

# **GAR Limited**

(Incorporated under the laws of Ontario)

## **Financial Statements**

**January 31, 2013 and 2012**

## **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

The accompanying financial statements of GAR Limited (the "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 International Financial Reporting Standards. 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 3 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, 2013.

### **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, 2013.

(signed) "*John Rapski*"  
President

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

Swastika, Ontario  
Canada  
March 18, 2013



## INDEPENDENT AUDITOR'S REPORT

### To the Shareholders of GAR Limited

We have audited the accompanying financial statements of GAR Limited, which comprise the statements of financial position as at January 31, 2013 and 2012 and the statements of comprehensive loss, cash flows, and changes in shareholders' equity 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 International Financial Reporting Standards, 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 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 in our audits 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, 2013 and 2012 and its financial performance and its cash flows for the each of the years then ended in accordance with International Financial Reporting Standards.

### 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.

Toronto, Canada  
March 18, 2013, except as to note 1 and 6,  
which are as of July 29, 2013

*"McCarney Greenwood LLP"*

McCarney Greenwood LLP  
Chartered Accountants  
Licensed Public Accountants



McCarney Greenwood LLP  
Chartered Accountants  
10 Bay Street, Suite 600  
Toronto, ON M5J 2R8  
T 416 362 0515 F 416 362 0539  
www.mgca.com

**GAR Limited**  
 (An Exploration Stage Enterprise)  
**Statements of Financial Position**

(Expressed in Canadian Dollars)

	As at January 31, 2013	As at January 31, 2012
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents (Note 3.7)	\$ 20,125	\$ 211
Sales tax receivable	<u>3,242</u>	<u>2,098</u>
	23,367	2,309
<b>Other</b>		
Property (Note 4)	69,005	65,468
Mineral interests(Note5)	<u>1</u>	<u>1</u>
	<u>\$ 92,373</u>	<u>\$ 67,778</u>
<b>LIABILITIES AND SHAREHOLDERS' DEFICIENCY</b>		
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 431,328	\$ 426,245
Due to related parties (Note 6)	<u>349,262</u>	<u>296,572</u>
	780,590	722,817
<b>Shareholders 'deficiency</b>		
Share capital(Note7)	2,004,204	2,004,204
Deficit	<u>(2,692,421)</u>	<u>(2,659,243)</u>
	<u>(688,217)</u>	<u>( 655,039)</u>
	<u>\$ 92,373</u>	<u>\$ 67,778</u>

Nature of operations and going concern (Note 1)

**Approved by the Board:**

“John Rapski” \_\_\_\_\_ Director

“Walter Krystna” \_\_\_\_\_ Director

The accompanying notes are an integral part of these financial statements

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

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for the year ended January 31,

2013 2012

**OPERATING EXPENSES**

Amortization	\$ 1,548	\$ 1,542
Office and administration	1,757	340
Legal and audit	7,673	12,500
Management and consulting fees (Note 6)	22,200	14,400
	<u>33,178</u>	<u>28,782</u>
<b>Net loss and comprehensive loss for the year</b>	<u>\$ (33,178)</u>	<u>\$ (28,782)</u>
<b>Basic and diluted loss per common share</b>	<u>\$ (0.02)</u>	<u>\$ (0.02)</u>
<b>Weighted average number of common shares outstanding</b>	<u>1,478,130</u>	<u>1,478,130</u>

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)

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	Share Capital			Total \$
	Share Units	Amounts \$	Deficit \$	
<b>Balance at January 31, 2011</b>	1,478,130	2,004,204	(2,630,461)	(626,257)
Net (loss) for the year	-	-	(28,782)	(28,782)
<b>Balance at January 31, 2012</b>	1,478,130	2,004,204	(2,659,243)	(655,039)
Net (loss) for the year	-	-	(33,178)	(33,178)
<b>Balance at January 31, 2013</b>	<b>1,478,130</b>	<b>2,004,204</b>	<b>(2,692,421)</b>	<b>(688,217)</b>

The accompanying notes are an integral part of these financial statements

**GAR Limited**  
 (An Exploration Stage Enterprise)  
**Statements of Cash Flows**  
 (Expressed in Canadian Dollars)

**Year ended January 31,**

**2013                      2012**

**Cash flows - operating activities**

Net (loss) for the year	\$ (33,178)	\$ (28,782)
Adjustments for non-cash item:		
Amortization	1,548	1,542
Net change in working capital excluding cash		
Sales tax receivable	(1,143)	-
Accounts payable and accrued liabilities	<u>5,082</u>	<u>15,168</u>
Cash used in operating activities	<u>(27,691)</u>	<u>(12,072)</u>

**Cash flows - investment activity**

Acquisition of capital assets	<u>(5,085)</u>	<u>-</u>
Cash flows used in investing activity	<u>(5,085)</u>	<u>-</u>

**Cash flows - financing activity**

Increase in due to related parties	<u>52,690</u>	<u>12,000</u>
Cash flows provided by financing activity	<u>52,690</u>	<u>12,000</u>

<b>Increase (decrease) in cash and cash equivalents</b>	19,914	(72)
Cash and cash equivalents, beginning of year (Note 3.7)	<u>211</u>	<u>283</u>

<b>Cash and cash equivalents, end of year (Note 3.7)</b>	<u>\$ 20,125</u>	<u>\$ 211</u>
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The accompanying notes are an integral part of these financial statements

## **GAR Limited**

(An Exploration Stage Enterprise)

### **Notes to Financial Statements January 31, 2013 and 2012**

(Expressed in Canadian Dollars)

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#### **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) 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 International Financial Reporting Standards ("IFRS"), 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 loss of \$33,178 for the year ended January 31, 2013 and a loss of \$28,782 for the year ended January 31, 2012 and has a working capital deficiency of \$757,223 as at January 31, 2013 (2012 - \$720,508). 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 favorable 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.

The primary office of the Company is located at 288 Kenogami Lane, Swastika, Ontario, P0K 1T0.

The financial statements of GAR Limited for the year ended January 31, 2013 was reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on March 18, 2013.

**2. Statement of Compliance**

These financial statements are presented in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") effective January 31, 2013.

The accounting policies set out in note 3 have been applied consistently to all periods presented in these financial statements.

**3. Significant Accounting Policies**

**3.1 New Accounting Pronouncements**

The IASB issued a number of new and revised International Accounting Standards, International Financial Reporting Standards, amendments and related interpretations which are effective for the Company's financial reporting periods beginning on or after January 1, 2011. For the purpose of preparing and presenting the financial information for the relevant periods, the Company has consistently adopted all these new standards for the relevant reporting periods.

### **3. Significant Accounting Policies (continued)**

#### **3.1 New Accounting Pronouncements (continued)**

At the date of authorization of these financial statements the IASB and IFRIC have issued the following new and revised Standards and Interpretations which are not yet in effect for the relevant reporting periods.

- IFRS 9 '*Financial Instruments: Classification and Measurement*' – effective for annual periods beginning on or after January 1, 2015, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments.
- IFRS 10 '*Consolidated Financial Statements*' – effective for annual periods beginning on or after January 1, 2013 with early adoption permitted, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.
- IFRS 11 '*Joint Arrangements*' effective for annual periods beginning on or after January 1, 2013 with early adoption permitted, provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form.
- IFRS 12 '*Disclosure of Interests in Other Entities*'- effective for annual periods beginning on or after January 1, 2013 with early adoption permitted, require the disclosure of information that enables the user of financial statements to evaluate the nature of, and risks associated with its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.
- IFRS 13 '*Fair Value Measurement*'- effective for annual periods beginning on or after January 1, 2013 with early adoption permitted, provides guidance on the measurement of fair value and related disclosures through a fair value hierarchy.

## **GAR Limited**

(An Exploration Stage Enterprise)

### **Notes to Financial Statements**

**January 31, 2013 and 2012**

(Expressed in Canadian Dollars)

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#### **3. Significant Accounting Policies (continued)**

- IAS1– Presentation of financial statements (“IAS1”) was amended by the IASB in June 2011 in order to align the presentation of items in other comprehensive income with USGAAP standards. Items in other comprehensive income will be required to be presented in two categories: items that might be reclassified into profit or loss and those that will not be reclassified. The flexibility to present a statement of comprehensive income as one statement or two separate statements of profit and loss and other comprehensive income remains unchanged. The amendments to IAS1 are effective for annual periods beginning on or after July 1, 2012.
- IAS 27 ‘Separate Financial Statements’– effective for annual periods beginning on or after January 1, 2013, as a result of the issue of the new consolidation suite of standards, IAS 27 Separate Financial Statements has been reissued, as the consolidation guidance will now be included in IFRS 10. IAS 27 will now only prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.
- IAS 32 ‘Financial Instruments, Presentation’ – In December 2011, effective for annual periods beginning on or after January 1, 2014, IAS 32 was amended to clarify that the right of offset must be available on the current date and cannot be contingent on a future date. The Company has not early adopted these standards, amendments and interpretations, however it is currently assessing what impact the application of these standards or amendments will have on the financial statements of the Company.
- In October 2011, the IASB issued International Financial Reporting Interpretation Committee (IFRIC) 20 Stripping Costs in the production Phase of a Surface Mine. This interpretation requires the capitalization and depreciation of stripping costs in the production phase if an entity can demonstrate that it is probable future economic benefits will be realized, the costs can be reliably measured and the entity can identify the component of the ore body for which access has been improved. Retrospective application of this interpretation is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. The Company is currently assessing the impact of this interpretation.

The Company has not early adopted these standards, amendments and interpretations however, the Company is currently assessing what impact the application of these standards or amendments will have on the financial statements of the Company.

### **3. Significant Accounting Policies (continued)**

#### **3.2 Share based payments**

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of the grant, using the Black-Scholes pricing model, and is recognized over vesting period. Consideration paid for the shares on the exercise of the stock options is credited to capital stock.

In situations where equity instruments are issued to non-employees and some or all of the goods and services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods and services received.

#### **3.3 Mineral property interests**

The Company records its mining assets, including wholly-owned mining properties, undivided interests in mining properties and deferred exploration costs, at cost less certain recoveries.

Exploration costs are capitalized on the basis of specific mining property or are as of geological interest until the mining assets to which they relate are placed into production, sold or are allowed to lapse.

General exploration costs not related to specific mining assets are expensed in the statement of comprehensive loss as incurred.

The recoverability of the amounts recorded under mining properties and deferred exploration costs is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the financing needed to completed development, and future profitable production or proceeds from disposal of these assets. The amounts shown for mining properties and deferred exploration costs are not necessarily indicative of present or future values.

## **GAR Limited**

(An Exploration Stage Enterprise)

### **Notes to Financial Statements January 31, 2013 and 2012**

(Expressed in Canadian Dollars)

### **3. Significant Accounting Policies (continued):**

#### **3.3 Mineral property interests (continued)**

##### **Impairment of assets**

Mining properties and exploration costs are tested for impairment when events or changes in circumstances indicate that the carrying value may be impaired. If management has not enough information to estimate future cash flows to evaluate recoverability of capitalized amounts, the management compares the fair value and the carrying value. Management also considers whether results for exploration work justify further expenditures, the confirmation of the interest of the Company in the mining claims, the ability of the Company to obtain the necessary financing to complete the future development or if the disposal of the properties for proceeds is in excess of their carrying value.

#### **3.4 Property**

Fixed assets are stated at cost. Amortization is provided on the diminishing balance basis.

#### **3.5 Income taxes**

Income tax on profits or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates, enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable loss and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of the asset and liabilities, using the tax rates enacted or substantially enacted at the date of the statement of financial position.

# **GAR Limited**

(An Exploration Stage Enterprise)

## **Notes to Financial Statements January 31, 2013 and 2012**

(Expressed in Canadian Dollars)

### **3. Significant Accounting Policies (continued):**

#### **3.5 Income taxes (continued)**

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. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, then excessive deferred tax benefits will not be recognized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are off set when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

#### **3.6 Basic and diluted loss per share**

The Company presents basic loss per share data for its common shares, calculated by dividing the loss attributable to common share holders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated using the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding used for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are used to repurchase common shares at the average market price during the period. The Company does not have any options or warrants outstanding during the years ended January 31, 2013 and 2012 and accordingly basic and diluted loss per share are the same for those years.

# **GAR Limited**

(An Exploration Stage Enterprise)

## **Notes to Financial Statements**

**January 31 2013 and 2012**

(Expressed in Canadian Dollars)

### **3. Significant Accounting Policies (continued):**

#### **3.7 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:

	<u>2013</u>	<u>2012</u>
Cash on hand and held at banks	\$ 20,125	\$ 211

#### **3.8 Provisions, contingent liabilities and contingent assets**

Provisions are recognized when the Company has a present obligation (legal or constructive) that have arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

### **3. Significant Accounting Policies (continued):**

#### **3.9 Decommissioning, restoration and similar liabilities (“Asset retirement obligation” or ARO”)**

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations including those associated with the reclamation of mineral properties and equipment, when those obligations result from the acquisition, construction, development or normal operation of the asset. Initially, a liability for an asset retirement obligations recognized at its fair value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding asset retirement obligation is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset using either the unit-of-production or the straight-line method as appropriate. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

#### **3.10 Equity**

Share capital represents the amount received on the issuance of shares, less issue costs.

Reserve for share based payments includes charges related to share-based payments until the exercise of options issued as compensation and it also includes warrants granted until the exercise of these warrants.

Deficit includes all current and prior period losses, except for other comprehensive losses that are included in accumulated other comprehensive income or loss.

#### **3.11 Flow-through shares**

Canadian Income Tax legislation permits an enterprise to issue securities referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related resource expenditures. The Company accounts for flow-through shares whereby the premium paid for the flow-through shares in excess of the market value of the shares without the flow-through feature at the time of issue is credited to other liabilities and as a reduction of deferred tax expense when the obligation is fulfilled, at the time the eligible expenditures are incurred and there is intention to renounce.



## **GAR Limited**

(An Exploration Stage Enterprise)

### **Notes to Financial Statements**

**January 31, 2013 and 2012**

(Expressed in Canadian Dollars)

### **3. Significant Accounting Policies (continued):**

#### **3.12 Financial instruments**

##### **Financial assets:**

All financial assets are recognized and derecognized on the trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Measurement in subsequent periods depends on the classification of the financial instrument.

Financial assets are classified into the following categories: financial assets 'at fair value through profit or loss' ("FVTPL"), 'held-to-maturity investments', 'available-for-sale' and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

##### **i) Financial assets at fair value through profit or loss (FVTPL)**

Financial assets are classified as FVTPL when acquired principally for the purpose of trading, if so designated by management (fair value option), or if they are derivative assets that are not part of an effective and designated hedging relationship. Financial assets classified as FVTPL are measured at fair value, with changes recognized in the statements of loss.

The Company's financial assets classified as FVTPL include cash and cash equivalents. The Company does not currently hold any derivative instruments or apply hedge accounting.

##### **ii) Available-for-sale financial assets**

Financial assets are classified as available-for-sale when so designated by management. Financial assets classified as available-for-sale are measured at fair value, with changes recognized in the other comprehensive income. The Company does not currently have any financial assets categorized as available-for-sale.

## **GAR Limited**

(An Exploration Stage Enterprise)

### **Notes to Financial Statements**

**January 31, 2013 and 2012**

(Expressed in Canadian Dollars)

#### **3. Significant accounting policies (continued):**

##### iii) Loans and receivables

Loans and receivables are non-derivative financial assets that have fixed or determinable payments and are not quoted in an active market. Subsequent to initial recognition, loans and receivables are carried at amortized cost using the effective interest method. Sales tax receivables are classified as loans and receivables.

##### Financial liabilities:

Financial liabilities are classified as either financial liabilities 'FVTPL' or 'other financial liabilities'.

##### Other financial liabilities:

Other financial liabilities are financial liabilities that are not classified as FVTPL and are initially measured at fair value, net of transaction costs. Subsequent to initial recognition, other financial liabilities that are not subject to hedge accounting are measured at amortized cost using the effective interest method.

Amounts payable and accrued liabilities and due to related parties are classified as other financial liabilities. The Company does not currently apply hedge accounting.

The effective interest method is a method of calculating the amortized cost of an instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument to the net carrying amount on initial recognition.

# **GAR Limited**

(An Exploration Stage Enterprise)

## **Notes to Financial Statements**

**January 31, 2013 and 2012**

(Expressed in Canadian Dollars)

### **3. Significant accounting policies (continued):**

#### **3.12 Financial instruments(continued)**

**Financial Assets:**

Cash and cash equivalents

Sales tax receivables

**Classification:**

FVTPL

Loans and receivables

**Financial Liabilities:**

Accounts payable and accrued liabilities

Due to related parties

**Classification:**

Other financial liabilities

Other financial liabilities

**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 the likelihood that the borrower will enter bankruptcy or financial reorganization.

The carrying amount of financial assets is reduced by any impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When an accounts or loan 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.

## **GAR Limited**

(An Exploration Stage Enterprise)

### **Notes to Financial Statements**

**January 31, 2013 and 2012**

(Expressed in Canadian Dollars)

### **3. Significant Accounting Policies (continued):**

Financial instruments recorded at fair value:

Financial instruments recorded at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels: Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 - valuation techniques based on 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); and Level 3- valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs). As of January 31, 2013 and 2012, the only financial assets or liability measured at fair value is the Company's cash and cash equivalents.

Cash and cash equivalents are considered Level 1 for purposes of the fair value hierarchy.

#### **3.13 Accounting estimates and critical judgments**

The preparation of financial statements requires management to make estimates, assumptions and judgments about future events. These estimates and judgments are constantly challenged. They are based on past experience and other factors, particularly, forecasts of future events that are reasonable in the circumstances. The actual results are likely to differ from the estimates, assumption sand judgments made by management, and may not equal estimated results.

The following paragraphs describes the most critical management estimates and assumptions in the recognition of assets, liabilities and expenses and the most critical management judgments' in applying accounting policies:

##### **Impairment of assets**

An impairment loss is recognized when the carrying amount of an asset is not recoverable and exceeds its fair value. Management reviews on a regular basis the impairment assessment of its Mineral property interests without a recovery test. (Note-3.3)

##### **Share based payments**

The estimation of share-based payment costs require the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility of its own share price, the probable life of options, the time of exercise of those options and expected extinguishments. The evaluation model used by the Company is Black-Scholes.

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#### **3. Significant accounting policies (continued):**

Income taxes and deferred taxes

The Company maintains allowances for uncertain tax positions that, in its opinion, appropriately reflect the risks related to the tax positions related subject to discussions, audits, differences of opinion and appeals with the tax authorities or that are otherwise uncertain. These allowances are determined using best estimates of the amounts payable based on a qualitative assessment of all relevant information. These allowances are re assessed at the end of each financial reporting period to determine if the amount is sufficient. However, audits by the tax authorities could subsequently result in an additional liability.

#### **4. Property**

	<b>Land</b>	<b>Building</b>	<b>Total</b>
<b>Cost</b>			
As at January 31, 2012	\$ 28,457	\$ 42,686	\$ 71,143
<b>Additions</b>	-	<b>5,085</b>	<b>5,085</b>
<b>As at January 31, 2013</b>	<b>\$ 28,457</b>	<b>\$ 47,771</b>	<b>\$ 76,228</b>
<b>Accumulated Amortization</b>			
As at January 31, 2012	\$ -	\$ 5,675	\$ 5,675
<b>Additions</b>	-	<b>1,548</b>	<b>1,548</b>
<b>As at January 31, 2013</b>	<b>\$ -</b>	<b>\$ 7,223</b>	<b>\$ 7,223</b>
<b>Net Book Value</b>			
As at January 31, 2012	\$ 28,457	\$ 37,011	\$ 65,468
<b>As at January 31, 2013</b>	<b>\$ 28,457</b>	<b>\$ 40,548</b>	<b>\$ 69,005</b>

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#### **5. Mineral interests**

Accumulated mineral property costs have been incurred as follows:

	2013	2012
Balance, beginning and end of year	\$ <u>1</u>	\$ <u>1</u>

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	<u>1</u>
	<u>\$ 71,144</u>

#### **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, 2013 and 2012 as follows:

During the year ended January 31, 2013 an officer of the Company charged management fees in the amount of \$18,000 (2012- \$12,000) to the Company. As at January 31, 2013 a total of \$275,155 (2012- \$257,155) is due to this officer in respect of management fees. This amount is included in due to related parties.

As at January 31, 2013 the Company owes a total of \$74,107 (2012- \$39,417) to a Company controlled by the President of the Company. This amount pertains to advances the Company received during the year and in the past. These amounts are included in due to related parties. The advances bear no interest and have no specified terms of repayment.

As at January 31, 2013 total amounts due to related parties is \$349,262 (2012 - \$296,572).

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#### **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, 2013 and 2012.

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, 2013 and 2012 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, 2013. The Company is not subject to externally imposed capital requirements.

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#### **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, 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 fair value of advances has not been fixed because they are with a related party and they did not reflect terms and conditions which would have been negotiated with arm's length parties.

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 \$780,590 (2012- \$722,817) and current assets of \$23,367 (2012 - \$2,309); the ability of the Company to eliminate its working capital deficiency in the amount of \$757,223 (2012 - \$720,508) 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.



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#### **9. Financial instruments and financial risk factors - continued**

##### Sensitivity analysis

As at January 31, 2013 and 2012, the carrying values of the Company's financial instruments approximate their fair value.

##### Fair value hierarchy and liquidity risk disclosure

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at January 31, 2013:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash and cash equivalents	\$ 20,125	\$ -	\$ -	\$ 20,125

#### **10. Income taxes**

Deferred 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 deferred tax liabilities.

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

	<b>2013</b>	<b>2012</b>
Deferred tax assets:		
Mineral properties	\$ 194,334	\$ 194,334
Non- capital losses carried forward	37,933	29,638
Total future tax assets	232,267	223,972
Application of assets to offset tax provision	-	-
Deferred tax assets not recognized	(232,267)	(223,972)
Net deferred tax assets	\$ -	\$ -

The Company has not recognized any of the deferred tax assets because it is presently not considered more likely than not that they will be realized.

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#### **10. Income taxes - continued**

The Company's income tax expense for the years ended January 31, 2013 and 2012 is \$Nil. The reconciliation of income tax to the financial statements at the statutory tax rate is as follows:

	<u>2013</u>	<u>2012</u>
(Loss) income before income taxes	<u>\$ (33,179)</u>	<u>\$ (28,782)</u>
Income tax expense at combined federal and provincial rate of 26.50% (2012 – 28.10%) respectively	\$ (8,792)	\$ (8,088)
Other add backs	450	-
Taxable benefits not recognized	<u>8,342</u>	<u>8,088</u>
Income tax provision	<u>\$ -</u>	<u>\$ -</u>

At January 31, 2013 the Company has non-capital losses available for carry-forward of approximately \$152,000. No benefit from these amounts has been recorded in these financial statements. These losses will expire as follows:

<u>Year</u>	<u>Amount</u>
2027	\$ 14,000
2028	15,000
2029	30,000
2030	31,000
2032	29,000
2033	<u>33,000</u>
	<u>152,000</u>

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.

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### **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 Grenwell, Ontario. In addition, all of the Company's assets, liabilities and expenses are in Canada.