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GAR Limited

(Incorporated under the laws of Ontario)

Financial Statements

January 31, 2011 and 2010

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of GAR Limited (“an Exploration Stage Company") are the responsibility of management and the Board of Directors.

The financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with Canadian generally accepted accounting principles. Management acknowledges responsibility for the preparation and presentation of the financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances as disclosed in the notes 2 to the financial statements.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the audited financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the audited financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate control over financial reporting. Management conducted an evaluation of the effectiveness of internal control over financial reporting based on “Internal Control over of financial reporting based on Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the Company's internal control over financial reporting was effective as at January 31, 2011.

Conclusion Relating to Disclosure Controls and Procedures

As evaluation was performed under the supervision of and with the participation of management, including the President and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures as defined in the Multilateral Instrument 52-109. Based on that evaluation, the President and the Chief Financial Officer concluded that the design and operation of the Company's disclosure controls and procedures were effective as at January 31, 2011.

(signed) *"John Rapski"*
President

(signed) *"Walter Krystna"*
Chief Financial Officer

Swastika, Ontario
Canada
February 21, 2013

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of GAR Limited

Report on the Financial Statements

We have audited the accompanying financial statements of GAR Limited, which comprise the balance sheets as at January 31, 2011 and 2010 and the statements of income (loss) and comprehensive income (loss), changes in shareholders' equity, and cash flows, for each of 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 Canadian generally accepted accounting principles, 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 audits 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 GAR Limited as at January 31, 2011 and 2010 and the results of its operations and its cash flows for each of the years then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 1 in the financial statements which describes that the Company will require additional financing in order to fund its planned activities. This condition, along with other matters set out in note 1, indicates the existence of material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern.

"McCarney Greenwood LLP"

Toronto, Canada
February 21, 2013, except as to note 1 and 6,
which are as of July 29, 2013.

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GAR Limited
(An Exploration Stage Enterprise)
Balance Sheets
(Expressed in Canadian Dollars)

	January 31, 2011	January 31, 2010
Assets		
Current assets		
Cash and cash equivalents (Note 2 (f))	$ 283	$ 7,143
Sales tax receivable	2,098	2,098
	2,381	9,241
Property (Note 4)	67,010	68,616
Mineral Interests (Note 5)	1	1
	$ 69,392	$ 77,858
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	$ 411,077	$ 438,436
Due to related parties (Note 6)	284,572	272,572
	695,649	711,008
Shareholders' Deficiency		
Share capital (Note 7)	2,004,204	2,004,204
Deficit	(2,630,461)	(2,637,354)
	(626,257)	(633,150)
	$ 69,392	$ 77,858

Nature of operations and going concern (Note 1)

The accompanying notes are an integral part of these financial statements

Approved by the Board

"John Rapski" Director "Walter Krystna" Director

GAR Limited
(An Exploration Stage Enterprise)
Statements of Income (Loss) and Comprehensive Income (Loss)
(Expressed in Canadian Dollars)

	Year ended January 31, 2011	2010
Expenses		
Amortization	1,606	1,673
Office general and administration	1,446	7,149
Legal and audit	18,926	34,205
Management and consulting fees (Note 6)	14,400	12,000
Loss before other items	(36,378)	(55,027)
Other items		
Recovery of prior years' expenses	43,271	24,478
Net income (loss) and comprehensive income (loss) for the year	6,893	(30,549)
Basic and diluted income (loss) per share	$ 0.00	$ (0.02)
Weighted average number of common shares Basic and diluted	1,478,130	1,478,130

The accompanying notes are an integral part of these financial statements

GAR Limited

(An Exploration Stage Enterprise)

Statements of Changes in Shareholders' Equity

Expressed in Canadian Dollars)

	January 31, 2011	January 31, 2010
Share Capital		
Balance, beginning of year	$ 2,004,204	$ 2,004,204
Balance, end of year	$ 2,004,204	$ 2,004,204
Accumulated deficit		
Balance, beginning of year	$ (2,637,354)	$ (2,606,805)
Net income (loss) for the year	6,893	(30,549)
Balance, end of year	$ (2,630,461)	$ (2,637,354)

The accompanying notes are an integral part of these financial statements

(Expressed in Canadian Dollars)

	Year ended January 31, 2011	2010
Cash flows - operating activities		
Net income (loss) for the year	$ 6,893	$ (30,549)
Adjustments for:		
Amortization	1,606	1,673
Debt forgiveness	(43,271)	(24,478)
Net change in working capital excluding cash		
Sales tax receivable	-	(2,098)
Accounts payable and accrued liabilities	15,912	286,999
Cash flows (used in) from operating activities	(18,860)	231,547
Cash flows - financing activity		
Increase (decrease) in due to related parties	12,000	(224,452)
Cash flows provided by (used in) financing activity	12,000	(224,452)
(Decrease) increase in cash and cash equivalents	(6,860)	7,095
Cash and cash equivalents, beginning of year (Note 2(f))	7,143	48
Cash and cash equivalents, end of year (Note 2(f))	$ 283	$ 7,143

The accompanying notes are an integral part of these financial statements

1. Nature of operations and going concern

GAR Limited (the "Company") was incorporated on February 20, 1987 under the Business Corporations Act (Ontario). The Company is in the business of acquiring, exploring for and developing mineral properties in Canada. Substantially all of the efforts of the Company are devoted to these business activities. To date the Company has not earned significant revenue and is considered to be in the exploration stage. The ability of the Company to carry out its business plan rests with its ability to secure equity and other financing.

On June 23, 1998, the Ontario Securities Commission ("Commission") issued a Notice of Order (Cease Trade Order ("CTO")) against the Company for failure to file financial statements and management's discussion and analysis. Other provincial securities commissions subsequently also issued Cease Trade Orders. Its shares were subsequently delisted from the Canadian Venture Exchange. The Company has not conducted any material business since the date of the CTO in 1998. The Company has been on a "care and maintenance" status since then. The Company is attempting to become compliant with the Securities Regulators in Ontario, Alberta and British Columbia and have the CTO revoked.

The Company is in the process of exploring its resource mining properties and has not yet determined whether these properties contain economically recoverable reserves. The continued operations of the Company and the amounts recoverable on these mining properties are dependent upon the economically recoverable reserves, the ability of the Company in obtaining the financing to complete the necessary exploration and development upon attaining future profitable production or proceeds from disposition of the mining properties.

Although the Company has taken steps to verify title to mining properties in which it has an interest according to industry standards for the stage of exploration and development of such properties, these procedures may not guarantee the Company's title. Properties may be subject to undisclosed prior agreements or transfers and title may be affected by undetected defects.

The Company's continued existence as a going concern is dependent upon its ability to continue to obtain adequate ongoing debt and/or equity financing with creditors, officers, directors and stakeholders. In addition the Company must also ultimately become profitable.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying financial statements.

1. Nature of operations and going concern - continued

The company has incurred a profit of $6,893 for the year ended January 31, 2011 and a loss of $30,549 for the year ended January 31, 2010 and has a working capital deficiency of $693,268 as at January 31, 2011 and $701,767 as at January 31, 2010. While the Company has been successful in obtaining its required financing in the past, through additional equity and arms-length and non-arms length loans and advances, there is no assurance that such financing will be available or be available on favourable terms. The Company's ability to continue as a going concern is uncertain and is dependent upon the generation of profits from mineral properties, obtaining additional financing or maintaining continued support from its shareholders and creditors. In the event that additional financial support is not received or operating profits are not generated, the carrying values of the Company's assets may be adversely affected.

2. Significant accounting policies

The financial statements have been prepared in accordance with the accounting principles generally accepted in Canada.

Measurement Uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of the recoverability of mineral property costs, and the valuation allowance of future tax assets. Actual results could differ from those estimates.

The significant accounting policies are as follows:

(a) Mineral interests

The Company considers exploration costs to have the characteristics of property, plant and equipment. As such, the Company defers all exploration costs, including acquisition costs, field exploration and field supervisory costs relating to specific properties until those properties are brought into production, at which time, they will be amortized on a unit-of-production basis based on proven and probable reserves or until the properties are abandoned, sold or considered to be impaired in value, at which time, an appropriate charge will be made.

2. Significant accounting policies - continued

The Company reviews its exploration properties to determine if events or changes in circumstances have transpired which indicate that the carrying value of its assets may not be recoverable. The recoverability of costs incurred on the exploration properties is dependent upon numerous factors including exploration results, environmental risks, commodity risks, political risks, and the Company's ability to attain profitable production. It is reasonably possible, based on existing knowledge, that changes in future conditions in the near-term could require a change in determination of the need for, and amount of, any write down.

(b) Flow through shares

The Company may finance a portion of its exploration and development activities through the issue of flow through shares. Under the terms of these shares issues, the tax attributes of the related expenditures are renounced to subscribers. Share capital is reduced and future income tax liabilities are increased by estimated income tax benefits renounced by the Company to the subscribers, except to the extent that the Company has unrecorded loss carry forwards and tax pools in excess of book value available for deduction, then share capital is reduced and a future income tax recovery is recorded.

(c) Stock based compensation

The Company has a stock option plan, which is described in note 7. The Company accounts for stock based compensation using the fair-value method. Under the fair value method, stock based payments are measured at the fair value of equity instruments and are amortized over the vesting period. The offset to the recorded cost is contributed surplus in shareholders' equity.

(d) Future Income Taxes

The Company accounts for income taxes using the asset and liability method. Under this tax allocation, future income and mining tax assets and liabilities are determined based on difference between the financial statement carrying values and their respective income tax basis reduced by a valuation allowance to reflect the recoverability of any future income tax asset. Future income tax assets and liabilities are measured using the enacted tax rates expected to be in effect when the asset is realized or liability is settled. The effect on future income tax assets and liabilities of a change in tax rates is included in income in the period in which the change is enacted or substantively enacted. The amount of future income tax assets recognized is limited to the amount that is more likely than not to be realized.

(Expressed in Canadian Dollars)

2. Significant accounting policies – continued

(e) Loss per share

Basic loss per share is computed by dividing loss available to common shareholders by the weighted average number of common shares outstanding during the year. The treasury stock method is used to calculate diluted loss per share. Diluted loss per share is similar to basic loss per share, excepted that the denominator is increased to include the number of additional common shares that would have been outstanding assuming that options and warrants with an average market price for the year greater than their exercise price are exercised and the proceeds used to repurchase common shares.

(f) Cash and cash equivalents

Cash and cash equivalents include cash on hand and all highly liquid investments that are readily convertible into cash with maturity dates not to exceed 90 days from the date of issuance. Cash and cash equivalents are comprised of cash on hand, cash at banks, and cash held in trust. These can be summarized as follows:

	2011	2010
Cash on hand and held at banks	$ 283	$ 717
Cash held in trust	-	6,426
	$ 283	$ 7,143

(g) Asset retirement obligations

The Company recognizes fair value of a future asset retirement obligation as a liability in the year in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development, and/or normal use of the assets. The Company concurrently recognizes a corresponding increase in the carrying amount of the related long-lived asset that is depreciated over the life of the asset. The fair value of the asset retirement obligation is estimated using the expected cash flow approach that reflects a range of possible outcomes discounted at a credit adjusted risk free interest rate. Subsequent to the initial measurement, the asset retirement obligation is adjusted at the end of each year to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. Changes in the obligation due to the passage of time are recognized in income as an operating expense using the interest method. Changes in the obligation due to changes in estimated cash flows are recognized as an adjustment of the carrying amount of the long-lived asset that is depreciated over the remaining life of the asset. As at January 31, 2011, the Company has not incurred or committed any asset retirement obligations.

2. Significant accounting policies - continued

(h) Impairment of long-lived assets

Long-lived assets, including property and equipment and other assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

(i) Property

Fixed assets are stated at cost. Depreciation is provided on diminishing balance basis at the following annual rate:

Building	4%

(j) Share capital

Common shares issued for non - monetary consideration are recorded at their fair market value based upon price per share paid in the most recent prior sale of shares for cash.

Costs incurred to issue common shares are deducted from share capital.

(k) Financial instruments

All financial instruments are classified into one of the following five categories: held for trading, held to maturity, loans and receivables, available for sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured in the balance sheet at fair value except for loans and receivables, held to maturity investments and other financial liabilities which are measured at amortized cost using the effective interest method. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held for trading financial assets are measured at fair value and changes in fair value are recognized in the statement of loss for the year in which they arise; available for sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive loss until the investment is de-recognized or impaired at which time the amounts would be recorded in the statement of loss.

2. Significant accounting policies - continued

The Company has made the following classifications:

Cash and cash equivalents	Held for trading
Sale tax receivable	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Due to related parties	Other financial liabilities

Transaction costs are expensed as incurred for financial instruments classified as held for trading. For other financial instruments, transaction costs are expensed on initial recognition. The Company accounts for regular purchases and sales of financial assets using trade date accounting.

(l) Comprehensive Income (Loss) and Deficit

The Company adopted the CICA Section 1530, "Comprehensive Income" during the fiscal year ended January 31, 2008. Under these standards, the Statement of Comprehensive Income (Loss), was introduced that will provide for certain gains and losses arising from changes in fair value, to be temporarily recorded outside the income statement. Upon adoption of Section 1530, the Company incorporated the Statement of Comprehensive Loss by creating a "Statement of Loss and Comprehensive Loss". The application of this standard did not result in comprehensive loss being different from net loss for the periods presented. Should the Company recognize any other comprehensive loss in the future, the cumulative changes in other comprehensive loss will be recognized in Accumulated Other Comprehensive Loss, which will be presented as a new category within Shareholders' Equity (Deficiency) on the balance sheets.

(m) Capital disclosure

This standard requires disclosure of information that enables users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital (see note 8).

(n) Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the Emerging Issues Committee ("EIC") of the Canadian Institute of Chartered Accountants ("CICA") issued EIC-173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities", which establishes that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. This EIC-173 should be applied to interim and annual financial statements for periods ending on or after January 20, 2009. The adoption of this abstract had no impact on the Company's presentation of its financial position or results of operations.

2. Significant accounting policies - continued

(o) Goodwill and Intangible Assets

Effective February 1, 2009, the Company adopted CICA Section 3064, "Goodwill and Intangible Assets" which replaces CICA Sections 3062, "Goodwill and Other Intangible Assets" and 3450 "Research and Development Costs", as well as EIC-27, "Revenues and Expenditures During the Pre operating Period", and part of Accounting Guideline 11, "Enterprises in the development stage". Under previous Canadian standards, a greater number of items were recognized as assets than are recognized under International Financial Reporting Standards ("IFRS"). The provisions relating to the definition and initial recognition of intangible assets reduce the differences with IFRS in the accounting for intangible assets. The objectives of CICA 3064 are: 1) to reinforce the principle based approach to the recognition of assets; 2) to establish the criteria for asset recognition; and 3) to clarify the application of the concept of matching revenues and expenses such that the current practice of recognizing items that do not meet the recognition criteria is eliminated. The standard also provides guidance for the recognition of internally developed intangible assets (including research and development activities), ensuring consistent treatment of all intangible assets. The portions in the standard relating to goodwill remain unchanged. The adoption of this standard had no impact on the Company's presentation of its financial position or results of operations.

(p) Fair Value Hierarchy and Liquidity Risk Disclosure

In June 2009, the Canadian Accounting Standards Board ("AcSB") issued an amendment to CICA Section 3862, "Financial Instruments – Disclosures" in an effort to make Section 3862 consistent with IFRS Section 7 – Disclosures ("IFRS 7"). The purpose was to establish a framework for measuring fair value in Canadian GAAP and expand disclosures about fair value measurements. To make the disclosures an entity shall classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following levels: (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); (b) inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). These standards apply to annual financial statements relating to fiscal years ending after September 30, 2009. The adoption of this standard resulted in additional disclosures in the notes to the financial statements (refer to note 10).

(Expressed in Canadian Dollars)

2. Significant accounting policies - continued

(q) Mining Exploration Costs

In March 2009, the EIC issued EIC-174, "Mining Exploration Costs", which provides guidance on capitalization of exploration costs related to mining properties. It also provides guidance for development and exploration stage entities that cannot estimate future cash flows from its properties in assessing whether impairment in such properties is required. EIC-174 also provides additional discussion on recognition for long-lived assets. EIC-174 is to be applied retrospectively without restatement of prior periods in interim and annual financial statements for periods ending on or after the date of issuance of EIC-174. The Company adopted this recommendation in its fair value determinations effective February 1, 2009. The adoption of this standard did not have significant impact on the Company's financial statements.

3. Future accounting changes

International Financial Reporting Standards

In January 2006, the CICA's AcSB formally adopted the strategy of replacing Canadian GAAP with IFRS for Canadian enterprises with public accountability. On February 13, 2008, the AcSB confirmed that the use of IFRS will be required in 2011 for publicly accountable profit oriented enterprises. For these entities, IFRS will be required for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company will be required to have prepared, in time for its first quarter of fiscal 2012 filing, comparative financial statements in accordance with IFRS for the three months ended April 30, 2011. The Company is currently in the process of evaluating the potential impact of IFRS to its financial statements. This will be an ongoing process as the International Accounting Standards Board and the AcSB issue new standards and recommendations. It is anticipated that the Company's financial results and financial position as disclosed in the Company's current Canadian GAAP financial statements will not be significantly different when presented in accordance with IFRS.

4. Property

	Cost	Accumulated Amortization	2011 Net Book Value	2010 Net Book Value
Land	$ 28,457	$ -	$ 28,457	$ 28,457
Building	42,686	(4,133)	38,553	40,159
	$ 71,143	$ (4,133)	$ 67,010	$ 68,616

(Expressed in Canadian Dollars)

5. Mineral interests

Accumulated mineral property costs have been incurred as follows:

	2011	2010
Balance, beginning and end of year	$ 1	$ 1

In 2009, the Company acquired a 100% interest in property in the township of Grenfell for cash consideration of $71,144.

The consideration of $71,144 was allocated to the net identifiable assets acquired as follows:

Land	$ 28,457
Building	42,686
Mineral rights	1
	$ 71,144

6. Related Party Transactions

The following related party transactions occurred and were expensed to management fees in the financial statements during the years ended January 31, 2011 and 2010 as follows:

During the year ended January 31, 2011 an officer of the Company charged management fees in the amount of $12,000 (2010 - $12,000) to the Company. As at January 31, 2011 a total of $245,155 (2010 - $233,155) is due to this officer. This amount is included in due to related parties.

As at January 31, 2011 the Company owes a total of $39,417 (2010 - $39,417) to a company controlled by the President of the Company. This amount pertains to advances the Company received in the past. These amounts are included in due to related parties. The advances bear no interest and have no specified terms of repayment.

During fiscal 2010, the Company has realized a debt forgiveness of $4,305 from one of its related parties. As at January 31, 2011 total due to related parties balance is $284,572 (2010 - $272,572).

These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

7. Share capital

The Company's authorized share capital is comprised of an unlimited number of common shares. 1,478,130 common shares were issued and outstanding as at January 31, 2011 and 2010.

The Company has a stock option plan to provide employees and directors with options to purchase common shares of the Company. Under the plan, the exercise price of each option equals the market price of the Company's stock on the day of grant and the maximum term of option is five years. The maximum number of shares which may be issued under the program shall not exceed 10% of the issued and outstanding shares.

As at January 31, 2011 and 2010 there were no outstanding stock options.

8. Capital management

The Company considers its capital to include components of shareholders' deficiency.

The Company's objectives in managing capital are: to maintain adequate levels of funding to support its expenditures arising from the Company's investments; to safeguard the Company's ability to continue as a going concern in order to pursue investments and new projects of merit; and to maintain corporate and administrative functions necessary to support the Company's operations and corporate functions.

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The capability of the Company to carry out planned exploration, pay for administrative costs, and eliminate its working capital deficiency (see note 1) is dependent on its ability to secure additional equity or other financing. The Company will assess properties and seek to acquire properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

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

There were no changes in the Company's approach to capital management during the year ended January 31, 2011. The Company is not subject to externally imposed capital requirements.

9. Financial instruments and financial risk factors

Fair Value

The Company has determined the estimated fair value of its financial instruments based on estimates and assumptions. The actual results may differ from those estimates and the use of different assumptions or methodologies may have a material effect on the estimated fair value amounts.

The fair value of cash and cash equivalents, sales tax receivable and accounts payable and accrued liabilities are comparable to their carrying value due to the relatively short period to maturity of these instruments.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

The Company does not have any material risk to any single debtor or group of debtors. Cash consists of bank deposits which are with a Canadian Chartered Bank, from which management believes the risk of loss is remote.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company currently has liabilities of $695,649 (2010 - $711,008) and current assets of $2,381 (2010 - $9,241); the ability of the Company to eliminate its working capital deficiency in the amount of $693,268 (2010 - $701,767) is dependent on its ability to secure additional equity or other financing.

Commodity price risk

The Company is exposed to price risk with respect to commodity prices. Change in commodity prices will impact the economics of development of the Company's mineral interests. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

(Expressed in Canadian Dollars)

9. Financial instruments and financial risk factors - continued

Sensitivity analysis

As at January 31, 2011 and 2010, the carrying values of the Company's financial instruments approximate their fair value.

Fair value hierarchy and liquidity risk disclosure
As at January 31, 2011 and 2010, cash and cash equivalents is the only financial instrument classified as level 1 under the fair value hierarchy.

10. Income taxes

Future income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

The Company has no future tax liabilities.

Significant components of the Company's future tax assets are as follows:

	2011	2010
Future tax assets:		
Mineral properties	$ 194,334	$ 194,334
Non-capital losses carried forward	24,166	16,528
Total future tax assets	218,500	210,862
Applied against tax provision	(1,723)	-
Valuation allowance for future tax assets	(216,777)	(210,862)
Net future tax assets	$ -	$ -

The Company has provided a valuation allowance equal to the future tax assets because it is presently not considered more likely than not that they will be realized.

(Expressed in Canadian Dollars)

10. Income taxes - continued

The Company's income tax expense for the years ended January 31, 2011 and 2010 is $Nil. The reconciliation of income tax to the financial statements at the statutory tax rate is as follows:

	2011	2010
Income (loss) before income taxes	$ 6,893	$ (30,549)
Income tax expense at combined federal and provincial rate of 30.8% (2010 – 32.8%) respectively	$ 2,123	$ (10,020)
Application of non-capital loss carried forward	(2,123)	
Taxable benefits not recognized	-	10,020
Income tax recovery (provision)	$ -	$ -

At January 31, 2011 the Company has non-capital losses available for carry forward of approximately $90,000. No benefit from these amounts has been recorded in these financial statements. These losses will expire as follows:

Year	Amount
2027	$ 14,000
2028	15,000
2029	30,000
2030	31,000
	$ 90,000

Exploration expenses	$ 488,185
Development expenses	$ 256,318
Earned depletion base	$ 32,833

The potential benefit from these expenditures has not been recognized in the financial statements.

11. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation. These reclassifications did not affect prior year's net losses.

12. Segmented information

The Company operates in one operating reporting segment, being mineral exploration and development. The Company's principal mineral interests are located in Ontario. In addition, all of the Company's assets, liabilities and expenses are in Canada.