Starrex Mining Corporation Limited

Financial Statements

December 31, 2012 and 2011

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Independent Auditor's Report

To the Shareholders of
Starrex Mining Corporation Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Starrex Mining Corporation Limited, which comprise the statements of financial position as at December 31, 2012 and 2011, and the statements of comprehensive income, changes in equity, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards ("IFRS"), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Starrex Mining Corporation Limited as at December 31, 2012 and 2011 and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

Signed: ***"MSCM LLP"***

Chartered Accountants
Licensed Public Accountants

Toronto, Ontario
April 29, 2013

Statements of Financial Position
as at December 31, 2012 and 2011

		2012		2011
Assets				
Current assets				
Cash and cash equivalents	**$**	**793,484**	$	824,474
Other receivables		**-**		7,401
Prepaid expenses		**1,250**		-
		794,734		831,875
Equipment *(note 4)*		**77**		98
	$	**794,811**	$	831,973
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities *(note 5)*	**$**	**72,762**	$	31,006
GST/ HST payable *(note 10)*		**18,304**		-
Loan payable to related party *(note 5)*		**234,826**		234,826
		325,892		265,832
Equity				
Share capital *(note 6)*		**1,217,644**		1,203,723
Contributed surplus reserve *(note 6)*		**11,603**		15,524
Deficit		**(760,328)**		(653,106)
		468,919		566,141
	$	**794,811**	$	831,973

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

Approved by the Board

Signed: ***"S. Donald Moore"***

Director

Statements of Comprehensive Loss
for the years ended December 31, 2012 and 2011

	2012	2011
Income		
Investment income	**$ 5,939**	$ 6,710
Expenses		
General	**2,777**	1,275
Government, regulatory and filing fees	**17,851**	18,965
Loss from disallowed GST/HST *(note 10)*	**21,938**	-
Management and corporate services *(note 5)*	**40,326**	31,000
Professional fees	**26,342**	22,335
Shareholder communication	**3,906**	4,183
Depreciation	**21**	24
	113,161	77,782
Net loss and comprehensive loss for the year	**$ (107,222)**	$ (71,072)
Basic and diluted loss per common share *(note 9)*	**$ (0.03)**	$ (0.02)

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

Statements of Changes in Equity
for the years ended December 31, 2012 and 2011

	Share Capital								
	Number of Shares		Amount		Contributed Surplus		Deficit		Total
Balance, December 31, 2010	**3,429,566**	**$**	**1,203,723**	**$**	**15,524**	**$**	**(582,034)**	**$**	**637,213**
Net loss and comprehensive loss for the year	-		-		-		(71,072)		(71,072)
Balance, December 31, 2011	**3,429,566**		**1,203,723**		**15,524**		**(653,106)**		**566,141**
Stock options exercised	20,000		13,921		(3,921)		-		10,000
Net loss and comprehensive loss for the year	-		-		-		(107,222)		(107,222)
Balance, December 31, 2012	**3,449,566**	**$**	**1,217,644**	**$**	**11,603**	**$**	**(760,328)**	**$**	**468,919**

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

Statements of Cash Flows
for the years ended December 31, 2012 and 2011

	2012	2011
Cash flow from operating activities		
Net loss for the year	**$ (107,222)**	$ (71,072)
Item not affecting cash		
Depreciation	**21**	24
	(107,201)	(71,048)
Other sources (uses) of cash from operations:		
Other receivables	**7,401**	(4,160)
Prepaid expenses	**(1,250)**	-
Accounts payable and accrued liabilities	**41,756**	2
GST/HST payable	**18,304**	-
	(40,990)	**(75,206)**
Cash flow from financing activities		
Exercise of stock options	**10,000**	-
Decrease in cash	**(30,990)**	(75,206)
Cash and cash equivalents, beginning of year	**824,474**	899,680
Cash and cash equivalents, end of year	**$ 793,484**	$ 824,474

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

Notes to the Financial Statements
December 31, 2012 and 2011

1. Business of the Company

Nature of Business

Starrex Mining Corporation Limited ("the Company") was incorporated on October 2, 1982 pursuant to the Canada Business Corporation Act under the name Starrex Mining Corporation. The Company's address is 3080 Yonge Street, Suite 5004, Box 60, Toronto, Ontario M4N 3N1. It is a Canadian company focusing on the review and evaluation of diverse business proposals in the resource and industrial sectors.

These financial statements were approved by the Board of Directors on April 29, 2013.

2. Basis of Presentation and Statement of Compliance

(a) Statement of Compliance

These financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The accounting policies, which are detailed in Note 3, have been applied consistently to all periods presented in these financial statements.

(b) Basis of Presentation

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

(c) Significant Accounting Estimates and Judgments

The preparation of these financial statements requires management to make judgments and estimates that affect the reported amounts of assets and liabilities at the financial reporting date and reported amounts of expenses during the reporting period. Actual outcomes could differ from these judgments and estimates. These financial statements include judgments and estimates which, by their nature, are uncertain. The impacts of such judgments and 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 also in future periods when the revision affects both current and future periods.

(d) Functional Currency

The presentation and functional currency of the Company is the Canadian dollar.

3. Significant Accounting Policies

(a) Financial Instruments

The Company classifies its financial assets and financial liabilities into one of the following categories, depending on the purpose for which the instrument was acquired.

Fair value through profit or loss - This category comprises derivatives, assets or liabilities acquired or incurred principally for the purpose of being sold or repurchased in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in net loss.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in net loss.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in comprehensive loss. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the statement of comprehensive loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Other financial liabilities - These instruments are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method. Other financial liabilities are de-recognized when the obligations are discharged, cancelled or expired.

The effective interest method - The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest and any transaction costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability to the net carrying amount on initial recognition.

The Company's accounting policy for each category is as follows:

Financial Assets	**Classification**
Cash and cash equivalents	Loans and receivables
Other receivables	Loans and receivables
Financial Liabilities	**Classification**
Accounts payable and accrued liabilities	Other financial liabilities
Loan payable to related party	Other financial liabilities

3. Significant Accounting Policies - continued

(b) Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been negatively impacted. Evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

The carrying amount of financial assets is reduced by any impairment loss directly for all financial assets with the exception of other receivables, where the carrying amount is reduced through the use of an allowance account. When an account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

(c) Equipment

Equipment is recorded at cost. Depreciation is provided over its expected useful life using the following methods and annual rates:

Office furniture	20% declining balance

(d) Cash and cash equivalents

Cash and cash equivalents include deposits held with banks and other short-term highly liquid investments with original maturities of three months of less.

(e) Income taxes

Income taxes on the profit or loss for the years presented comprises current and deferred tax.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years. Deferred tax is recorded using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets against tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its tax assets and liabilities on a net basis.

3. Significant Accounting Policies - continued

(f) Stock-based compensation

The Company has in effect a stock option plan ("the Plan") which is described in note 7. The Plan allows Company employees, directors and officers to acquire shares of the Company for a specified option amount set on the date of grant. Stock options awarded are accounted for using the fair value-based method. Fair value is calculated using the Black-Scholes model and is recorded as stock-based compensation expense over the vesting period of the options. Consideration paid on the exercise of stock options is credited to share capital. The contributed surplus associated with the options is transferred to share capital upon exercise.

(g) Loss per share

Basic loss per common share is calculated by dividing the loss attributed to shareholders for the year by the weighted average number of common shares outstanding in the year. Diluted loss per common share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares.

(i) Future changes in accounting standards that may affect the Company and have not yet been adopted

IFRS 9 - Financial Instruments

Revised October 2010, effective for annual periods beginning on or after January 1, 2015, with early adoption permitted. IFRS9 introduces new requirements for the classification and measurement of financial instruments. Management anticipates that this standard will be adopted in the Company's financial statements for the year beginning January 1, 2015 and has not yet considered the potential impact of its adoption.

IFRS 13 – Fair Value Measurement

Issued May 2011, effective for annual periods beginning January 1, 2013. IFRS 13 replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard. It defines and provides guidance on determining fair value and requires disclosures about fair value measurements, but does not change the requirements regarding which items are measured or disclosed at fair value. The Company will adopt this policy effective January 1, 2013 and does not anticipate there to be any effect on its results of operations or financial position as a result.

IAS 1 – Presentation of Financial Statements

Issued June 2011, effective for annual periods beginning January 1, 2013. IAS 1 requires an entity to group items presented in the Statement of Comprehensive Loss 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. The Company will adopt this standard effective January 1, 2013 and does not anticipate there to be any effect on its results of operation or financial position as a result.

4. Equipment

		Office Furniture
Cost:		
Balance, December 31, 2012 and 2011	**$**	**13,124**
Accumulated Depreciation:		
Balance, December 31, 2010	$	(13,002)
Depreciation		(24)
Balance, December 31, 2011		(13,026)
Depreciation		(21)
Balance, December 31, 2012	**$**	**(13,047)**
Carrying amounts:		
At December 31, 2011	**$**	**98**
At December 31, 2012	**$**	**77**

5. Related Party Transactions

The Company had the following transactions with officers and directors of the Company and private companies controlled by officers and directors of the Company for management consulting and other services required by the Company:

i) The Company incurred expenses of $11,250 in 2012 (2011 - $15,000) with Secorp Limited ("Secorp"), a corporation controlled by an individual who was then a director and officer of the Company, for accounting, administrative and secretarial services rendered. These expenses are included in management and corporate services. At December 31, 2012 the amount of $22,750 (2011 - $15,000) was payable to Secorp. The amount due is unsecured, non-interest bearing and is due on demand. The individual ceased to be an officer and director of the Company, as a result of his death, on October 1, 2012.

ii) The Company incurred $16,000 in management fees in 2012 (2011 - $15,000) to the President for services provided to the Company. These are included in management and corporate services. At December 31, 2012 the amount of $16,000 (2011 - $Nil) was payable to the President.

iii) Included in loan payable to related party are advances of $234,826 (2011 - $234,826) from Talent Oil and Gas Limited, a corporation controlled by a director and officer of the Company. These advances are unsecured, non-interest bearing and are due on demand.

6. Share Capital

Authorized

The Company is authorized to issue an unlimited number of common shares.

Issued

	Number of common shares		Amount
Balance, December 31, 2011 and 2010	3,429,566	$	1,203,723
Stock options exercised	20,000		10,000
Fair value of stock options exercised	-		3,921
Balance, December 31, 2012	3,449,566	$	1,217,644

Contributed surplus

		2012		2011
Opening balance	**$**	**15,524**	$	15,524
Fair value of stock options exercised		**(3,921)**		-
Closing balance	**$**	**11,603**	$	15,524

7. Share-Based Payments

The Company has a stock option plan (the "Plan") that enables its directors, officers, employees, consultants, and advisors to acquire common shares of the Company. Options are granted at the discretion of the Board of Directors. Under the terms of the plan, options totaling up to 10% of the common shares outstanding from time to time are issuable. The vesting period and expiration period are fixed at the time of grant at the discretion of the Board of Directors.

In the current and prior year, no new stock options were issued.

In October 2007, the Company issued 80,000 stock options under the Plan to its directors with an exercise price of $0.50 per share. Of these options, 20,000 were exercised during the year and the remaining options expired October 2012. All options granted had a term of five years and vested over 3 years starting on the first anniversary date of the grant.

For the year ended December 31, 2012, stock-based compensation expense of $Nil (2011 - $Nil) was recorded.

8. Income Taxes

(a) Income tax provision (recovery)

The following table reconciles the expected income tax (provision) recovery at the Canadian Federal and Provincial statutory rate of 27.0% (2011 – 28.5%) to the amount recognized in the statement of comprehensive loss:

		2012		2011
Loss before income taxes	**$**	**(107,222)**	$	(71,072)
Expected income tax (recovery)	**$**	**(28,950)**	$	(20,250)
Adjustments resulting from:				
Permanent differences		**470**		-
Tax rate changes and other adjustments		**-**		1,050
Deductible temporary differences not recognized		**28,480**		19,200
Provision for income taxes - deferred	**$**	**-**	$	-

(b) Unrecognized deferred tax assets

Deferred income taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred income tax assets have not been recognized in respect of the following items:

		2012		2011
Capital losses	**$**	**2,170,530**	$	2,170,500
Non-capital losses	**$**	**521,700**	$	416,200
Equipment and other	**$**	**200**	$	200

The capital losses may be carried forward indefinitely but may only be used to offset capital gains. The non-capital losses will expire as noted in the table below. The equipment and other amount may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

The non-capital losses expire as per the years and amounts outlined below:

2014	$	47,200
2015		53,600
2026		47,000
2027		48,100
2029		79,600
2030		69,700
2031		71,000
2032		105,500
	$	**521,700**

9. Net Loss per Share

Basic and diluted loss per share has been calculated based on the weighted average number of common shares outstanding during 2012 of 3,438,364 (2011 - 3,429,566). The unexercised stock options were excluded from the calculation of the weighted average number of diluted common shares outstanding for each year because their effect would have been anti-dilutive.

10. Contingencies

The Company is currently the subject of an audit being conducted by the Canada Revenue Agency ("CRA") who has issued a notice of reassessment denying the Company's claim for a refund of all Goods and Services Tax (GST) and Harmonized Sales Tax (HST) that it has paid on its business expenses since January 1, 2006. The Company disagrees with, and is contesting the position taken by CRA but has fully recognized the effects of the reassessment. In the event that the Company is successful in its attempt to overturn the reassessment, in whole or in part, then the resulting adjustment will be recognized in income of that period.

11. Capital Disclosures

The Company's objectives when managing capital are to maintain its ability to continue as a going concern in order to provide return for shareholders and to ensure sufficient resources are available to meet day to day operating requirements.

The Company considers the items included in shareholders' equity as capital, which totals $468,999 as at December 31, 2012 (December 31, 2011 - $566,141). The Company manages its capital structure and makes adjustments to it, in order to have funds available to support its corporate activities.

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

The Company is not subject to externally imposed capital requirements and there has been no change in the overall capital risk management strategy during the year.

12. Financial Risk Factors

The Company's financial instruments consist of loans and receivables and other financial liabilities as further explained in note 3(a). As at December 31, 2012, the carrying values and fair values of the Company's financial instruments are approximately the same.

The Company is exposed in varying degrees to a variety of financial instrument related risks:

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is in its cash and cash equivalents. This risk is managed through the use of a major bank which is a high credit quality financial institution as determined by rating agencies.

Liquidity Risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available capital in order to meet its liquidity requirements. As at December 31, 2012, the Company had cash and cash equivalents of $793,484 available to settle current financial liabilities of $325,892.

Market Risk

The only significant market risk exposure to which the Company is exposed is interest rate risk. The Company's exposure to interest rate risk relates to its ability to earn interest income on cash balances at variable rates. The fair value of the Company's cash and cash equivalents is relatively unaffected by changes in short-term interest rates.