

Condensed Consolidated Interim Financial Statements of



March 31, 2014

Oracle Mining Corp.

March 31, 2014 and 2013

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Notice of no auditor review of interim financial statements

Under National Instrument 51-102, "Continuous Disclosure Obligations", 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 indicating that the financial statements have not been reviewed by an auditor.

The Company's external auditors, Deloitte LLP, have not performed a review of these financial statements.

May 13, 2014

Oracle Mining Corp.

Condensed consolidated interim statements of operations and comprehensive loss

(In thousands of US dollars, except share and per share amounts)

	Three months ended March 31,	
	2014	2013
	\$	\$
Operating costs		
General and administration expenses (Note 15)	690	1,278
Exploration and evaluation expenditures (Note 16)	1,211	2,628
Loss from operations	1,901	3,906
Other expenses (income)		
Foreign exchange (gain) loss	19	(126)
Financing charges	4	7
Interest expense (income)	516	(15)
Loss on sale of equipment	3	-
Unrealized gain on derivative liability (Note 9)	(216)	-
Other	(23)	28
Net loss	2,204	3,800
Other comprehensive loss (income)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	(156)	204
Total comprehensive loss	2,048	4,004
Loss per share		
Basic and diluted	0.04	0.08
Weighted average number of shares outstanding		
Basic and diluted	49,034,070	49,034,070

Oracle Mining Corp.

Condensed consolidated interim statements of financial position

(In thousands of US dollars)

	March 31, 2014	December 31, 2013
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	312	324
Prepaid expenses	63	49
Other receivables	168	453
Total current assets	543	826
Non-current assets		
Equipment (Note 5)	620	699
Mineral properties (Note 6)	14,135	14,111
Reclamation bond (Note 7)	831	831
Total assets	16,129	16,467
Liabilities		
Current liabilities		
Trade and other payables	1,598	2,472
Convertible note payable (Note 8)	5,654	2,933
Derivative liability	147	376
Total current liabilities	7,399	5,781
Non-current liabilities		
Reclamation provision	423	396
Other long-term liabilities	305	305
Total liabilities	8,127	6,482
Equity		
Issued capital (Note 14(b))	86,597	86,597
Warrant reserve	2,432	2,432
Share-based payment reserve (Note 14(d))	7,228	7,211
Option premium on convertible note (Note 10)	48	-
Foreign currency translation reserve	892	736
Deficit	(89,195)	(86,991)
Total equity	8,002	9,985
Total liabilities and equity	16,129	16,467

Nature and continuance of operations (Note 1)

Contingencies and commitments (Note 17)

Subsequent events (Note 20)

Approved and authorized for issue by the Directors on May 13, 2014

(Signed) Kevin Drover

Kevin Drover, Director

(Signed) Michel Tardif

Michel Tardif, Director

Oracle Mining Corp.

Condensed consolidated interim statements of changes in equity

(in thousands of US dollars, except share amounts)

	Issued capital		Reserves				Deficit	Total
	Shares	Amount	Warrant reserve	Share-based payment reserve	Option premium on convertible reserve	Foreign currency translation reserve		
		\$	\$	\$		\$	\$	
At December 31, 2012	49,034,070	86,597	2,432	6,961	-	1,033	(73,793)	23,230
Total comprehensive loss								
Net loss	-	-	-	-	-	-	(3,800)	(3,800)
Other comprehensive loss	-	-	-	-	-	(204)	-	(204)
Total comprehensive loss	-	-	-	-	-	(204)	(3,800)	(4,004)
Share-based payment expense (Note 14(d))				163				163
At March 31, 2013	49,034,070	86,597	2,432	7,124	-	829	(77,593)	19,389
Total comprehensive loss								
Net loss	-	-	-	-	-	-	(9,398)	(9,398)
Other comprehensive loss	-	-	-	-	-	(93)	-	(93)
Total comprehensive loss	-	-	-	-	-	(93)	(9,398)	(9,491)
Share-based payment expense (Note 14(d))				87				87
At December 31, 2013	49,034,070	86,597	2,432	7,211	-	736	(86,991)	9,985
Total comprehensive loss								
Net loss	-	-	-	-	-	-	(2,204)	(2,204)
Other comprehensive loss	-	-	-	-	-	156	-	156
Total comprehensive loss	-	-	-	-	-	156	(2,204)	(2,048)
Share-based payment expense (Note 14(d))				17				17
Issue of convertible note (Note 10)					48			48
At March 31, 2014	49,034,070	86,597	2,432	7,228	48	892	(89,195)	8,002

Oracle Mining Corp.

Condensed consolidated interim statements of cash flows

(in thousands of US dollars)

	Three months ended March 31,	
	2014	2013
	\$	\$
Operating activities		
Net loss	(2,204)	(3,800)
Items not affecting cash		
Unrealized gain on mark to market on derivative liability (Note 9)	(216)	-
Share-based payment expense (Note 14(d))	17	163
Foreign exchange loss (gain)	25	(253)
Depreciation (Note 5)	63	67
Financing charges	-	7
Loss on sale of equipment	12	-
Interest expense on notes payable	517	-
Other	3	45
	(1,783)	(3,771)
Net changes in non-cash components of working capital (Note 18)	(580)	(1,062)
	(2,363)	(4,833)
Financing activities		
Issuance of convertible note (Note 8)	2,482	-
	2,482	-
Investing activities		
Reclamation bond (Note 7)	-	(831)
Additions to equipment (Note 5)	(1)	(26)
	(1)	(857)
Effect of exchange rate changes on cash and cash equivalents	(130)	67
Net change in cash and cash equivalents	(12)	(5,623)
Cash and cash equivalents, beginning of period	324	11,051
Cash and cash equivalents, end of period	312	5,428
Cash and cash equivalents consist of:		
Cash	294	5,313
Short-term deposits	18	115
	312	5,428

Oracle Mining Corp.

Notes to the condensed consolidated interim financial statements

March 31, 2014 and 2013

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

1. Nature and continuance of operations

Oracle Mining Corp. (the "Company" or "Oracle Mining") graduated to the TSX under the symbol "OMN" in January 2012. It was previously listed on the TSX Venture Exchange under the symbol "OMN". The Company is incorporated under the Canada Business Corporations Act and is a reporting issuer under the jurisdictions of British Columbia, Alberta, Ontario and Quebec. The Company is engaged in the acquisition, exploration and development of mineral resource projects.

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

In September 2010, the Company acquired the Oracle Ridge copper property near Tucson, Arizona and has conducted exploration and rehabilitation 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, 2014, the Company incurred a net loss of \$2,204,000 (2013 - \$3,800,000) and had cash outflows from operations of \$2,363,000 (2013 - \$4,833,000). As at March 31, 2014, the Company had a working capital deficiency of \$6,856,000 (2013 - working capital of \$4,231,000) and an accumulated deficit of \$89,195,000 (2013 - \$77,593,000).

The Company's current plans are to continue to minimize expenses while performing necessary work to advance the Oracle Ridge project. The Company anticipates receiving the remaining instalments of the secured convertible loan facility from Rich Stone Mining Investment (Hong Kong) Limited which should provide the Company approximately \$2.99 million Canadian dollars ("C\$") (Note 8 and Note 20). All of the conditions precedent to receive the remaining instalments were satisfied as of January 24, 2014. The continuation of the Company as a going concern is dependent on its ability to obtain necessary financing to satisfy liabilities as they come due, complete exploration and development activities on the Oracle Ridge project and ultimately to achieve profitable operations. 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. If the Company is unable to obtain adequate financing, the Company will need to further curtail operations and exploration activities. These conditions and matters indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

These condensed consolidated interim financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern and these adjustments could be material.

2. Basis of preparation

These condensed consolidated interim financial statements, including comparatives, have been prepared using accounting policies in compliance with International Financial Reporting Standards ("IFRS").

Oracle Mining Corp.

Notes to the condensed consolidated interim financial statements

March 31, 2014 and 2013

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

2. Basis of preparation (continued)

These condensed consolidated interim financial statements have been prepared on a historical cost basis except for certain financial instruments, warrants, and share-based compensation 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.

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.

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, 2013 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, 2013.

4. New accounting standards and interpretations

The following standards are effective for the Company on January 1, 2014. There was no material impact on the consolidated financial statements arising from the implementation of these standards.

- *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.
- *IFRIC 21, Levies*: IFRIC 21 is an interpretation of IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, on the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event ("obligating event"). IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

Oracle Mining Corp.

Notes to the condensed consolidated interim financial statements

March 31, 2014 and 2013

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

5. Equipment

	Leasehold Improvements	Furniture	Computer Equipment	Site Equipment	Total
	\$	\$	\$	\$	\$
<i>Cost</i>					
December 31, 2012	34	121	226	888	1,269
Additions	17	3	3	40	63
Disposals	-	(46)	(6)	-	(52)
Foreign exchange movement	(3)	(5)	(7)	-	(15)
December 31, 2013	48	73	216	928	1,265
Additions	-	1	-	-	1
Disposals	(13)	-	-	-	(13)
Foreign exchange movement	(2)	(3)	(4)	-	(9)
March 31, 2014	33	71	212	928	1,244

	Leasehold Improvements	Furniture	Computer Equipment	Site Equipment	Total
	\$	\$	\$	\$	\$
<i>Accumulated depreciation</i>					
December 31, 2012	31	39	68	193	331
Depreciation	6	22	55	182	265
Disposals	-	(21)	(1)	-	(22)
Foreign exchange movement	(2)	(4)	(2)	-	(8)
December 31, 2013	35	36	120	375	566
Depreciation	-	4	14	46	64
Disposals	(2)	-	-	-	(2)
Foreign exchange movement	(1)	(1)	(2)	-	(4)
March 31, 2014	32	39	132	421	624

	Leasehold Improvements	Furniture	Computer Equipment	Site Equipment	Total
	\$	\$	\$	\$	\$
<i>Carrying amounts</i>					
At December 31, 2013	13	37	96	553	699
March 31, 2014	1	32	80	507	620

Oracle Mining Corp.

Notes to the condensed consolidated interim financial statements

March 31, 2014 and 2013

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

6. Mineral properties

	Oracle Ridge Copper Project (a)	Copper Moon Property (b)	Total
	\$	\$	\$
December 31, 2012	13,924	45	13,969
Option payment (i)	19	20	39
Change in reclamation costs	168	-	168
Mineral property writeoff	-	(65)	(65)
December 31, 2013	14,111	-	14,111
Change in reclamation costs	24	-	24
March 31, 2014	14,135	-	14,135

(a) Oracle Ridge copper project

On September 28, 2010, the Company completed the acquisition of the Oracle Ridge copper property through the purchase of all the outstanding common shares of 0830438 B.C. Ltd. and its wholly-owned subsidiary, Oracle Ridge Mining LLC.

(i) 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.

(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, 2012 (paid), a cash payment of \$20,000 on or before June 29, 2013 (paid), and a cash payment of \$500,000 on or before June 29, 2014. On December 31, 2013, the Company decided that it did not plan on paying the final option payment of \$500,000 on June 29, 2014. The Company wrote-off the entire balance of the mineral property in 2013. On April 25, 2014, the Company notified the property owner that it would not make the final payment and would not be exercising its option to acquire the property.

7. Reclamation Bond

In March 2013, an amended Aquifer 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 of \$830,800, from the Company of 40% of the overall value of the financial assurance.

Oracle Mining Corp.

Notes to the condensed consolidated interim financial statements

March 31, 2014 and 2013

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

8. Notes Payable

	March 31, 2014	December 31, 2013
	\$	\$
Convertible note payable	5,654	2,933
Notes payable	5,654	2,933

On November 12, 2013, the Company closed (the "Initial Closing") the initial tranche of approximately C\$3.0 million of a secured convertible loan facility (the "Loan Facility") for up to an aggregate principal of C\$10.0 million with Rich Stone Mining Investment (Hong Kong) Limited ("Rich Stone"). The balance of the first tranche (approximately C\$1.0 million) was received by the Company on November 21, 2013. An origination fee of C\$240,000 was paid to Rich Stone relating to the initial tranche of the Loan Facility. The principal amount of the Loan Facility outstanding and all interest accrued, but unpaid thereon will mature, absent acceleration, on November 12, 2014.

The closing of the second tranche of the Loan Facility in the amount of C\$6.0 million was subject to the satisfaction of customary conditions precedent, including without limitation, Rich Stone being satisfied of its due diligence review of the Company's business and the assets, prospects and contracts and arrangements relating to the business on or before December 31, 2013. As at December 31, 2013, Rich Stone could not fully complete its due diligence review and the Company and Rich Stone mutually agreed to extend the deadline to complete the review to January 31, 2014. Rich Stone subsequently completed its due diligence review and on January 24, 2014, Rich Stone advanced an installment of C\$2.5 million of the Loan Facility (C\$2.35 million after payment to Rich Stone of an origination fee of C\$150,000). The balance of the Loan Facility was to be advanced by Rich Stone in one or more installments on or before March 31, 2014. On March 31, 2014, Rich Stone advanced a further C\$0.3 million, bringing the total principal advanced under the Loan Facility to C\$6.8 million. As at March 31, 2014, approximately C\$1.79 million (net of fees and the pre-payment of interest) was still to be received from Rich Stone. On April 16, 2014, Rich Stone advanced a further C\$0.6 million, bringing the total principal advanced under the Loan Facility to C\$7.4 million (Note 20). As at April 16, 2014, C\$1.19 million (net of fees and the pre-payment of interest) was still to be received from Rich Stone. Rich Stone advised the Company that the remaining funds were to be received during Q2, 2014.

Interest accrues on the principal amount advanced under the Loan Facility at a rate equal to 12% per annum, calculated daily and payable by the Company in arrears quarterly. On May 13, 2014, Rich Stone and the Company agreed to an amendment of the Loan Facility whereby the interest in aggregate amount of C\$1,200,000 and the origination fee payable of C\$600,000 (including origination fees paid to date by the Company to Rich Stone under the Loan Facility in the amount of C\$390,000) are to be advanced to the Company as soon as practicable and repaid to Rich Stone on the maturity of the Loan Facility (Note 20). As at May 13, 2014, the aggregate funds to be received from Rich Stone include C\$1.19 million for the remaining second tranche of the Loan Facility and C\$1.80 million for fees and interest to be repaid at the Loan Facility's maturity. An amount of C\$146,880 was deferred against the convertible note in the quarter and will be amortized over the term of the convertible note.

Since the Off-Take Agreement between the Company and MF2 Investment Company 1 LP dated November 21, 2012 was neither terminated nor revised within twelve weeks of the Initial Closing, pursuant to the terms of the loan agreement evidencing the Loan Facility, Rich Stone has the option to convert, in its sole discretion and at any time prior to the maturity date, the outstanding principal and interest outstanding in respect of the Initial Closing (excluding any default interest, if any) into common shares of the Company at the lower conversion price of: (i) C\$0.37 per share; and (ii) the market price calculated as the volume weighted average price for the Company's common shares for the five (5) trading days prior to the date of conversion; provided that, such market price will not be less than a minimum price of C\$0.30 per share.

Oracle Mining Corp.

Notes to the condensed consolidated interim financial statements

March 31, 2014 and 2013

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

8. Notes Payable (continued)

Rich Stone may, in its sole discretion, and at any time prior to the maturity date, convert the principal and interest outstanding in respect of the second tranche (excluding default interest, if any) into common shares of the Company at the price of C\$0.37 per share.

The initial tranche of the Convertible Note is a hybrid financial instrument (Note 9), containing a debt component and a derivative component. The debt component is measured at amortized cost and is accreted over the expected term to maturity using the effective interest method. The derivative component is measured at fair value at each reporting period.

The second tranche of the Convertible Note is a compound financial instrument (Note 10). At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity and is not subsequently remeasured.

9. Derivative liability

The unrealized gain associated with the derivative liability recorded in the statement of operations is as follows:

	March 31, 2014	March 31, 2013
	\$	\$
Convertible debenture conversion option unrealized gain	(216)	-
	(216)	-

The conversion option provided to the holder of the convertible note payable (Note 8) is a derivative liability. The fair value conversion option upon initial recognition was \$417,000. The conversion option is re-measured at fair value through the statement of operations at the end of each reporting period.

Oracle Mining Corp.

Notes to the condensed consolidated interim financial statements

March 31, 2014 and 2013

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

10. Option premium on convertible note

	March 31, 2014	December 31 2013
	\$	\$
Option premium on convertible note	48	-
	48	-

The option premium on convertible note represents the equity component (conversion rights) of the second tranche of the Rich Stone Loan Facility (see Note 8).

11. 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, convertible note, 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.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual budgets are approved by the Board of Directors. The Company does not pay out dividends.

During the past quarter, the Board of Directors and Management of Oracle have reviewed the Company's spending priorities at Oracle Ridge. During the past several years, Oracle Mining has focused primarily on project permitting, engineering studies in metallurgy and geotechnical engineering, drilling and resource modelling with the objective of completing a positive feasibility study in support of constructing a complete processing facility and tailings storage area. In the past few months, Oracle Mining has been conducting a review of various project alternatives. The Project is distinctively located in the sixth-largest copper producing region in the world and the proximity to producing copper mines could potentially provide synergistic opportunities to work with third-parties to utilize their existing infrastructure ("Third Party Options"). On May 13, 2014, the Company decided to temporarily suspended the 2014 Drill Program and rationalize expenditures to manage remaining financial resources while evaluating Third Party Options and continuing to advance permitting. For additional clarity, evaluation of Third Party Options does not preclude Oracle Mining from pursuing the completion of a feasibility study.

Significant additional funding will be required to achieve these objectives. Management has been actively communicating with various financial institutions and potential investors, including signing a non-binding, indicative term sheet for project financing with Credit Suisse AG 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 a 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.

Oracle Mining Corp.

Notes to the condensed consolidated interim financial statements

March 31, 2014 and 2013

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

11. Capital risk management (continued)

The Company's capital as at March 31, 2014 and December 31, 2013 are as follows:

	March 31, 2014	December 31 2013
	\$	\$
Convertible debenture	5,801	3,309
Other long-term liabilities	305	305
Equity	8,030	9,985
	14,136	13,599

12. Financial risk and risk management

The Company's financial instruments consist of cash and cash equivalents, receivables, reclamation bond, trade and other payables, convertible note, derivative liability 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.

(a) 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.

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

(b) 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 has a 100% interest in the Oracle Ridge copper property in the US. A significant change in the currency exchange rates between the Canadian dollar 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, 2014, the Company holds the following financial instruments denominated in Canadian dollars or US dollars:

	US\$	C\$
Cash and cash equivalents	16	327
Other receivables	51	129
Trade and other payables	(1,168)	(436)
Convertible debenture	-	(6,412)
	(1,101)	(6,392)

Oracle Mining Corp.

Notes to the condensed consolidated interim financial statements

March 31, 2014 and 2013

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

12. Financial risk and risk management (continued)

(b) Foreign currency risk (continued)

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

	US\$	C\$
Cash and cash equivalents	46	295
Other receivables	61	417
Trade and other payables	(852)	(1,719)
Convertible debenture	-	(3,520)
	<u>(745)</u>	<u>(4,527)</u>

At March 31, 2014, with other variables unchanged, a 10% change in the US dollar/ Canadian dollar exchange rate would increase/decrease pre-tax loss by \$0.7 million for the three months ended March 31, 2014 (2013 - \$0.3 million).

(c) Credit risk

The Company's credit risk is mainly attributable to its liquid financial assets: cash and cash equivalents, reclamation bond, and receivables. 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 at March 31, 2014 and December 31, 2013 are as follows:

	March 31, 2014	December 31, 2013
	\$	\$
Cash and cash equivalents	312	324
Other receivables	168	453
Reclamation bond	831	831
	<u>1,311</u>	<u>1,608</u>

(d) Liquidity risk

The Company manages liquidity risk through an annual budget and 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, 2014, the Company had a working capital deficiency of \$6,856,000 (2013 – positive working capital of \$4,231,000).

As at March 31, 2014, the Company's liabilities and commitments have contractual maturities of:

Oracle Mining Corp.

Notes to the condensed consolidated interim financial statements

March 31, 2014 and 2013

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

12. Financial risk and risk management (continued)

(d) *Liquidity risk (continued)*

	Payments due by period			
	Total	Less than 1 year	1-5 years	More than 5 years
	\$	\$	\$	\$
Trade and other payables	1,598	1,598	-	-
Convertible debenture, including interest	7,260	7,260	-	-
Reclamation provision (undiscounted)	708	-	-	708
Other liabilities	305	-	305	-
Lease commitments	1,345	313	955	77
	11,216	9,171	1,260	785

In order for the Company to achieve its major objectives for the next 12 months, significant additional funding will be required. While the Company has been successful in raising capital in the past, there is no guarantee it will be able to do so in the future (see Note 1 and Note 8).

13. Fair value measurement

The Company defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In assessing the fair value of a particular contract, the market participant would consider the credit risk of the counterparty to the contract. Consequently, when it is appropriate to do so, the Company adjusts the valuation models to incorporate a measure of credit risk. Fair value represents management's estimates of the current market value at a given point in time.

At March 31, 2014 and December 31, 2013, the Company's financial assets and liabilities are categorized as follows:

	March 31, 2014			
	FVTPL	Loans and receivables	Other liabilities	Total
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	-	312	-	312
Other receivables	-	168	-	168
Reclamation bond	-	831	-	831
Financial liabilities				
Trade and other payables	-	-	1,598	1,598
Convertible note payable	-	-	5,654	5,654
Derivative liability	147	-	-	147
Other long-term liabilities	-	-	305	305

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March 31, 2014 and 2013

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

13. Fair value measurement (continued)

	December 31, 2013			
	FVTPL	Loans and receivables	Other liabilities	Total
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	-	324	-	324
Other receivables	-	453	-	453
Reclamation Bond	-	831	-	831
Financial liabilities				
Trade and other payables	-	-	2,472	2,472
Convertible note payable	-	-	2,933	2,933
Derivative liability	376	-	-	376
Other long-term liabilities	-	-	305	305

The fair values of cash and cash equivalents, receivables, reclamation bond, trade and other payables, convertible note payable, and other long-term liabilities approximate their carrying value due to the nature of these items.

	March 31, 2014		December 31, 2013	
	Carrying value	Fair value	Carrying value	Fair value
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	312	312	324	324
Other receivables	168	168	453	453
Reclamation bond	831	831	831	831
Financial liabilities				
Trade and other payables	1,598	1,598	2,472	2,472
Convertible note payable	5,654	6,833	2,933	3,624
Other long-term liabilities	305	305	305	305

The Company has certain financial assets and liabilities that are measured at fair value. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value.

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 derivative liability is designated as Level 2. There were no movements between levels during the period by any financial assets or liabilities.

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14. 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, 2014, and 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 for 9,800,000 units ("Units") of the Company at a subscription price of C\$0.85 per Unit 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 fair value attributed to the warrants was \$508,000 and is described in Note 14(e).

(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 over a one year period, 25% each quarter, and are exercisable over a two year period from the date of grant.

A summary of the Company's share options outstanding as at March 31, 2014 and the changes for the period then ended are as follows:

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14. Issued capital (continued)

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

	Directors and officers	Employees and consultants	Total number of options	Weighted average exercise price per share
	C\$			
Balance, December 31, 2012	1,770,000	2,127,667	3,897,667	1.23
Granted	2,175,000	75,000	2,250,000	0.41
Forfeited	(975,667)	(710,001)	(1,685,668)	1.14
Expired	-	(154,000)	(154,000)	1.08
Balance, December 31, 2013	2,969,333	1,338,666	4,307,999	0.84
Granted	-	-	-	-
Forfeited	(556,666)	(33,333)	(589,999)	0.98
Expired	-	(468,000)	(468,000)	1.25
Balance, March 31, 2014	2,412,667	837,333	3,250,000	0.76

The following table summarizes information about options outstanding and exercisable, granted to officers, directors, employees and consultants of the Company as at March 31, 2014:

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)
\$		\$			\$	
0.20 - 0.53	1,500,000	\$0.20	4.70	1,500,000	\$0.20	4.70
0.54 - 0.90	175,000	\$0.85	4.02	125,000	\$0.85	4.02
0.91 - 0.97	364,000	\$0.94	3.68	242,666	\$0.94	3.68
0.98 - 1.13	360,000	\$1.00	1.55	360,000	\$1.00	1.55
1.14 - 1.27	337,000	\$1.25	2.95	337,000	\$1.25	2.95
1.28 - 1.45	54,000	\$1.29	3.09	36,000	\$1.29	3.09
1.46 - 1.75	150,000	\$1.60	1.55	150,000	\$1.60	1.55
1.76 - 2.20	300,000	\$1.90	1.98	300,000	\$1.90	1.98
2.21 - 2.50	10,000	\$2.50	0.05	10,000	\$2.50	0.05
	3,250,000	\$0.76	3.58	3,060,666	\$0.75	3.57

(d) Share-based payments

During the three months ended March 31, 2014, the Company did not grant share options to directors, officers, and employees (2013 – 250,000). An amount of \$17,000 (2013 - \$163,000) was recorded in share-based payment reserve in recognition of share-based compensation, based on the vesting schedule for the options granted.

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14. Issued capital (continued)

(d) Share-based payments (continued)

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,	
	2014	2013
Number of options granted	-	250,000
Weighted average		
Risk-free interest rate (%)	-	1.23
Expected life (years)	-	2.50
Expected volatility (%)	-	60
Expected dividend (%)	-	-
Forfeiture rate (%)	-	24.00
Weighted average fair value (per option)	-	0.29

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.

Expected volatility is measured as annualized weekly standard deviation of share price returns, based on historical movement of the Company's shares. The risk-free interest rate assumption is based on yield curves on Canadian government zero-coupon bonds. The fair value of each option granted during the year to consultants is estimated using the equivalent market price of the consultant services. The service fair value is recognized over the vesting period.

(e) Share purchase warrants

A summary of the Company's share purchase warrants outstanding as at March 31, 2014 and December 31, 2013:

	Number of warrants	Average price of warrants
		C\$
Balance, December 31, 2013 and March 31, 2014	4,900,000	1.02

On November 21, 2012, the Company completed a private placement with MF2 (Note 14(b)) for 9,800,000 Units and each Unit consists of one common share of the Company and one-half of a warrant to purchase one common share (each whole warrant, a "Warrant") at a subscription price of \$1.02 per common share for a period of 36 months from the date of issue. The Company has estimated the fair value at C\$0.11(US\$0.11) per Warrant using the Black-Scholes option pricing model, using the following assumptions: an average risk free rate of 1.11%, a volatility factor of 40%, and expected dividend yield of nil and an expected life of

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14. Issued capital (continued)

(e) *Share purchase warrants (continued)*

1.5 years. The resulting amount of C\$506,000 (\$508,000), net of transaction costs of C\$24,000 (US\$23,000), has been recorded in the warrant reserve.

15. General and administration expenses

	Three months ended March 31,	
	2014	2013
	\$	\$
Salaries and benefits	223	479
Professional and consulting fees	322	400
Share-based payments	17	163
Office expenses	45	91
Investor relations	9	16
Travel	35	72
Filing costs and shareholders' information	18	26
Insurance	11	12
Depreciation	10	15
Other	-	4
	690	1,278

16. Exploration and evaluation expenditures

	Three months ended March 31,	
	2014	2013
	\$	\$
Design and technical studies	202	523
Permitting costs	130	733
Site and safety services	148	295
Drilling	183	109
Administrative and advisory costs	504	825
Underground exploration and development	44	143
	1,211	2,628

Administrative and advisory costs includes depreciation of \$53,000 (2013 - \$52,000).

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17. Contingencies and commitments

Please refer to commitment schedule in Note 12(d).

- (a) The Company is committed under the terms of a lease for its office premise for total aggregate payments of \$1,137,000 expiring in 2018.
- (b) The Company is committed under the terms of land leases for total aggregate payments of \$344,250. The term of the leases extend to 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 finder's fee in respect of certain financing arrangements. The Company defended the claim in a trial held on January 28-30, 2014 before a judge in the United States District Court Southern District of New York. On March 25, 2014, the Court issued its Decision in favour of Oracle Mining and dismissed all claims that had been brought against the Company. The appeal period expired 30 days after the Judgement was issued and no further action is expected.

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.

18. Supplemental cash flow information

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

	Three months ended March 31,	
	2014	2013
	\$	\$
Prepaid expenses and other receivables	257	87
Trade and other payables	(837)	(1,074)
Taxes payable	-	(75)
Net change in non-cash working capital	(580)	(1,062)

Details of income taxes paid:

	Three months ended March 31,	
	2014	2013
	\$	\$
Income taxes paid	-	75

19. Segmented information

The Company currently operates in one business segment, being the acquisition and development 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. Substantially all of the Company's long-lived assets are located in the US.

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20. Subsequent events

Rich Stone Convertible Loan Facility

On April 16, 2014, the Company received an advance of approximately C\$0.6 million pursuant to the terms of a secured convertible loan facility (Note 8) with Rich Stone. As at April 16, 2014, Rich Stone has advanced an aggregate principal of C\$7,400,000 under the loan agreement and a total of C\$1.19 million (net of fees and pre-payment of interest) remain outstanding.

On May 13, 2014, Rich Stone and the Company agreed to an amendment of the Loan Facility whereby the interest in aggregate amount of C\$1,200,000 and the origination fee payable of C\$600,000 (including origination fees paid to date by the Company to Rich Stone under the Loan Facility in the amount of C\$390,000) are to be advanced to the Company as soon as practicable and repaid to Rich Stone on the maturity of the Loan Facility. As at May 13, 2014, the aggregate funds to be received from Rich Stone include C\$1.19 million for the remaining second tranche of the Loan Facility and C\$1.80 million for fees and interest to be repaid at the Loan Facility's maturity.