# GAR LIMITED

**FINANCIAL STATEMENTS**

**(Expressed in Canadian dollars)**

**JANUARY 31, 2014 and 2013**

**MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

The accompanying financial statements of Gar Limited (the "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 the accounting policies disclosed in the notes to the financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the balance sheets date. In the opinion of management, the financial statements have been prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

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 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 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.

(signed) *"John P. Rapski”*
John P. Rapski

Chief Executive Officer, President
and Director

(signed) *"Wm. Andrew Campbell CA/CPA"*
Wm. Andrew Campbell CA/CPA

Chief Financial Officer and Director

Toronto, Canada
June 5, 2014

**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, 2014 and 2013 and the statements of comprehensive loss, statements of cash flows, and the statements of 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 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 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, 2014 and 2013 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.

***"McCarney Greenwood LLP"***

Toronto, Canada
June 5, 2014

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Licensed Public Accountants

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# Gar Limited

**Statements of Financial Position**
**(Expressed in Canadian Dollars)**

| | As at January 31, 2014 | As at January 31, 2013 |
|---|---|---|
| **ASSETS** | | |
| **Current Assets** | | |
| Cash and cash equivalents | $ 87 | $ 20,125 |
| Receivables (Note 7) | 5,326 | 3,432 |
| **Total Current Assets** | 5,413 | 23,367 |
| | | |
| **Non-Current Assets** | | |
| Property, plant and equipment (Note 5) | 67,788 | 69,005 |
| Exploration and evaluation assets (Note 6) | 1 | 1 |
| | 67,789 | 69,006 |
| | | |
| **Total Assets** | $ 73,202 | $ 92,373 |
| | | |
| **LIABILITIES AND SHAREHOLDERS' (DEFICIENCY) EQUITY** | | |
| **Current Liabilities** | | |
| Accounts payable and accrued liabilities (Note 8) | $ 29,772 | $ 431,328 |
| Due to related parties (Note 10) | 82,447 | 349,262 |
| **Total Current Liabilities** | 112,219 | 780,590 |
| | | |
| **Shareholders' (Deficiency) Equity** | | |
| Share capital (Note 9) | 2,194,249 | 2,004,204 |
| Reserve for warrants (Note 9) | 204,980 | - |
| Deficit | (2,438,246) | (2,6692,421) |
| **Total Shareholders’ Equity** | (39,017) | (688,217) |
| | | |
| **Total Liabilities and Shareholders’ (Deficiency) Equity** | $ 73,202 | $ 92,373 |

* Nature of operations and going concern (Note 1)
* Events after the reporting period (Note 14)

**Approved on behalf of the Board on June 5, 2014**

“ John P. Rapski” Director

“Wm. Andrew Campbell” Director

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

# Gar Limited

**Statements of Comprehensive Income (Loss)**
**(Expressed in Canadian Dollars)**

| | Year Ended January 31, 2014 | Year Ended January 31, 2013 |
|---|---|---|
| **Operating expenses** | | |
| Depreciation | $ 1,217 | $ 1,548 |
| Listing and transfer agent fees | 19,752 | - |
| Management and consulting fees (Note 10) | 46,000 | 22,200 |
| Legal and audit | 32,234 | 7,673 |
| Office and miscellaneous | 3,546 | 1,757 |
| | 102,749 | 33,178 |
| **Loss before the following items** | (102,749) | (33,178) |
| Cost recoveries (Note 8) | 63,822 | |
| Gain on settlement of debt (Note 9 (ii)) | 293,102 | - |
| **Net Income (Loss) and comprehensive Income (Loss) for the Year** | 254,175 | (33,178) |
| **Basic and diluted income (loss) per common share** (Note 9) | $ 0.12 | $ (0.02) |
| **Weighted average number of common shares outstanding** (Note 9) | 2,149,160 | 1,478,130 |

The accompanying notes to the financial statements are an integral part of these statements

# Gar Limited

**Statements of Changes In Shareholders' Equity**
***(Expressed in Canadian Dollars)***

| | Share Capital | | Reserves for | | |
|---|---|---|---|---|---|
| | **Share Units** | **Amounts $** | **Warrants $** | **Deficit $** | **Total $** |
| **Balance at January 31, 2012** | 1,478,130 | 2,004,204 | - | (2,659,243) | (655,039) |
| Net (loss) for the year | - | - | - | (33,178) | (33,178) |
| **Balance at January 31, 2013** | **1,478,130** | **2,004,204** | **-** | **(2,692,421)** | **(688,217)** |
| Shares issued for debt settlement (Note 9) | 7,900,000 | 395,000 | - | - | 395,000 |
| Shares issued for services | 500 | 25 | - | - | 25 |
| Fair value – warrants (Note 9) | - | (204,980) | 204,980 | - | - |
| Net income for the year | - | - | - | 254,175 | 254,175 |
| **Balance, at January 31, 2014** | **9,378,630** | **2,194,249** | **204,980** | **(2,438,246)** | **(39,017)** |

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

# Gar Limited

**Statements of Cash Flows**
**(Expressed in Canadian Dollars)**

| | Year ended January 31, 2014 | Year ended January 31, 2013 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Net Income (loss) for the year | $ 254,175 | $ (33,178) |
| Items not involving cash: | | |
| Depreciation | 1,217 | 1,548 |
| Gain on debt settlement (Note 9 (ii)) | (293,102) | - |
| Cost recoveries (Note 8) | (63,822) | - |
| Changes in non-cash working capital items: | | |
| Receivables | (1,894) | (1,143) |
| Accounts payable and accrued liabilities | 1,203 | 5,082 |
| Net cash used in operating activities | (102,223) | (27,691) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Due to related parties (Note 10) | 82,185 | 52,690 |
| Net cash provided by financing activities | 82,185 | 52,690 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Acquisition of property, plant and equipment | - | (5,085) |
| Net cash used in investing activities | - | (5,085) |
| **Changes in cash and cash equivalents for the year** | **(20,038)** | **19,914** |
| **Cash and cash equivalents, beginning of year** | **20,125** | **211** |
| **Cash and cash equivalents, end of year** | **$ 87** | **$ 20,125** |

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

## 1. NATURE OF OPERATIONS AND GOING CONCERN

Gar Limited (the "Company") was incorporated under the laws of British Columbia.

The financial statements of Gar Limited for the years ended January 31, 2014 and 2013 were reviewed by and authorized for issue by the Board of Directors on June 5, 2014.

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

The Company's principal business activity is the acquisition and exploration of mineral property interests in Northern Ontario, Canada. The Company is considered to be in the exploration stage and substantially all of the Company's efforts are devoted to financing and exploring these property interests. The Company has not determined whether its properties contain ore reserves which are economically recoverable. The continued operations of the Company and the recoverability of the amounts shown for exploration and evaluation assets is dependent upon the existence of economically ore reserves, the ability of the Company to obtain necessary financing to complete the exploration and development of its properties, if properties are proven successful, future profitable production, or alternatively, upon the Company's ability to dispose of its interest on an advantageous basis; all of which are uncertain.

### Going Concern

The Company has incurred operating losses over the last several years, earns no operating revenues and has a working capital deficiency of $106,806 as at January 31, 2014; (January 31, 2013 - $757,223). While the Company has been successful in obtaining its required financing in the past, through additional equity and non – arm's length loans, 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 exploration and evaluation assets, 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.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration in which it has an interest, in accordance with industry standards for the current stage of exploration. These procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, non-compliance with regulatory requirements or aboriginal land claims.

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 on its assets and settle its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying financial statements.

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## 2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

### Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), effective for the Company's reporting for the year ended January 31, 2014. The policies set out below are based on IFRS issued and outstanding as of June 5, 2014, the date the Board of Directors approved the statements.

### 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.

### Functional currency

These financial statements have been prepared in Canadian dollars, which is the Company's functional and presentation currency.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 3.1 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 the 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.

### 3.2 Exploration and evaluation assets

Pre-exploration costs are expensed in the period in which they are incurred.

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures ("E&E") are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on property, plant and equipment ("PPE") during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they occur.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of comprehensive loss.

Exploration and evaluation assets shall be assessed for impairment when facts and circumstances under IFRS 6 as noted below, suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). The Company estimates the recoverable amount of each cash-generating unit ("CGU"), on the basis of areas of interest. Management groups mineral claims that are contiguous and specific to an area that encompasses the same prospective minerals, into one area of interest and assigns a name to this mineral property. Each named mineral property is considered an area of interest and a CGU.

Although not an exhaustive list, one or more of the following facts and circumstances indicate that a specific CGU should be tested for impairment:

- The period for which the entity has the right to explore in the specific area has expired during the financial statement period or will expire in the near future and is not expected to be renewed.
- Substantive expenditures on further exploration for, and evaluation of, mineral resources in the specific area is neither budgeted nor planned.
- Exploration for and evaluation of mineral resources in the specific area has not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area.
- Sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or sale.

An impairment loss may be reversed in a situation where there is a change in the circumstances that had initially dictated that impairment had occurred.

Recoverable amount is the higher of fair value less disposal costs and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as 'mines under construction'. Exploration and evaluation assets are tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration and evaluation assets.

### 3.3 Property, plant and equipment

On initial recognition, property, plant and equipment ("PPE") are valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future costs of dismantling and removing items. The corresponding liability is recognized within provisions.

PPE is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses.

The cost of replacing part of an item of PPE is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of PPE are recognized in the statements of comprehensive loss as incurred.

An item of PPE is derecognized upon disposal, when held for sale or when no future economic benefits are expected to arise from the continued use of the asset. Gains and losses on disposal of an item of PPE are determined by comparing the net disposal proceeds from the carrying amount of the asset, and are recognized net within other income in the statements of comprehensive income (loss).

Depreciation is recognized in the statements of comprehensive income (loss) and is based on the estimated useful lives of the assets, is provided as follows:

| | |
|---|---|
| Building | 4% declining balance |

Depreciation methods, useful lives and residual values are reviewed at the end of each financial year and adjusted prospectively, if appropriate.

### 3.4 Impairment of non-financial assets

At the end of each reporting period, the Company assesses as to whether there is any indication that those assets are impaired. Where such an indication exists, the recoverable amount of the asset is estimated. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels of CGU. The recoverable amount is the higher of an asset's fair value less costs to dispose and value in use (being the present value of the expected future cash flows of the relevant CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration when there are indicators of reversal of impairments.

### 3.5 Income taxes

Income tax on net income or loss for the periods presented comprises current and deferred tax. Income tax is recognized in the statement of comprehensive income (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 or 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.

A deferred tax asset is recognized only to the extent that it is probable that future taxable income will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a future tax asset will be recovered, it provides a valuation allowance against that excess.

Deferred tax assets and liabilities are offset 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 earning (loss) per share

The Company presents basic earning (loss) per share data for its common shares, calculated by dividing the net income (loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period.

Diluted earning (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 earning (loss) per share assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are used to buy back common shares at the average market price during the period. The effect of potential issuances of shares under stock options and warrants would be anti-dilutive, and accordingly basic and diluted earning (loss) per share are the same. The warrants are anti-dilutive and therefore, have not been taken into account in the per share calculation.

### 3.7 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturity dates of less than three months that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

### 3.8 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has 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.

### 3.9 Decommissioning liabilities

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 obligation is recognized at its fair value when the following requirements are met; present or past event that triggers the obligation has occurred; the obligation is probable; and the amount of obligation is measurable. 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 Share Capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, share purchase options, share purchase warrants and compensation warrants are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, from the proceeds.

### 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 intension to renounce.

### 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 time frame 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 comprehensive loss.

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.

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.

iv) Held-to-maturity financial assets

Held-to-maturity financial 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 initially measured at fair value and subsequently 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 the statement of loss.

**3.12 Financial instruments (continued)**

Financial liabilities:

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

Financial liabilities 'at FVTPL'

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized through the statement of comprehensive income. At January 31, 2014, the Company has no financial instruments classified as FVTPL.

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.

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.

De-recognition of financial liabilities:

The Company derecognizes financial liabilities when the obligations are discharged, cancelled or expire.

The Company's financial instruments consist of the following:

| **Financial assets:** | **Classification:** |
|---|---|
| Cash and cash equivalents | FVTPL |
| Receivables | Loans and receivables |

| **Financial liabilities: Classification:** | |
|---|---|
| Accounts payable and accrued liabilities | Other financial liabilities |
| Due to related parties | 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.

### 3.12 Financial instruments (continued)

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 the statement of comprehensive income (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 the statement of comprehensive income (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.

**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, 2014 and January 31, 2013, 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 using accounting policies consistent with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. The preparation of the financial statements also requires management to exercise judgment in the process of applying the accounting policies.

**Critical accounting estimates**

**Impairment of assets**
When there are indications that an asset may be impaired, management is required to estimate the asset's recoverable amount. Recoverable amount is the greater of value in use and fair value less disposal costs. Determining the value in use requires the Company to estimate expected future cash flows associated with the assets and a suitable discount rate in order to calculate present value.

**Useful life of assets subject to depreciation**
Useful life of assets subject to depreciation - The Company reviews at the end of each reporting period the useful life of assets subject to depreciation.

**Debt settlement payments**
The Company settled debt for shares and warrants. The valuation of the warrants was calculated using the Black – Scholes model.

### 3.13 Accounting estimates and critical judgments (continued)

**Critical judgment in applying accounting policies**

**Income taxes and deferred taxes**

The Company is subject to taxes from different tax jurisdictions. It maintains allowances for uncertain tax positions that, in its opinion, appropriately reflect the risks related to the tax positions 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 reassessed 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.

**Going concern assumption**

Going concern presentation of the financial statements which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due.

### 3.14 Change in accounting policies

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods beginning January 1, 2013. The following new standards have been adopted:

(i) IFRS 10 - Consolidated Financial Statements (“IFRS 10”) was issued by the IASB in May 2011. IFRS 10 is a new standard which identifies the concept of control as the determining factor in assessing whether an entity should be included in the consolidated financial statements of the parent corporation. Control consists of three elements: power over an investee; exposure to variable returns from an investee; and the ability to use power to affect the reporting entity’s returns. At February 1, 2013, the Company adopted this pronouncement and there was no impact on the Company’s financial statements.

(ii) IFRS 11 - Joint Arrangement (“IFRS 11”) was issued by the IASB in May 2011. IFRS 11 is a new standard which focuses on classifying joint arrangements by their rights and obligations rather than their legal form. Entities are classified into two groups: parties having rights to the assets and obligations for the liabilities of an arrangement, and rights to the net assets of an arrangement. Entities in the former case account for assets, liabilities, revenues and exposure to variable returns from an investee; and the ability to use power to affect the reporting entity’s returns. For entities with the rights to the net assets of an arrangement, equity accounting is used. At February 1, 2013, the Company adopted this pronouncement and there was no impact on the Company’s financial statements.

(iii) IFRS 12 - Disclosure of Interests in Other Entities (“IFRS 12”) was issued by the IASB in May 2011. IFRS 12 is a new standard which provides disclosure requirements for entities reporting interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structure entities. At February 1, 2013, the Company adopted this pronouncement and there was no impact on the Company’s financial statements.
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(iv) IFRS 13 – Fair Value Measurement ("IFRS 13") is effective for annual period beginning on January 1, 2013, provides the guidance on the measurement of fair value and related disclosures through a fair value hierarchy. The Company's adoption of IFRS 13, on February 1, 2013, and did not have a material financial impact upon the financial statements, however, certain new or enhanced disclosures are required and can be found in Notes to these financial statements .

### 3.14 Change in accounting policies (continued)

(v) Amendments to IAS 1 - Presentation of Financial Statements - During the year ended January 31, 2014, the Company adopted IAS 1 - Presentation of Financial Statements (amendments to IAS 1), issued by the IASB in June 2011. The amendments require items presented in the statement of other comprehensive income to be categorized according to whether the items will or will not be reclassified to income at a future date. The adoption is reflected in the Company's financial results and had no impact.

(vi) IAS 27 - Separate Financial Statements ("IAS 27") was effective for annual periods beginning on or after January 1, 2013, as a result of the issue of IFRS 10, IAS 27 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. At February 1, 2013, the Company adopted this pronouncement and there was no impact on the Company’s financial statements.

(vii) In October 2011, the IASB issued 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. At February 1, 2013, there was no impact on the Company’s financial statements from this interpretation.

### 3.15 Future accounting policies

At the date of authorization of these Financial Statements, the IASB and IFRIC has issued the following new and revised Standards and Interpretations which are not yet effective for the relevant reporting periods and which 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.

IFRS 9 – 'Financial instruments', effective for annual periods beginning on or after January 1, 2018, addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of lAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the lAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income, unless this creates an accounting mismatch. In addition, the new standard has brought into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. The Company is yet to assess IFRS 9's full impact. The Company will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.

IAS 32 – Financial Instruments: Presentation (“IAS 32”) was amended by the IASB in December 2011 to clarify certain aspects of the requirements on offsetting. The amendments focus on the criterion that an entity currently has a legally enforceable right to set off the recognized amounts and the criterion that an entity intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. The amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014. Earlier adoption is permitted.

### 3.15 Future accounting policies (continued)

IAS 36 – Impairments of Assets ("IAS 36") was amended by the IASB in May 2013 to clarify the requirements to disclose the recoverable amounts of impaired assets and require additional disclosures about the measurement of impaired assets when the recoverable amount is based on fair value less costs of disposal, including the discount rate when a present value technique is used to measure the recoverable amount. The amendments to IAS 36 are effective for annual periods beginning on or after January 1, 2014. Earlier adoption is permitted.

IFRIC 21 – Levies ("IFRIC 21") was issued in May 2013. IFRIC 21 provides guidance on the accounting for levies within the scope of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets ("IAS 37"). IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event ("obligating event"). IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods commencing on or after January 1, 2014. Earlier adoption is permitted.

IFRS 14 and IFRS 15 have been issued but have no effect on the company.

## 4. CAPITAL MANAGEMENT

The Company manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the ongoing business objective including funding of future growth opportunities, and pursuit of accretive acquisitions; and
- to maximize shareholder return through enhancing the share value.

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 evaluation of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital that it manages as share capital and cash.

The Company is in the exploration stage; as such the Company has relied on the equity markets to fund its activities. The Company will continue to assess new sources of financing available and to manage its expenditures to reflect current financial resources in the interest of sustaining long term viability.

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 any external capital requirements.

## 5. PROPERTY, PLANT AND EQUIPMENT

| | Land | Building | Total |
|---|---|---|---|
| **Cost** | | | |
| **As at January 31, 2014 and 2013** | **$ 28,457** | **$ 47,771** | **$ 76,228** |
| **Accumulated Amortization** | | | |
| As at January 31, 2013 | $ - | **$ 7,223** | **$ 7,223** |
| Addition | | **1,217** | **1,217** |
| **As at January 31, 2014** | **$ -** | **$ 8,440** | **$ 8,440** |
| **Net Book Value** | | | |
| As at January 31, 2013 | **$ 28,457** | **$ 40,548** | **$ 69,005** |
| **As at January 31, 2014** | **$ 28,457** | **$ 39,331** | **$ 67,788** |

In 2009, the Company acquired a 100% interest in a property located in the Township of Grenfell for a cash consideration of $74,144. The consideration of $74,144 was allocated to the net identifiable assets acquired as follows:

| | |
|---|---|
| Land | $ 28,457 |
| Building | 42,68 |
| Mineral rights | 1 |
| | $ 74,144 |

## 6. EXPLORATION AND EVALUATION ASSETS

| | |
|---|---|
| **Genfell Township** | |
| Balance, January 31, 2013 | $ 1 |
| **Reductions/additions** | **-** |
| **Balance, January 31, 2014** | **$ 1** |

**Title to mining property interests**

Although the Company has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

The Company holds a 100% interest in certain claims located in Grenfell Township.

## 7. RECEIVABLES

The Company's receivables consist of HST due from the government of Canada and the amount was not past due as at January 31, 2014 and 2013.

## 8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities of the Company is principally comprised of amounts outstanding for trade purchases relating to general and administrative activities. The usual credit period taken for trade purchases is between 30 to 90 days.

Accounts payable and accrued liabilities of the Company is made up of the followings:

| | January 31, 2014 | January 31, 2013 |
|---|---|---|
| Accounts payable | $ 17,772 | $ 386,868 |
| Accrued liabilities | 12,000 | 44,460 |
| **Total accounts payable and accrued liabilities** | **$ 29,772** | **$ 431,328** |

The following is an aged analysis of the accounts payable and accrued liabilities:

| | January 31, 2014 | January 31, 2013 |
|---|---|---|
| Less than 1 months | $ 22,272 | $ 9,921 |
| 1 to 12 months | 7,500 | - |
| Over 12 months | - | 421,407 |
| **Total accounts payable and accrued liabilities** | **$ 29,772** | **$ 431,328** |

During the year ended January 31, 2014 the Company wrote off a total of $63,822 (2013 - $nil) of ifs accrued liabilities and accounts payable because these liabilities were carried forward before 2010 and none of these creditors has come forward to demand payment. This amount is shown as a cost recoveries on the statement of comprehensive income (loss).

## 9. SHARE CAPITAL AND RESERVES

| | Number of Shares | Share Capital |
|---|---|---|
| Authorized: Unlimited common shares, without par value | | |
| Issued | | |
| Balance at, January 31, 2013 | 1,478,130 | $ 2,004,204 |
| Issued for debt settlements (i) and (ii) | 7,900,000 | 395,000 |
| Issued for services | 500 | 25 |
| Fair-value ascribed to warrants | - | (204,980) |
| **Balance, January 31, 2014** **2,194,249** | **9,378,630** | **$** |

## 9. SHARE CAPITAL AND RESERVES (continued)

### Share Issuances

(i)On December 30, 2013, the Company issued 7,400,000 common share units in settlement of $370,000 in respect of loans and advances from related parties. Each unit was sold for $0.05 per unit and comprised one common share and one common share purchase warrant. Each Warrant is exercisable at a price per share of $0.075 for a period of 2 years.

(ii)On December 30, 2013, the Company issued 500,000 common shares in settlement of $25,000 in respect of advances from a former President of the Company. As a result of this settlement the Company recognized a gain from debt settlement of $293,102 and this amount is included in the statements of comprehensive income (loss)

### Warrants

During the year ended January 31, 2014 the Company issued 7,400,000 warrants to directors, officers and consultants. A value of $204,980 was assigned to these options using the Black-Scholes option pricing model with the assumptions listed below.

The following weighted average assumptions were used for the valuation of warrants granted:

| | Year Ended January 31,2014 |
|---|---|
| Risk-free interest rate | 1.00% |
| Expected life of options | 2 years |
| Annualized volatility | 126% |
| Market price | $0.05 |
| Exercise price | $0.075 |
| Dividend rate | 0.00% |

### SHARE CAPITAL AND RESERVES

The continuity of warrants is as follows:

| | Number of Warrants | Amount |
|---|---|---|
| Balance, January 31, 2013 | - | $ - |
| Warrants issued | 7,400,000 | 204,980 |
| Balance, January 31, 2014 | 7,400,000 | $ 204,980 |

As at January 31, 2014, the Company had the following warrants outstanding:

| Grant date | Expiry date | Exercise Price | Outstanding | Black-scholes Value | Weighted Average Remaining Contractual Life (in years) |
|---|---|---|---|---|---|
| December 30, 2013 | December 30, 2015 | $ 0.075 | 7,400,000 | 204,980 | 1.88 |

**Basic and diluted loss per share**

The following table sets forth the computation of basic and diluted loss per share:

| | 2014 | 2013 |
|---|---|---|
| Numerator, Net income (loss) for the year | $ 254,175 | $ (33,178) |
| Denominator, Weighted average number of common shares (i) | 2,149,160 | 1,478,130 |
| Basic and diluted income (loss) per share | $ 0.12 | $ (0.02) |

(i) The 7,400,000 of outstanding warrants as of January 31, 2014 (2013 – nil) were not included in the computation of diluted income (loss) per share as their inclusion would be anti-dilutive. There were no stock options outstanding as at January 31, 2014 and 2013.

## 10. RELATED PARTY DISCLOSURE AND KEY MANAGEMENET COMPENSATION

During the year ended January 31, 2014 the Company entered into the following transactions with related parties not disclosed elsewhere in the financial statements:

a) Key management compensation is $46,000 (2013 - $22,200) to two directors and officers of the Company.

The balances due to related parties as at January 31, 2014 and January 31, 2013 are summarized below:

| | January 31, 2014 | January 31, 2013 |
|---|---|---|
| Advances due to the President and a Company controlled by the President that are non-interest bearing and have no fixed terms of repayment. | $ 64,447 | $ 349,262 |
| Advances due to a director that are unsecured, no-interest bearing and have no fixed terms of repayment. | 18,000 | - |
| | **$ 82,447** | **$ 349,262** |

## 11. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate, foreign currency risk and commodity and equity price risk). Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management. There were no changes to credit risk, liquidity risk or market risk for the year ended January 31, 2014.

(i) Credit risk
Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents and receivables. Cash and cash equivalents is held with select major Canadian chartered banks and the amount of receivables are due from Government of Canada, from which management believes the risk of loss to be minimal.

(ii) Liquidity risk
Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if its access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company generates cash flow primarily from its financing activities. The Company prepares annual capital expenditure budgets, which are monitored and updated as required. In addition, the Company requires authorization for expenditures on projects to assist with the management of capital. The Company's financial liabilities comprise accounts payable and accrued liabilities and due to related parties. The amounts due to related parties are with no fixed terms of repayment and are due on demand.

(iii) Market risk
Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and commodity and equity prices.

(a) Interest rate risk
The Company does not currently have any financial instrument that bears interest and as such, the fluctuation of market interest rate has very limited impact on the Company's financial statements.

(b) Foreign currency risk
The Company's functional and reporting currency is the Canadian dollar and the Company only holds cash balances in Canadian dollars, which is not subject to foreign exchange risk.

(c) Commodity price risk: Commodity price risk is defined as the potential adverse impact and economic value due to commodity price movements and volatilities. The Company is not exposed to price risk with respect to mineral prices as it is not in the production stage.

(d) Equity price risk: Equity price risk is defined as the potential adverse impact on the Company's loss due to movements in individual equity prices or general movements in the level of stock market. The Company does not have any investment and therefore is not subject to such risk.

## 12. INCOME TAXES

A reconciliation of income taxes at statutory rates with reported taxes is as follows:

| | 2014 | 2013 |
|---|---|---|
| Income (loss) before income tax | $ 254,175 | $ (33,179) |
| Income tax expenses at Combined federal and provincial rate of 26.5% (2013 - 26.5%) respectively | 67,356 | (8,792) |
| Other add backs | (302) | 450 |
| Non-taxable capital gain | (38,836) | |
| Taxable benefits not recognized | - | 8,342 |
| | 28,218 | - |
| Application of deferred tax assets to off set tax provision | (28,218) | - |
| Tax provision | $ - | $ - |

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:

| Deferred tax assets: | 2014 | 2013 |
|---|---|---|
| Mineral properties | $ 197,293 | $ 194,334 |
| Non-capital losses carried forward | 9,413 | 37,933 |
| Other items | 1,348 | - |
| | 208,054 | 232,267 |
| Application of assets to offset tax provision | (26,621) | - |
| | 181,433 | 232,267 |
| Impairment allowance | (181,433) | (232,267) |
| 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.

## 13. SEGMENTED INFORMATION

The Company's operations comprise a single reporting segment which is the acquisition, exploration and evaluation of mineral resources properties in Canada. As the operations comprise a single reporting segment, amounts disclosed in the financial statements for expenses and loss for the period also represent segmented amounts.

All of the Company's operations and assets are in Canada.

## 14. EVENTS AFTER THE REPORTING PERIOD

(i) On February 28, 2014 the Company agreed to sell the property, plant and equipment and exploration and evaluation assets to a relative of the President for a consideration of $71,144.

(ii) On April 11, 2014, the Company signed an option agreement to acquire a mineral property containing 41 mining claims from 2158879 Ontario Limited (a private company) which is located in Burt, Gross and Flanelle Townships in the Larder Lake Mining Division of Ontario.

The Company can obtain a 100% interest in the property by making payments of 500,000 common shares over an eight year period totaling 4,000,000 common shares. The property is subject to a 3% net smelter return ("NSR"), The NSR is owned by the President of Gar Limited who also owns a 79.8% interest in 2158879 Ontario Limited.