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**GAR Limited**  
*(AN EXPLORATION STAGE COMPANY)*

*FINANCIAL STATEMENTS*

*YEARS ENDED JANUARY 31, 2015 & 2014*

*EXPRESSED IN CANADIAN DOLLARS*

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## Management's Responsibility for Financial Reporting

The accompanying financial statements of GAR Limited (the "Company") included in this Annual Report are the responsibility of management and have been approved by the Board of Directors.

The financial statements have been prepared by management in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board. When alternative accounting methods exist, management has selected those it deems to be most appropriate in the circumstances.

The significant accounting policies used are described in Note 3 to the financial statements. The financial statements include estimates based on the experience and judgment of management in order to ensure that the financial statements are presented fairly, in all material respects. Financial information presented elsewhere in the annual report is consistent with that in the financial statements.

The management of the Company developed and continues to maintain systems of internal accounting controls and management practices designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors exercises its responsibilities for ensuring that management fulfils its responsibilities for financial reporting and internal control with the assistance of its Audit Committee. The Audit Committee is appointed by the Board and all of its members are Directors of GAR Limited. The Committee meets periodically to review quarterly financial reports and to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee reviews the Company's annual financial statements and recommends their approval to the Board of Directors.

These financial statements have been audited by Ross Pope LLP, Chartered Professional Accountants, the independent auditor, on behalf of the shareholders. Ross Pope LLP, Chartered Professional Accountants, has full and free access to the Audit Committee and may meet with or without the presence of management.

Signed "John P. Rapski"  
Director, President and Chief Executive Officer

Signed "Wm. Andrew Campbell CPA, C/  
Director, Chief Financial Officer

**Kirkland Lake, Ontario**  
**June 19, 2015**



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## INDEPENDENT AUDITOR'S REPORT

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### To the Shareholders of GAR Limited.

We have audited the accompanying financial statements of GAR Limited, which comprise the balance sheets as at January 31, 2015 and 2014 and the statements of operations and comprehensive (loss), cash flows and changes in equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards 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 audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of GAR Limited as at January 31, 2015 and 2014 and the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

### Other Matter

The financial statements of GAR Limited for the year ended January 31, 2014 were audited by another auditor who expressed an unmodified opinion on those statements on June 5, 2014.

### Emphasis of Matter

Without qualifying our audit opinion, we draw your attention to Note 2(c) of these financial statements, which states that GAR Limited incurred significant losses from operations, negative cash flows from operating activities and has an accumulated deficit. This, along with other matters as described in Note 2 (c), indicate the existence of a material uncertainty which may cast doubt about the ability of GAR Limited to continue as a going concern.

*Ross Pope LLP*

**GAR LIMITED**  
**(AN EXPLORATION STAGE COMPANY)**  
AS AT JANUARY 31, 2015, AND 2014  
EXPRESSED IN CANADIAN DOLLARS

	2015	2014
<b>ASSETS</b>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 54,679	\$ 87
Marketable securities	27,000	-
Prepaid expenses and deposits	550	-
Accounts receivable	8,737	5,326
<b>TOTAL CURRENT ASSETS</b>	<b>90,966</b>	<b>5,413</b>
MINERAL PROPERTIES (Note 5)	12,000	1
PROPERTY, PLANT AND EQUIPMENT (Note 6)	-	67,788
<b>TOTAL ASSETS</b>	<b>\$ 102,966</b>	<b>\$ 73,202</b>
<b>LIABILITIES</b>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 23,371	\$ 29,771
Due to related parties (Note 10)	32,263	82,448
<b>TOTAL CURRENT LIABILITIES</b>	<b>55,634</b>	<b>112,219</b>
<b>SHAREHOLDERS' EQUITY (Note 7)</b>		
Share capital (Note 7)	2,352,499	2,194,249
Warrants (Note 7)	170,730	204,980
Deficit	(2,475,897)	(2,438,246)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>47,332</b>	<b>(39,017)</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 102,966</b>	<b>\$ 73,202</b>

Description of business (Note 1)  
Going concern (Note 2(c))  
Subsequent events (Note 14)

ON BEHALF OF THE BOARD:

"John P. Rapski"  
\_\_\_\_\_  
DIRECTOR

"Wm. Andrew Campbell"  
\_\_\_\_\_  
DIRECTOR

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

# GAR LIMITED

## (AN EXPLORATION STAGE COMPANY)

### STATEMENT OF OPERATIONS AND

### COMPREHENSIVE INCOME (LOSS)

FOR THE YEARS ENDED JANUARY 31, 2015 AND 2014

EXPRESSED IN CANADIAN DOLLARS

	2015	2014
<b>EXPENSES</b>		
Bank and interest charges	\$ 536	\$ 138
Consulting fees	9,841	-
Management fees	60,000	46,000
Amortization	-	1,217
Occupancy costs	11,000	-
Office	3,524	3,408
Professional fees	23,196	32,235
Registrar and transfer agent fees	22,069	19,751
Travel	12,840	-
	<b>143,006</b>	<b>102,749</b>
<b>NET LOSS BEFORE OTHER ITEMS</b>	<b>(143,006)</b>	<b>(102,749)</b>
Cost recoveries	-	63,822
Gains (losses) on disposal of assets	3,355	-
Bad debt recoveries (Note 7)	-	293,102
Mineral properties option payments received (Note 5)	111,000	-
<b>EARNINGS (LOSS) BEFORE OTHER ITEMS</b>	<b>(28,651)</b>	<b>254,175</b>
Writedown of temporary investments	(9,000)	-
<b>NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)</b>	<b>(37,651)</b>	<b>254,175</b>
Weighted average number of common shares outstanding	<b>10,651,890</b>	<b>2,149,160</b>
<b>BASIC AND DILUTED LOSS PER COMMON SHARE (Note 9)</b>	<b>\$ (0.004)</b>	<b>\$ 0.118</b>

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

# GAR LIMITED

## (AN EXPLORATION STAGE COMPANY)

### STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED JANUARY 31, 2015 AND 2014

EXPRESSED IN CANADIAN DOLLARS

	2015	2014
<b>OPERATING ACTIVITIES</b>		
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)	\$ (37,651)	\$ 254,175
ADD ITEMS NOT REQUIRING A CASH OUTLAY		
Depreciation	-	1,217
Gain on disposal of fixed assets	(3,355)	-
Value assigned to director stock option compensation	-	(293,102)
Writedown of mineral properties	-	(63,822)
Marketable securities writedown	9,000	-
Mineral properties option payments received	(111,000)	-
CHANGES IN NON-CASH WORKING CAPITAL ITEMS		
Accounts receivable, trade & other	(3,410)	(1,894)
Prepaid expenses and deposits	(550)	-
Accounts payable and accrued liabilities	(6,401)	1,203
Due to related parties	(50,185)	82,185
<b>CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>(203,552)</b>	<b>(20,038)</b>
<b>INVESTING ACTIVITIES</b>		
Option payment received (Note 5)	100,000	-
Proceeds on disposal of fixed assets	71,144	-
Deferred exploration costs	(12,000)	-
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>	<b>159,144</b>	<b>-</b>
<b>FINANCING ACTIVITIES</b>		
Exercise of warrants (Note 7(a))	99,000	-
<b>CASH FLOWS PROVIDED BY FINANCING ACTIVITIES</b>	<b>99,000</b>	<b>-</b>
CHANGE IN CASH DURING THE PERIOD	54,592	(20,038)
CASH, beginning of year	87	20,125
<b>CASH, end of year</b>	<b>\$ 54,679</b>	<b>\$ 87</b>

Cash flow supplementary information (Note 15)

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

# GAR LIMITED

## (AN EXPLORATION STAGE COMPANY)

### STATEMENT OF CHANGES IN EQUITY

FOR THE YEARS ENDED JANUARY 31, 2015 AND 2014

EXPRESSED IN CANADIAN DOLLARS

	COMMON STOCK	WARRANTS	DEFICIT	TOTAL
<b>Balance, February 1, 2013</b>	\$ 2,004,204	\$ -	\$ (2,692,421)	\$ (688,217)
Share capital issued for debt	395,000	-	-	395,000
Shares issued for services	25	-	-	25
Fair Value - Warrants issued	(204,980)	204,980	-	-
Net income and comprehensive income for the year	-	-	254,175	254,175
<b>Balance, January 31, 2014</b>	\$ 2,194,249	\$ 204,980	\$ (2,438,246)	\$ (39,017)
Warrants exercised	133,250	(34,250)	-	99,000
Issued for properties option payments	25,000	-	-	25,000
Net loss and comprehensive loss for the period	-	-	(37,651)	(37,651)
<b>Balance, January 31, 2015</b>	\$ 2,352,499	\$ 170,730	\$ (2,475,897)	\$ 47,332

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

# **GAR LIMITED**

## **(AN EXPLORATION STAGE COMPANY)**

### **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JANUARY 31, 2015 AND 2014**

**EXPRESSED IN CANADIAN DOLLARS**

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## **1. DESCRIPTION OF BUSINESS**

GAR Limited (the "Company") was incorporated under the laws of Ontario on February 20, 1987.

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 developing these property interests. The Company has not determined whether its properties contain ore reserves which are economically recoverable. The recovery of the amounts shown for mining properties is dependent upon the existence of economically recoverable ore reserves, the ability of the Company to obtain necessary financing to complete the exploration and development of its properties, and upon future profitable production or proceeds from the disposal of its properties.

The address of the Company's corporate office and principal place of business is 288 Kenogami Lane, Swastika, Ontario P0K 1T0.

## **2. BASIS OF PRESENTATION**

### *(a) Statement of Compliance to International Financial Reporting Standards*

The financial statements of the Company for the year-ended January 31, 2015 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The financial statements were authorized for issue by the Board of Directors on June 19, 2015.

### *(b) Basis of Measurement*

These financial statements have been prepared on a historical cost basis. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

### *(c) Going Concern of Operations*

The Company has not generated revenue from operations. The Company incurred a net loss of \$37,651 during the year ended January 31, 2015 and, as of that date the Company's deficit was \$2,475,897. As the Company is in the exploration stage, the recoverability of the costs incurred to date on exploration properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties and deferred exploration expenditures. The Company will periodically have to raise funds to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future.

## **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### *(a) Functional Currency*

The financial statements are presented in Canadian dollars, which is also the Company's functional currency.

### *(b) Cash and Cash Equivalents*

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value. For cash flow statement presentation purposes, cash and cash equivalents includes bank overdrafts.



# GAR LIMITED

## (AN EXPLORATION STAGE COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEARS ENDED JANUARY 31, 2015 AND 2014

EXPRESSED IN CANADIAN DOLLARS

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

#### (c) Mineral 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.

# GAR LIMITED

## (AN EXPLORATION STAGE COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEARS ENDED JANUARY 31, 2015 AND 2014

EXPRESSED IN CANADIAN DOLLARS

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### *(d) Plant and Equipment*

On initial recognition, property, plant and equipment 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 unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Property, plant and equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land which is not depreciated. Depreciation is provided at rates calculated to write off the cost of the property, plant and equipment, less their estimated residual value, using the declining balance method:

Building	4% declining balance
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When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized net within other income in profit or loss.

#### *(e) Impairment of Non-Financial Assets*

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at the financial year-end. Other non-financial assets, including mineral exploration and evaluation assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. The Company has one cash-generating unit for which impairment testing is performed.

An impairment loss is charged to the profit or loss, except to the extent they reverse gains previously recognized in other comprehensive loss/income.

# GAR LIMITED

## (AN EXPLORATION STAGE COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEARS ENDED JANUARY 31, 2015 AND 2014

EXPRESSED IN CANADIAN DOLLARS

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (f) Financial Instruments

Financial assets and liabilities are classified into one of the following categories based on the purpose for which the asset was acquired or for which the liability was incurred.

Cash and cash equivalents	Fair value through profit or loss
Accounts receivable	Loans and receivables
Marketable securities	Fair value through profit or loss
Accounts payable and accrued liabilities	Other financial liabilities
Due to related parties	Other financial liabilities

#### Fair Value Through Profit or Loss

Fair value through profit or loss makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

#### Loans and Receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest rate method, less any impairment losses.

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

#### Other Financial Liabilities

Other financial liabilities are recognized initially at fair value net of any directly attributable transactions costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest rate method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest and any transaction costs over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash payments through the expected life of the financial liability or (where appropriate) to the net carrying amount on initial recognition.

#### (g) Income Taxes

Income tax expense is comprised of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

# GAR LIMITED

## (AN EXPLORATION STAGE COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEARS ENDED JANUARY 31, 2015 AND 2014

EXPRESSED IN CANADIAN DOLLARS

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognised deferred tax assets. The Company recognizes a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

#### (h) *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 warrants and flow-through shares are classified as equity instruments.

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

#### Flow-through Shares

The Company will from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period. The portion of the proceeds received but not yet expended at the end of the Company's period is disclosed separately as flow-through share proceeds.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

#### Loss Per Share

Basic loss per share is computed by dividing the net loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period.

Diluted loss per common share is computed by dividing the net loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

#### (i) *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.

# **GAR LIMITED**

**(AN EXPLORATION STAGE COMPANY)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEARS ENDED JANUARY 31, 2015 AND 2014

EXPRESSED IN CANADIAN DOLLARS

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## **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### *(j) Standards, Amendments and Interpretations Not Yet Effective*

The following new standards, amendments and interpretations, that have not been early adopted in these financial statements, will or may have an effect on the Company's future results and financial position:

The following new standards, amendments and interpretations, that have not been early adopted in these financial statements, will not have an effect on the Company's future results and financial position:

IFRS 9: Financial Instruments is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2018. The Company is in the process of evaluating the impact of the new standard.

# **GAR LIMITED**

## **(AN EXPLORATION STAGE COMPANY)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEARS ENDED JANUARY 31, 2015 AND 2014

EXPRESSED IN CANADIAN DOLLARS

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### **4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

GAR Limited makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the condensed interim financial statements within the next financial year are discussed below:

#### *(a) Mineral Exploration and Evaluation Expenditures*

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the profit or loss in the period the new information becomes available.

#### *(b) Income Taxes*

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

#### *(c) Share-Based Payment Transactions*

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model. This estimate also requires determining the most appropriate inputs to the Black Scholes valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for stock-based payment transactions are disclosed in Note 7.

# **GAR LIMITED**

**(AN EXPLORATION STAGE COMPANY)**

*NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*

*FOR THE YEARS ENDED JANUARY 31, 2015 AND 2014*

*EXPRESSED IN CANADIAN DOLLARS*

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## **5. MINERAL PROPERTIES**

Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore.

Title to resource properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveying history characteristics of many mineral properties. 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 has investigated title to all of its mineral property interests and, to the best of its knowledge, title to all of its properties are in good standing.

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the mineral property interests, the potential for production on the property may be diminished or negated.

The Company enters into exploration agreements whereby they may earn an interest in certain mineral properties by issuing Common Shares, making cash option payments and/or incurring expenditures in varying amounts by specified dates. Failure by the Company to meet such requirements can result in a reduction of ownership interest.

**GAR LIMITED****(AN EXPLORATION STAGE COMPANY)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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**5. MINERAL PROPERTIES (continued)**

The Company's mineral property interests consist of various early stage exploration projects as detailed below.

	2015	2014
Grenfell Twp (Note 5(a))	\$ -	\$ 1
Afton, Clement & Scholes Twps (Note 5(b))	12,000	-
	\$ 12,000	\$ 1

	Grenfell Twp	Afton, Clement & Scholes Twps	Lucky Irish	Total
Balance - January 31, 2013	\$ 1	\$ -	\$ -	\$ 1
Balance - January 31, 2014	\$ 1	\$ -	\$ -	\$ 1
Expenditures for the year ended January 31, 2015				
Option cost	-	-	25,000	25,000
Staking	-	8,300	-	8,300
Camp supplies & accommodations	-	1,675	-	1,675
Claims & renewals	-	2,025	-	2,025
Cost recoveries/ option payment receipts	-	-	(25,000)	(25,000)
Writedown of mineral properties	(1)	-	-	(1)
Balance - January 31, 2015	\$ -	\$ 12,000	\$ -	\$ 12,000



# **GAR LIMITED**

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### **5. MINERAL PROPERTIES (continued)**

#### PROPERTY DESCRIPTIONS

(a) Grenfell Township, Ontario

In 2009, the Company acquired a 100% interest in a property located in the township of Grenfell for cash consideration of \$71,144 of which \$1 was allocated to the mineral rights of the property claim. On February 28, 2014 the Company agreed to sell the property, land and building and exploration and evaluation assets to a family member of the President of the Company.

(b) Afton, Clement and Scholes Townships, Ontario

The Afton, Clement, Scholes properties consist of 16 claims located in the Sudbury Mining Division of Ontario ( 5 claims in Afton Township, 10 claims in Clement Township and 1 claim on Scholes Township). 2 of the claims are 100% owned by Patrick Michael Harrington (1 in Afton, 1 in Clement) and the remaining claims are 100% owned by John Peter Rapski. Mr. Harrington and Mr Rapski have both completed applications to transfer ownership of the unpatented mining claims over to GAR Limited on December 12, 2014. The transfer was not completed as of the time of the audit.

(c) Lucky Irish Property, Burt, Gross and Flavelle Townships, Ontario

The Lucky Irish Property is a mineral property containing 41 mineral claims owned by a company controlled by the president. The property is located in Burt, Gross and Flavelle Townships in the Larder Lake Mining Division of Ontario.

On April 14, 2014 the Company signed an option agreement to acquire a mineral property containing 41 mineral claims from a company controlled by the president (a private company) which is located in Burt, Gross and Flavelle Townships in the Larder Lake Mining Division of Ontario. These claims are known as the Lucky Irish Property.

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.

On October 24, 2014 Morgan Resources Corp. ("Morgan" or "Morgan Resources") (TSXN:MOR) executed an agreement to acquire a 51% interest in the Lucky Irish base metal and precious metal property. In order to earn this interest Morgan must spend \$2,500,000 in mining exploration expenditures on the Lucky Irish Property, make cash payments of \$750,000 (Paid \$100,000), and the issuance of 1,400,000 common shares ( issued 300,000) over a period of four years. The Company valued the shares received at \$36,000 which was a reflection of the market price on the date of the agreement (300,000 x \$0.12 = \$45,000). \$25,000 of the proceeds were used to reduce the cost basis of the Lucky Irish property to NIL and the balance was recognized on the statement of operations as mineral properties option payments received.

#### **Title to mineral 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, non-compliance with regulatory requirements or aboriginal land claims, and title may be affected by undetected defects.

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### 6. PLANT AND EQUIPMENT

	Cost	Accumulated Amortization	Net Book Value 2014
Land	28,457	-	28,457
Buildings	47,771	8,440	39,331
	<u>\$ 76,228</u>	<u>\$ 8,440</u>	<u>\$ 67,788</u>

Depreciation expense for the year amounted to \$NIL (2014 - \$1,216).

### 7. SHAREHOLDERS' EQUITY

#### (a) (i) Common Shares

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

#### (ii) Issued

	Number of Shares	Amount
Balance, January 31, 2013	1,478,130	\$ 2,004,204
Share capital issued to extinguish debt	7,900,000	395,000
Shares issued for services	500	25
Fair value ascribed to warrants (Note 7(b))	-	(204,980)
Balance, January 31, 2014	9,378,630	2,194,249
Warrants exercised	1,320,000	99,000
Share capital issued for proceeds as an option payment	500,000	25,000
Fair value of warrants exercised	-	34,250
Balance, January 31, 2015	11,198,630	\$ 2,352,499

#### (iii) Shares Issued to Extinguish Debt

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.

#### (iv) Shares Issued to Extinguish Debt

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)

#### (v) Shares Issued as Part of Option Agreement (Note 6 (c))

On November 12, 2014 the Company issued 500,000 shares valued at \$25,000 as an option payment to a company controlled by the president.

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### 7. SHAREHOLDERS' EQUITY (continued)

#### (b) Warrants

On March 25, 2014 the Company issued 220,000 common shares for proceeds of \$16,500 in respect of 220,000 warrants issued to the President of the company.

On November 11, 2014 the Company issued 1,100,000 common shares for proceeds of \$82,500 in respect of 1,100,000 of warrants issued to the President of the company.

	Number of Warrants	Amount	Weighted Average Exercise Price
Balance January 31, 2013	-	\$ -	\$ -
Warrants issued during the year	7,900,000	204,980	0.075
Balance, January 31, 2014	7,900,000	204,980	0.075
Warrants exercised during the year	(1,320,000)	(34,250)	0.075
Balance, January 31, 2015	6,580,000	\$ 170,730	\$ 0.075

The fair value at the issue date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the warrant, the impact of dilution, the share price at the issue date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the warrant. The company issues all warrants an exercise price equal to or greater than the market value of the underlying common shares on the date of issue. The fair value of these warrants was calculated using Black Scholes valuation model with the following assumptions: 24 month expected term; 126% expected volatility; risk-free interest rate of 1.00%; and a dividend yield of Nil%.

This pricing model require the input of highly subjective assumptions noted above. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable measure of the fair value of the Company's warrants.

### 8. INCOME TAXES

Income tax expense is recognized based on the current income tax rate.

A reconciliation of income taxes at the rates expected to apply when the asset is realized of approximately 26.5% (2014 - 26.5%) with the reported taxes is as follows:

	January 31, 2015	January 31, 2014
Loss before income taxes	\$ (37,651)	\$ 254,175
Expected income tax expense/recovery	(9,978)	67,356
Other add backs	(411)	(302)
Share issue costs	-	-
Non-taxable capital gain	(889)	(38,836)
Benefit of tax assets not previously recognized	11,278	(28,218)
Provision for current income taxes	\$ -	\$ -

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
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### 8. INCOME TAXES (continued)

The significant components of the Company's deferred income tax assets and liabilities are as follows:

	January 31, 2015	January 31, 2014
Mineral properties	\$ 205,867	\$ 197,293
Non-capital losses carried forward	20,297	9,413
Other items	244	1,348
	<b>226,408</b>	208,054
Deferred tax asset recognized to offset deferred tax liability	<b>(11,278)</b>	(26,621)
Impairment allowance	<b>(215,130)</b>	<b>(181,433)</b>

Recognition of deferred tax assets for unused tax losses and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. The amounts recognized above offset the tax liability created by the renunciation the tax benefits related to flow-through shares. The balance of the deferred tax asset has not been recognized in the financial statements.

### 9. BASIC AND DILUTED LOSS PER SHARE

	2015	2014
Net income (loss) for the year	\$ (37,651)	\$ 254,175
Weighted average number of common shares outstanding	<b>10,651,890</b>	2,149,160
Basic loss per share	\$ (0.004)	\$ 0.118
Diluted loss per share	<b>\$ (0.004)</b>	\$ 0.118

Dilutive stock options and warrants were determined using the Company's average share price for the period. The average share price used was \$0.015. All warrants were excluded from the dilutive calculation as they would have been anti-dilutive due to the loss for the year.

# **GAR LIMITED**

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### **10. RELATED PARTY TRANSACTIONS**

Key personnel is defined as those who have authority and responsibility for planning, directing, controlling the activities of the company, directly or indirectly. Includes all directors.

- (a) Management fees of \$36,000 (2014 - \$28,000) were paid or accrued to the President of the company.
- (b) Management fees of \$24,000 (2014 - \$18,000) were paid or accrued to an officer of the company.
- (c) Office occupancy fees of \$11,000 (2014 - \$Nil) were paid or accrued to a family member of the President of the Company.
- (d) A private company controlled by the President of the Company entered into an option agreement with the Company to acquire a mineral property containing 41 claims (Note 5(c)).
- (e) A private company controlled by the President of the Company purchased the plant, equipment, and Grenfell Township property from the Company (Note 5(a)).
- (f) The President of the Company and a third party transferred claims to the Company (Note 5(b)).

Due to Related Parties:

- (a) The advances are from two officers of the Company and a family member of the President of the Company. The advances bear no interest and have no specific terms of repayment.
- (b) As at January 31, 2015 the total due to related parties balance is \$32,263 \$44,513 (2014 - \$82,448).
- (c) These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

### **11. SEGMENTED INFORMATION**

The Company operates in one operating reporting segment, being the exploration and development of mineral properties in Canada.

### **12. CAPITAL MANAGEMENT**

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 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 considers its capital to be shareholders' equity, which is comprised of share capital, warrants, and deficit.

The Company's objective when managing capital is to obtain adequate levels of funding to support its exploration activities, to obtain corporate and administrative functions necessary to support organizational functioning and obtain sufficient funding to further the identification and development of precious metals deposits. The Company raises capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure. Funds are primarily secured through equity capital raised by way of private placements. There can be no assurance that the Company will be able to continue raising equity capital in this manner.

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 invests all capital that is surplus to its immediate operational needs in short term, liquid and highly rated financial instruments, such as cash, and short term guarantee deposits, all held with major Canadian financial institutions. The Company is not subject to externally imposed capital requirements.

There were no changes in the Company's approach to capital management during 2015 and 2014.

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### 13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

#### 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.

#### Commodity Price Risk

Commodity price risk is defined as the potential adverse impact and economic value due to commodity price movements and volatilities. The ability of the Company to develop its mining properties and the future profitability of the Company is directly related to the market price of minerals.

#### Liquidity Risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. The Company's liquidity and operating results may be adversely affected if its access to 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 manages liquidity risk through the management of its capital structure and financial leverage as outlined in Note 12. As at January 31, 2015, the Company's current liabilities which comprise accounts payable and accrued liabilities and due to related parties totaled \$55,634 while cash deficiency was \$NIL. The Company will require additional funding to maintain corporate and administrative functions and to fund its continuing exploration activities and commitments.

#### Price Risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of silver and gold, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

### 14. SUBSEQUENT EVENTS

As per the news release dated March 16, 2015, GAR Limited has incorporated a wholly owned subsidiary GAR Limited S.A. which has applied for two concessions in Nicaragua, Central America. The first concession is an Antimony prospect. The second is a tungsten, molybdenum and gold prospect. GAR Limited is planning to commence an exploration program in the summer of 2015. GAR Limited S.A. has established an office in Grenada, Nicaragua and has retained legal, geological and auditing services.

In May 2015, GAR Limited terminated the Lucky Irish Property option with Morgan Resources Corporation for failure to comply with the terms of the option agreement. GAR Limited recuperated 100% ownership of the Lucky Irish Property.

### 15. CASH FLOW SUPPLEMENTARY INFORMATION

	2015	2014
Common shares issued as part of property agreements	\$ 25,000	\$ 69,600
Capital stock issued to extinguish debt	\$ -	\$ 618,342
Interest paid		\$ 1,100

### 16. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.