Corporations Act. The Company is a reporting issuer under the jurisdiction of British Columbia. Oracle Mining is engaged in the acquisition, exploration, development and exploitation of mineral resource projects.

The Company's head office, principal address and registered office is #1500-888 Dunsmuir Street, Vancouver, British Columbia, V6C 3K4.

In September 2010, the Company acquired the Oracle Ridge copper property near Tucson, Arizona. The Company has started exploration and development activities on this property. In accordance with the Company's accounting policy, all exploration and evaluation expenditures are expensed until such time as a technical feasibility study has been completed and commercial viability is demonstrable.

These condensed consolidated interim financial statements are prepared on the basis of a going concern which assumes the realization of assets and satisfaction of liabilities in the normal course of business. During the three months ended March 31, 2013, the Company incurred a net loss of \$3,800,000 and at March 31, 2013 has working capital of \$4,231,000. The continuation of the Company as a going concern is dependent on its ability to raise sufficient capital in the near term to fund ongoing operations and satisfy the Company's liabilities and commitments as they come due. These material uncertainties cast significant doubt upon the Company's ability to continue as a going concern. While the Company has been successful in raising capital in the past, there is no assurance it will be successful in closing transactions in the future. Refer to Note 8 and 9 for additional information.

## 2. Basis of preparation

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34 'Interim Financial Reporting' ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

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

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Judgments made by management in the application of IFRS that have a significant effect on the financial statements and estimates with significant risk of material adjustment in the current and following years are discussed in Notes 2(o) and 2(p) of the Company's audited consolidated financial statements for the year ended December 31, 2012.

The Board of Directors approved these condensed consolidated interim financial statements for issue on May 13, 2013.

# Oracle Mining Corp.

Notes to the condensed consolidated interim financial statements

March 31, 2013

(In US\$, tabular amounts in thousands, unless otherwise noted, unaudited)

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### 3. Summary of significant accounting policies

These condensed consolidated interim financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's December 31, 2012 consolidated annual financial statements. These condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2012.

### 4. New accounting standards and interpretations

The following standards became effective January 1, 2013. The adoption of these standards did not have a significant impact on the Company's condensed consolidated interim financial statements.

- *IFRS 10, Consolidated Financial Statements*: IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 supersedes IAS 27, *Consolidated and Separate Financial Statements*, and SIC-12, *Consolidation – Special Purpose Entities*.
- *IFRS 11, Joint Arrangements*: IFRS 11 establishes principles for financial reporting by parties to a joint arrangement. IFRS 11 supersedes current IAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly Controlled Entities-Non – Monetary Contributions by Venturers*.
- *IFRS 12, Disclosure of Interests in Other Entities*: IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity.
- *IFRS 13, Fair Value Measurements*: IFRS 13 defines fair value, sets out in a single IFRS framework for measuring value and requires disclosures about fair value measurements. The IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except in specified circumstances.
- *IAS 1 – Presentation of Financial Statements*: In June 2011, the IAS issued amendments to IAS 1 that requires an entity to group items presented in the statement of comprehensive income on the basis of whether they may be reclassified to earnings subsequent to initial recognition. For those items presented before taxes, the amendments to IAS 1 also require that the taxes related to the two separate groups be presented separately.
- *IAS 27, Separate Financial Statements*: IAS 27 has been updated to require an entity presenting separate financial statements to account for those investments at cost or in accordance with *IFRS 9 Financial Instruments*. The new IAS 27 excludes the guidance on the preparation and presentation of consolidated financial statements for a group of entities under the control of a parent, which is within the scope of the current IAS 27 *Consolidated and Separate Financial Statements*, and is replaced by IFRS 10.
- *IAS 28, Investments in Associates and Joint Ventures*: IAS 28 has been updated and it is to be applied by all entities that are investors with joint control of, or significant influence over, an investee. The scope of the current IAS 28 *Investments in Associates* does not include joint ventures.

# Oracle Mining Corp.

Notes to the condensed consolidated interim financial statements

March 31, 2013

(In US\$, tabular amounts in thousands, unless otherwise noted, unaudited)

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## 4. New accounting standards and interpretations (continued)

- *IFRIC 20 – Stripping Costs in the Production Phase of a Mine:* In October 2011, the IASB issued IFRIC 20 which clarifies the requirements for accounting for the costs of stripping activity in the production phase when two benefits accrue: (i) usable ore that can be used to produce inventory and (ii) improved access to further quantities of material that will be mined in future periods.
- *Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7):* On December 16, 2011 the IASB published new disclosure requirements jointly with the FAS that enables users of financial statements to better compare financial statements prepared in accordance with IFRS and US GAAP.

The following standards will become effective in 2014 and 2015 as noted below:

- *IAS 32 Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32):* On December 16, 2011 the IASB published amendments to IAS 32 Financial Instruments: Presentation to clarify the application of the offsetting requirements. The amendments are effective January 1, 2014, with earlier application permitted.
- *IFRS 9, Financial Instruments:* IFRS 9 introduces the new requirements for the classification, measurement and de-recognition of financial assets and financial liabilities. Specifically, IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortized cost or fair value, and all financial liabilities classified as subsequently measured at amortized cost except for financial liabilities as at FVTPL. The amendments are effective January 1, 2015, with earlier application permitted.

# Oracle Mining Corp.

Notes to the condensed consolidated interim financial statements

March 31, 2013

(In US\$, tabular amounts in thousands, unless otherwise noted, unaudited)

## 5. Plant and equipment

	Oracle Ridge equipment	Corporate office and other equipment	Total
	\$	\$	\$
<i>Cost</i>			
December 31, 2011	662	158	820
Additions	356	101	457
Disposals	(6)	(5)	(11)
Foreign exchange movement	-	3	3
December 31, 2012	1,012	257	1,269
Additions	26	-	26
Disposals	-	(10)	(10)
Foreign exchange movement	-	(3)	(3)
March 31, 2013	1,038	244	1,282

	Oracle Ridge equipment	Corporate office and other equipment	Total
	\$	\$	\$
<i>Accumulated depreciation</i>			
December 31, 2011	60	35	95
Additions	181	56	237
Disposals	(1)	1	-
Foreign exchange movement	-	(1)	(1)
December 31, 2012	240	91	331
Additions	52	15	67
Disposals	-	(1)	(1)
March 31, 2013	292	105	397

	Oracle Ridge equipment	Corporate office and other equipment	Total
	\$	\$	\$
<i>Carrying amounts</i>			
At December 31, 2012	772	166	938
At March 31, 2013	746	139	885

# Oracle Mining Corp.

Notes to the condensed consolidated interim financial statements

March 31, 2013

(In US\$, tabular amounts in thousands, unless otherwise noted, unaudited)

## 6. Mineral properties

	Oracle Ridge Copper Project (a)	Copper Moon Property (b)	Total
	\$	\$	\$
December 31, 2011	20,999	25	21,024
Net smelter return royalty (i)	(8,831)	-	(8,831)
Land exchange (ii)	1,706	-	1,706
Option payment (iii)	19	20	39
Change in reclamation costs	31	-	31
December 31, 2012	13,924	45	13,969
Change in reclamation costs	(7)	-	(7)
<b>March 31, 2013</b>	<b>13,917</b>	<b>45</b>	<b>13,962</b>

### (a) Oracle Ridge copper project

#### (i) Net Smelter Return Royalty (the "NSR Royalty")

In November 2012, the Company entered into a royalty agreement, an offtake agreement and a concurrent private placement (collectively the "Investment Agreements") with MF2 Investment Company 1LP, Bermuda LP ("MF2"). Pursuant to the terms of the Investment Agreements, the Company completed a private placement of 9,800,000 units as described in Note 10(b), agreed to sell 100% of the Oracle Ridge copper project's future copper production to MF2 at market prices and completed the sale of a 3% NSR Royalty on the Oracle Ridge copper property, for aggregate net proceeds of \$17,610,000, after reduction for various fees specified in the Investment Agreements.

The net proceeds were allocated to the respective elements of the Investment Agreements based on their estimated fair value as follows:

NSR Royalty	\$ 8,831,000
Issue Capital (Note 10(b))	8,248,000
Warrant Reserve (Note 10(b))	531,000
<b>Total</b>	<b>\$17,610,000</b>

The NSR Royalty has been recorded as a reduction in the carrying value of mineral properties.

#### (ii) Land Exchange Agreement ("Exchange Agreement")

In December 2012, the Company entered into an Exchange Agreement with Pima County of Arizona (the "County"). Under the terms of the Exchange Agreement, the Company agreed to exchange land that it had purchased from a third party (the "Exchange Property") for land owned by the County. The County land provides key access between the mine site and tailings area.

The Company purchased the Exchange Property for a total price of \$1,700,000 of which \$1,000,000 was paid in cash and \$700,000 issued in the form of a promissory note which matures on December 21, 2013 and bears interest at US prime rate and is payable in full at maturity. The Company also incurred approximately \$6,000 in transaction costs which has been capitalized to the property.

# Oracle Mining Corp.

Notes to the condensed consolidated interim financial statements

March 31, 2013

(In US\$, tabular amounts in thousands, unless otherwise noted, unaudited)

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## 6. Mineral properties (continued)

### (a) Oracle Ridge copper project (continued)

#### (iii) Option Payment

In August 2011, the Company entered into an operating lease agreement for additional land adjacent to the Oracle Ridge copper property. The lease is for a term of 15 years and requires annual payments of \$19,200, with two additional five year option periods on similar terms. The Company paid an initial non-refundable payment of \$57,600 upon execution of the lease. During 2012, the Company paid the annual lease payment of \$19,200.

### (b) Copper Moon Property

In June 2011, the Company entered into an option agreement to acquire a 100% interest in a mineral property in Colorado, USA. Under the terms of the agreement, the Company is required to make the following payments to keep the option in good standing: a cash payment of \$20,000 on or before June 29, 2013, and a cash payment of \$500,000 on or before June 29, 2014.

## 7. Reclamation bond

In March 2013, the amended Acquirer Protection Permit ("APP") was granted to the Company by the Arizona Department of Environmental Quality ("ADEQ"). The Company posted financial assurance in the amount of \$2,077,000 as a requirement to receive the amended APP. Financial assurance was provided through the issuance of a surety bond by a third-party insurer requiring a collateral deposit from the company of 40% of the overall value of the financial assurance.

## 8. Capital risk management

The Company's objectives in managing its liquidity and capital resources are to safeguard the Company's ability to continue as a going concern and to provide financial capacity to meet its strategic objectives. The capital structure of the Company consists of promissory notes payable, other long-term liabilities, and equity, comprised of issued capital, warrant-reserve, share-based payment reserve, foreign currency translation reserve and deficit.

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 shares, issue new debt, and acquire or dispose of assets.

# Oracle Mining Corp.

Notes to the condensed consolidated interim financial statements

March 31, 2013

(In US\$, tabular amounts in thousands, unless otherwise noted, unaudited)

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## 8. Capital risk management (continued)

Corporate objectives for the next 12 months include:

- resumption of drilling in 2013 with the goal of expanding and upgrading the Mineral Resources;
- if the current Mineral Resource estimate is expanded and upgraded, commencing a project feasibility study ("Feasibility Study") for the Oracle Ridge copper project; and
- completing regulatory permitting and approvals and placing deposits for long-lead equipment necessary to allow for a re-start of the mine should the Feasibility Study have a positive result and a production decision is made.

Significant additional funding will be required to achieve these objectives. Management has been communicating with various financial institutions and potential investors, including signing a non-binding, indicative term sheet for project financing with Credit Suisse AG ("CS Term Sheet") for a secured loan of up to \$70 million in order to advance the restart of the Oracle Ridge copper project. This project financing remains subject to a number of conditions, including completion of Feasibility Study, due diligence, the receipt of internal credit committee approvals by Credit Suisse, and the negotiation and execution of definitive documentation.

While the Company has been successful in raising capital in the past, there is no assurance that it will be successful in obtaining financing in the future.

## 9. Financial instruments

### (a) *Financial risk and risk management*

The Company's financial instruments consist of cash and cash equivalents, marketable securities, other receivables, reclamation bond, trade and other payables, promissory note payable and other liabilities. The Company has exposures to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives for growth and shareholder returns. The principal financial risks to which the Company is exposed are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Board of Directors is responsible for the establishment and oversight of the Company's risk management policies and reviews the policies on an ongoing basis.

#### (i) *Interest rate risk*

The Company is exposed to interest rate risk with respect to the interest it earns on its cash and cash equivalents balances and interest payable on its promissory note.

The Company does not enter into derivative contracts to manage the risk associated with interest rate movements.

# Oracle Mining Corp.

Notes to the condensed consolidated interim financial statements

March 31, 2013

(In US\$, tabular amounts in thousands, unless otherwise noted, unaudited)

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## 9. Financial instruments (continued)

### (a) Financial risk and risk management (continued)

#### (ii) Foreign currency risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada and is developing the Oracle Ridge copper property in the US. A significant change in the currency exchange rates between the Canadian dollars relative to the US dollar could have an effect on the Company's financial performance, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations.

At March 31, 2013, the Company holds the following financial instruments denominated in Canadian dollars or US dollars:

	US\$	C\$
Cash and cash equivalents	565	2,905
Marketable securities	-	205
Other receivable	126	198
Trade and other payables	(655)	(508)
Promissory notes payable	(706)	-
Other long-term liabilities	-	(305)
	<u>(670)</u>	<u>2,495</u>

At March 31, 2013, with other variables unchanged, a 10% change in the US dollar/Canadian dollar exchange rate would impact pre-tax loss by \$0.3 million for the three months ended March 31, 2013.

#### (iii) Credit risk

The Company's credit risk is mainly attributable to its liquid financial assets: cash and cash equivalents, marketable securities, other receivables and reclamation bond. The Company deposits cash with high credit quality financial institutions and credit risk is considered to be minimal. The Company's maximum exposure to credit risk is \$6,833,000.

#### (iv) Liquidity risk

The Company manages liquidity risk through ongoing monitoring of expenses and capital expenditures to ensure it has sufficient liquidity to meet its business requirements as they come due. As of March 31, 2013, the Company had working capital of \$4,231,000 (December 31, 2012 - \$8,849,000).

# Oracle Mining Corp.

Notes to the condensed consolidated interim financial statements

March 31, 2013

(In US\$, tabular amounts in thousands, unless otherwise noted, unaudited)

## 9. Financial instruments (continued)

(a) *Financial risk and risk management (continued)*

(iv) *Liquidity risk (continued)*

As at March 31, 2013, the Company's liabilities and commitments have contractual maturities of:

	Payments due by period			
	Total	Less than 1 year	1-5 years	More than 5 years
	\$	\$	\$	\$
Trade and other payables	1,157	1,157	-	-
Promissory note payable, including interest	706	706	-	-
Reclamation provision (undiscounted)	387	-	-	387
Other liabilities	305	-	305	-
Lease commitments	1,820	242	1,463	115
	4,375	2,105	1,768	502

In order for the Company to achieve its major objectives for the next 12 months, and to satisfy its liabilities and commitments in the near term, significant additional funding will be required. If additional funding is not obtained in the near term, the Company will have to consider significant cost cutting measures. While the Company has been successful in raising capital in the past, there is no assurance it will be able to do so in the future (See Note 1 and Note 8).

(b) *Classification of financial instruments*

The Company's financial instruments consist of the following:

Instrument	Classification	Measurement basis
Cash and cash equivalents	FVTPL <sup>(i)</sup>	Fair value
Marketable securities	FVTPL	Fair value
Other receivables	Loans and receivables	Amortized cost
Reclamation bond	Loans and receivables	Amortized cost
Trade and other payables	Other liabilities	Amortized cost
Promissory note payable	Other liabilities	Amortized cost
Other long-term liabilities	Other liabilities	Amortized cost

<sup>(i)</sup> Fair value through profit and loss

# Oracle Mining Corp.

Notes to the condensed consolidated interim financial statements

March 31, 2013

(In US\$, tabular amounts in thousands, unless otherwise noted, unaudited)

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## 9. Financial instruments (continued)

### (b) *Classification of financial instruments (continued)*

IFRS 7 establishes a fair value hierarchy that reflects significance of inputs in measuring fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's cash and cash equivalents, marketable securities and reclamation bond are designated as Level 1. There were no transfers between Level 1 and Level 2 during the year.

The fair values of cash and cash equivalents, trade and other payables, and promissory note payable approximate their carrying values due to the short-term maturities of these financial instruments.

## 10. Issued capital

### (a) *Authorized*

The Company's authorized share capital consists of an unlimited number of common shares with no par value.

### (b) *Issued*

During the three months ended March 31, 2013, the Company has not issued shares.

On February 28, 2012, the Company completed a private placement for 7,800,000 common shares of the Company at a subscription price of C\$1.25 per share raising gross proceeds of C\$9,750,000 (\$9,760,000). The Company paid a finder's fee to an arm length's party in the aggregate amount of C\$570,000 (\$577,000) and incurred C\$86,000 (\$86,000) in other issuance costs.

On November 21, 2012, the Company completed a private placement with MF2 (Note 8) for 9,800,000 units ("Units") of the Company at a subscription price of C\$0.85 per share raising gross proceeds of C\$8,330,000 (\$8,347,000). Each unit consists of one common share of the Company and one-half of a warrant to purchase one common share. The share issuance has been valued of C\$0.84 per share, the share price of the Company on the date of the close of the agreement. The resulting value of C\$8,232,000 (\$8,248,000) has been recorded in Issued Capital. The Company incurred C\$350,000 (\$367,000) in share issuance costs on the transaction.

The Company has estimated the fair value of the warrants at C\$0.11 (US\$0.11) per warrant using Black-Scholes option pricing model, using the following assumption: an average risk free rate of 1.11%, a volatility factor of 40%, an expected dividend yield of \$Nil, and an expected life of 1.5 years. The resulting amount of C\$506,000 (US\$508,000), net of transaction costs of C\$24,000 (US\$23,000), has been recorded in the warrant reserve.

# Oracle Mining Corp.

Notes to the condensed consolidated interim financial statements

March 31, 2013

(In US\$, tabular amounts in thousands, unless otherwise noted, unaudited)

## 10. Issued capital (continued)

### (c) Long term incentive plan ("LTIP")

Pursuant to the terms of the Company's LTIP, approved during the second quarter of 2012, the board of directors may, from time to time, grant options to directors, officers, employees or consultants. Options may be exercisable over periods of up to five years as determined by the Board of Directors of the Company and the exercise price is the last closing price of the shares preceding the awarding date. Stock options granted to employees, officers and consultants vest one-third immediately, one-third after 12 months from the date of grant and one-third after 24 months from the date of grant, while stock options granted to directors vest immediately. Stock options granted to investor relations consultants vest and are exercisable for a period of two years from the date of grant, with 25% of the options vesting each quarter.

A summary of the Company's share options outstanding as at March 31, 2013 and the changes for the period then ended are as follows:

	Directors and officers	Employees and consultants	Total number of options	Weighted average exercise price per share C\$
Balance, December 31, 2011	1,186,000	1,493,000	2,679,000	1.61
Granted	1,870,000	893,000	2,763,000	1.09
Forfeited	(1,278,000)	(258,333)	(1,536,333)	1.55
Expired	(8,000)	-	(8,000)	17.25
Balance, December 31, 2012	1,770,000	2,127,667	3,897,667	1.23
Granted	250,000	-	250,000	0.79
Forfeited	-	(166,667)	(166,667)	1.24
<b>Balance, March 31, 2013</b>	<b>2,020,000</b>	<b>1,961,000</b>	<b>3,981,000</b>	<b>1.20</b>

The following table summarizes information about options outstanding and exercisable, granted to officers, directors, employees and consultants of the Company as at March 31, 2013:

Exercise prices (C\$/option)	Options outstanding	Options outstanding			Options exercisable	
		Weighted average exercise price (C\$/option)	Weighted average remaining contractual life (years)	Options outstanding and exercisable	Weighted average exercise price (C\$/option)	Weighted average remaining contractual life (years)
\$		\$			\$	\$
0.79 - 0.87	250,000	0.79	4.79	250,000	0.79	4.79
0.88 - 0.97	1,119,000	0.94	4.68	373,000	0.94	4.68
0.98 - 1.04	360,000	1.00	2.55	360,000	1.00	2.54
1.05 - 1.23	250,000	1.13	1.28	250,000	1.13	1.28
1.24 - 1.27	1,090,000	1.25	2.66	932,667	1.25	2.44
1.28 - 1.45	254,000	1.30	3.42	218,000	1.30	3.31
1.46 - 1.61	180,000	1.60	2.55	180,000	1.60	2.55
1.62 - 1.76	8,000	1.63	0.34	8,000	1.63	0.34
1.77 - 2.20	450,000	1.90	2.98	450,000	1.90	2.98
2.21 - 2.50	20,000	2.50	1.05	20,000	2.50	1.05
	<b>3,981,000</b>	<b>1.20</b>	<b>3.33</b>	<b>3,041,667</b>	<b>1.26</b>	<b>2.96</b>

# Oracle Mining Corp.

Notes to the condensed consolidated interim financial statements

March 31, 2013

(In US\$, tabular amounts in thousands, unless otherwise noted, unaudited)

## 10. Issued capital (continued)

### (d) Share-based payments

During the quarter ended March 31, 2013, the Company granted 250,000 (2012 – 922,000) share options to a director. An amount of \$163,000 (2012 - \$377,000) was recorded in share-based payment reserve in recognition of share-based compensation, based on the vesting schedule for the options granted.

The fair value of each option granted during the year to employees and directors is estimated on the date of grant using the Black-Scholes option pricing model with weighted average assumptions and resulting values for grants as follows:

	Three months ended March 31,	
	2013	2012
Number of options granted	250,000	922,000
Weighted average		
Risk-free interest rate (%)	1.23	1.23
Expected life (years)	2.50	2.90
Expected volatility (%)	60	65
Expected dividend (%)	-	-
Forfeiture rate (%)	24.00	12.12
Weighted average fair value (per option)	0.29	0.59

Share option pricing models require the input of subjective assumptions including the expected price volatility. Changes in the assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable measure of fair value of the Company's options.

The expected volatility assumption is based on the historical and implied volatility of comparative companies to Oracle Mining due to the limited period that the Company has operated in its present form. The risk-free interest rate assumption is based on yield curves on Canadian government zero-coupon bonds.

In April 2013, the Company granted 500,000 share options to directors and officers and employees with an exercise price of C\$0.85.

# Oracle Mining Corp.

Notes to the condensed consolidated interim financial statements

March 31, 2013

(In US\$, tabular amounts in thousands, unless otherwise noted, unaudited)

## 11. General and administration expenses

	Three months ended March 31,	
	2013	2012
	\$	\$
Salaries and benefits	479	603
Professional and consulting fees	400	455
Share-based payments	163	377
Office expenses	91	98
Investor relations	16	348
Travel	72	58
Filing costs and shareholders' information	26	160
Insurance	12	16
Depreciation	15	11
Other	4	2
	<b>1,278</b>	<b>2,128</b>

## 12. Exploration and evaluation expenditures

	Three months ended March 31,	
	2013	2012
	\$	\$
Design and technical studies	523	307
Permitting costs	733	450
Site and safety services	295	445
Drilling	109	859
Administrative and advisory costs	825	475
Underground exploration and development	143	179
	<b>2,628</b>	<b>2,715</b>

Site and advisory costs includes depreciation of \$52,000 (2012 - \$41,000).

## 13. Related party transactions

During the quarter ended March 31 2013, the Company paid \$125,000 (2012 - \$126,000) in advisory fees to directors of the Company.

These transactions were incurred in the normal course of business and are measured at the fair value of the services provided.

# Oracle Mining Corp.

Notes to the condensed consolidated interim financial statements

March 31, 2013

(In US\$, tabular amounts in thousands, unless otherwise noted, unaudited)

## 14. Contingencies and commitments

- (a) The Company is committed under the terms of two operating leases for office premises for total aggregate payments of \$1,609,000 expiring in 2018.
- (b) The Company is committed under the terms of a land lease for total aggregate payments of \$211,000 expiring in 2023.
- (c) In December 2012, the Company received notification of a lawsuit against the Company from a third party regarding an alleged breach of contract related to a finders fee on a financing agreement. The Company intends to vigorously defend any and all claims under this lawsuit. The Company believes it will be successful in the outcome of this lawsuit.

In the normal course of business, the Company is aware of certain potential claims. The outcome of these matters is not determinable at this time, although the Company does not believe these potential claims will have a material adverse effect on the Company's operations.

## 15. Supplemental cash flow information

Details of the net change in non-cash working capital are as follows:

	Three months ended March 31,	
	2013	2012
	\$	\$
Prepaid expenses	(28)	64
Other receivables	115	139
Trade and other payables	(1,074)	(98)
Taxes payable	(75)	-
Net change in non-cash working capital	(1,062)	(23)

## 16. Segmented information

The Company currently operates in one business segment, being the acquisition, development and operation of mineral properties. The Company's sole development property, Oracle Ridge, is located in the US and the Company's head office is located in Canada.