SPARROW VENTURES CORP.

Condensed Interim Financial Statements (Unaudited)

Three and Nine Months Ended October 31, 2011 and 2010

(Expressed in Canadian Dollars)

SPARROW VENTURES CORP.

(the “Company”)

CONDENSED INTERIM FINANCIAL STATEMENTS

Three and nine months ended October 31, 2011 and 2010

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The management of Sparrow Ventures Corp. is responsible for the preparation of the accompanying unaudited condensed interim financial statements. The unaudited condensed interim financial statements have been prepared using accounting policies in compliance with International Financial Reporting Standards for the preparation of condensed interim financial statements and are in accordance with IAS 34 - Interim Financial Reporting.

The Company’s auditor has not performed a review of these condensed interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity’s auditor.

December 12, 2011

SPARROW VENTURES CORP.

Condensed Interim Statements of Financial Position (Unaudited)
(Expressed in Canadian Dollars)

	October 31, 2011 $	January 31, 2011 (Note 10) $	February 1, 2010 (Note 10) $
ASSETS			
CURRENT			
Cash	7,747	70,290	3,087
Short-term investments	234,000	300,000	650,000
Interest receivable	716	1,849	843
HST/GST recoverable	6,707	8,091	2,766
Prepaid expenses and deposits	1,500	1,500	1,500
	250,670	381,730	658,196
Equipment (Note 5)	2,302	1,913	-
Exploration and evaluation assets (Note 6)	-	87,531	-
	252,972	471,174	658,196
LIABILITY			
CURRENT			
Accounts payable and accrued liabilities	542	13,722	38,157
SHAREHOLDERS' EQUITY			
Share capital (Note 7)	1,007,228	1,007,228	986,098
Reserves (Note 7)	163,552	135,149	130,783
Deficit	(918,350)	(684,925)	(496,842)
	252,430	457,452	620,039
	252,972	471,174	658,196

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

SPARROW VENTURES CORP.

Condensed Interim Statements of Loss and Comprehensive Loss (Unaudited)
(Expressed in Canadian Dollars)

	Three Months Ended October 31, 2011	Three Months Ended October 31, 2010	Nine Months Ended October 31, 2011	Nine Months Ended October 31, 2010
	$	$	$	$
EXPENSES				
Accounting, audit and legal	-	1,368	4,555	56,731
Consulting fees	3,700	9,637	15,778	18,182
Depreciation	189	253	521	253
Management fees (Note 8)	3,000	1,000	9,000	1,000
Office, rent and administration (Note 8)	18,383	9,525	50,813	28,132
Regulatory fees	-	1,450	10,515	3,345
Share-based payments (Note 7)	5,303	8,977	28,403	8,977
Transfer agent and shareholder information	2,113	2,725	6,200	6,999
Travel and promotion	94	513	22,049	9,594
	32,782	35,448	147,834	133,213
LOSS BEFORE OTHER ITEMS	(32,782)	(35,448)	(147,834)	(133,213)
OTHER ITEMS				
Write-off of exploration and evaluation assets	-	-	(87,531)	-
Finance costs	(102)	(910)	(402)	(1,125)
Finance income	757	1,244	2,342	2,708
	655	334	(85,591)	1,583
LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	(32,127)	(35,114)	(233,425)	(131,630)
BASIC AND DILUTED LOSS PER SHARE (Note 7(e))	(0.01)	(0.01)	(0.02)	(0.01)

SPARROW VENTURES CORP.

Condensed Interim Statements of Changes in Equity (Unaudited)
(Expressed in Canadian Dollars)

	Notes	Share Capital Shares	Share Capital Amount	Reserves Stock options	Deficit	Total
		#	$	$	$	$
Balance, February 1, 2010	10	13,490,500	986,098	130,783	(496,842)	620,039
Comprehensive loss for the period		-	-	-	(131,630)	(131,630)
Shares issued for exploration and evaluation assets	6	100,000	11,000	-	-	11,000
Expired agent's options	10	-	10,130	(10,130)	-	-
Share-based payments		-	-	8,977	-	8,977
Balance, October 31, 2010		13,590,500	1,007,228	129,630	(628,472)	508,386
Comprehensive loss for the period		-	-	-	(56,453)	(56,453)
Share-based payments		-	-	5,519	-	5,519
Balance, January 31, 2011		13,590,500	1,007,228	135,149	(684,925)	457,452
Comprehensive loss for the period		-	-	-	(233,425)	(233,425)
Share-based payments		-	-	28,403	-	28,403
Balance, October 31, 2011		13,590,500	1,007,228	163,552	(918,350)	252,430

SPARROW VENTURES CORP.

Condensed Interim Statements of Cash Flows (Unaudited)
(Expressed in Canadian Dollars)

	Three Months Ended October 31, 2011	Three Months Ended October 31, 2010	Nine Months Ended October 31, 2011	Nine Months Ended October 31, 2010
	$	$	$	$
CASH WAS PROVIDED BY (USED IN)				
OPERATING ACTIVITIES				
Loss for the period	(32,127)	(35,114)	(233,425)	(131,630)
Non-cash items				
Depreciation	189	253	521	253
Share-based payments	5,303	8,977	28,403	8,977
Write-off of exploration and evaluation assets	-	-	87,531	-
Changes in non-cash working capital accounts				
Interest receivable	(716)	(925)	1,133	(741)
HST/GST recoverable	1,237	2,804	1,384	(2,201)
Accounts payable and accrued liabilities	(3,644)	(3,312)	(13,180)	(35,218)
	(29,758)	(27,317)	(127,633)	(160,560)
FINANCING ACTIVITY				
Loan payable	-	20,000	-	20,000
INVESTING ACTIVITIES				
Short-term investments	(234,000)	80,000	66,000	230,000
Deferred costs	-	18,574	-	-
Equipment	-	(2,250)	(910)	(2,250)
Exploration and evaluation assets	-	(76,531)	-	(76,531)
	(234,000)	19,793	65,090	151,219
INCREASE (DECREASE) IN CASH	(263,758)	12,476	(62,543)	10,659
Cash, beginning of period	271,505	1,270	70,290	3,087
CASH, END OF PERIOD	7,747	13,746	7,747	13,746
SUPPLEMENTARY INFORMATION				
Non-cash investing activity:				
Shares issued for resource properties	-	11,000	-	11,000

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

NOTE 1 – NATURE OF OPERATIONS

Sparrow Ventures Corp. (the "Company") was incorporated on July 04, 2006 under the laws of the Business Corporations Act (British Columbia) under the name 0762477 B.C. Ltd. On December 17, 2008, the Company changed its name to Sparrow Ventures Corp. The Company's shares are traded on the TSX Venture Exchange ("Exchange") under the symbol "SPW".

The head office, principal address and records office of the Company are located at Suite 507 – 700 West Pender Street, Vancouver, BC, Canada, V6C 1G8. The Company's registered office address is located at Suite 1780 - 400 Burrard Street, Vancouver, British Columbia, Canada, V6C 3A6.

The Company is engaged in the acquisition, exploration and development of resource properties. During the year ended January 31, 2011, the Company entered into a mineral option agreement which constituted the Company's Qualifying Transaction under the policies of the Exchange. During the period, the Company terminated this option agreement and wrote-off all costs related to the properties. (Note 6)

Management has estimated that the Company will have adequate funds from existing working capital to meet corporate, administrative and other obligations over the next twelve months. The Company will require additional financing as it determines to acquire additional properties. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be available on acceptable terms.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

The financial statements were authorized for issue on December 12, 2011 by the Directors of the Company. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Basis of preparation and adoption of International Financial Reporting Standards

The condensed interim financial statements of the Company have been prepared in accordance with International Accounting Standards ("IAS") 34, "Interim Financial Reporting" and IFRS 1, "First time adoption of International Financial Reporting Standards ("IFRS")" using accounting policies consistent with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRIC").

The condensed interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the audited annual financial statements of the Company as at and for the year ended January 31, 2011 prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). The basis of presentation of these condensed interim financial statements is different to that of the Company's most recent annual financial statements due to the first time adoption of IFRS.

The impact of the conversion from GAAP to IFRS is explained in note 10. Note 10 includes reconciliations of the Company's condensed interim statements of financial position and statements of loss and comprehensive loss for comparative periods prepared in accordance with GAAP and as previously reported to those prepared and reported in these unaudited condensed interim financial statements in accordance with IFRS.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of presentation

The condensed interim financial statements are presented in Canadian dollars unless otherwise noted. The condensed interim financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable.

(c) Use of estimates and judgments

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Areas requiring a significant degree of estimation and judgment relate to the recoverability of the carrying value of exploration and evaluation assets, fair value measurements for financial instruments and share-based payments and other equity-based payments and the estimated useful life and recoverability of equipment. Actual results may differ from those estimates and judgments.

(d) Functional and presentation of foreign currency

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

(e) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

(f) Short-term investments

Short-term investments consist of investments in guaranteed investment certificates with maturities of more than three months and less than one year.

(g) Equipment

Equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses.

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. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of income and comprehensive income during the financial period in which they are incurred.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Equipment (continued)

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

Depreciation and amortization are calculated on a declining-balance basis to write off the cost of the assets to their residual values over their estimated useful lives. The depreciation and amortization rate applicable to equipment is 30%.

(h) Exploration and evaluation assets

These assets relate to mineral rights acquired and exploration and evaluation expenditures capitalized in respect of projects that are in the exploration or pre-development stage.

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

(i) Impairment of non-financial assets

The carrying amount of the Company's non-financial assets (which include equipment and exploration and evaluation assets) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of loss and comprehensive loss.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Impairment of non-financial assets (continued)

The recoverable amount of assets is the greater of an asset's fair value less cost to sell 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 the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

(j) Share capital

The proceeds from the exercise of stock options or warrants together with amounts previously recorded over the vesting periods are recorded as share capital. Share capital issued for non-monetary consideration is recorded at an amount based on fair market value on the date of issue.

(k) Share-based payments

The Company operates an employee stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using a Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

(l) Loss per share

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Financial instruments

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition. The classification and measurement of the Company's financial instruments are disclosed in note 9 to these condensed interim financial statements.

Financial assets are classified at fair value through profit or loss when they are classified as held for trading in the near future or designated as such upon initial recognition. Such assets are initially and subsequently measured at fair value with changes in carrying value being included in profit or loss for the period.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and such assets are recognized initially at fair value and subsequently measured on an amortized cost basis using the effective interest method, less any impairment losses. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are initially recorded at fair value and subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are initially and subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses.

Non-derivative financial liabilities (excluding financial guarantees) are recorded at the date of obligation at fair value and are subsequently measured at amortized cost using the effective interest method.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether impairment has arisen.

NOTE 3 – RECENT ACCOUNTING PRONOUNCEMENTS

The following IFRS standards have been recently issued by the International Accounting Standards Board ("IASB"): IFRS 9 Financial Instruments, IFRS 10 Financial Statements and IFRS 13 Fair Value Measurement. The Company is assessing the impact of these new standards, but does not expect them to have a significant effect on the financial statements.

(a) Amendments to IFRS 7, Financial Instruments: Disclosures

IFRS 7 Financial Instruments: Disclosures ("IFRS 7") was amended by the IASB in October 2010 and provides guidance on identifying transfers of financial assets and continuing involvement in transferred assets for disclosure purposes. The amendments introduce new disclosure requirements for transfers of financial assets including disclosures for financial assets that are not derecognized in their entirety, and for financial assets that are derecognized in their entirety but for which continuing involvement is retained. The amendments are effective for annual periods beginning on or after July 1, 2011.

(b) IFRS 9, Financial Instruments

IFRS 9, Financial Instruments ("IFRS 9") was issued by the IASB on November 12, 2009, and will replace IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized costs or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of IFRS 9 on its financial statements.

(c) IFRS 10, Consolidated Financial Statements

IFRS 10 Financial Statements ("IFRS 10") provides a single model to be applied in the control analysis for all investees, including entities that currently are SPEs in the scope of SIC-12. In addition, the consolidation procedures are carried forward substantially unmodified from IAS 27 (2008). The Company does not expect that the adoption of IFRS 10 will have a material impact on its financial statements.

(d) IFRS 13, Fair Value Measurement

IFRS 13, Fair Value Measurement ("IFRS 13") was issued by the IASB on May 12, 2011. The new standard converges IFRS and US GAAP on how to measure fair value and the related fair value disclosures. The new standard creates a single source of guidance for fair value measurements, where fair value is required or permitted under IFRS, by not changing how fair value is used but how it is measured. The focus will be on an exit price. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted.

(Expressed in Canadian Dollars)

NOTE 4 – SHORT-TERM INVESTMENTS

October 31, 2011	Maturity	Principal	Accrued interest
		$	$
Guaranteed Investment Certificates			
Prime less 2.05% annual interest rate	July 13, 2012	234,000	716

January 31, 2011	Maturity	Principal	Accrued interest
		$	$
Guaranteed Investment Certificates			
Prime less 1.80% annual interest rate	July 15, 2011	300,000	1,849

February 1, 2010	Maturity	Principal	Accrued interest
		$	$
Guaranteed Investment Certificates			
Prime less 1.80% annual interest rate	January 28, 2011	270,000	10
Prime less 1.85% annual interest rate	July 15, 2010	380,000	833
		650,000	843

NOTE 5 – EQUIPMENT

	Computer
	$
Costs:	
Balance, February 1, 2010	-
Additions	2,250
Balance, January 31, 2011	2,250
Additions	910
Balance, October 31, 2011	3,160
Depreciation:	
Balance, February 1, 2010	-
Depreciation	337
Balance, January 31, 2011	337
Depreciation	521
Balance, October 31, 2011	858
Carrying amounts:	
February 1, 2010	-
January 31, 2011	1,913
October 31, 2011	2,302

(Expressed in Canadian Dollars)

NOTE 6 – EXPLORATION AND EVALUATION ASSETS

	Nebocat and Rim Properties $
Balance, February 1, 2010	-
Acquisition costs	
Cash consideration	25,000
Common shares issued	11,000
Professional and regulatory fees	51,531
Balance, January 31, 2011	87,531
Write-off of exploration and evaluation assets	(87,531)
Balance, October 31, 2011	-

On May 26, 2010, the Company entered into a letter agreement with Full Metal Minerals Ltd. ("Full Metal") pursuant to which Full Metal granted to the Company an option to acquire a 60% interest in its Nebocat and RIM properties ("the Properties"). The Properties are located south of the community of Ross River, Yukon.

Pursuant to the terms of the agreement, the Company can earn a 60% interest in the Properties by paying $150,000, issuing 400,000 common shares of the Company and incurring minimum exploration expenditures of $3,000,000 over a period of four years.

The Properties are subject to Net Smelter Royalty of 2%.

During the nine months ended October 31, 2011, the Company terminated its option agreement with Full Metal and wrote-off all acquisition costs of $87,531.

NOTE 7 – SHARE CAPITAL AND RESERVES

(a) Authorized

Unlimited number of voting common shares without par value.

(b) Issued share capital

At October 31, 2011, there were 13,590,500 issued and fully paid common shares (January 31, 2011 – 13,590,500; February 1, 2010 – 13,490,500).

(Expressed in Canadian Dollars)

NOTE 7 – SHARE CAPITAL AND RESERVES (Continued)

(c) Escrow shares

As of October 31, 2011, the Company had 2,520,001 (January 31, 2011 – 3,780,000; February 1, 2010 – 4,200,000) common shares held in escrow pursuant to the requirements of the Exchange and escrow agreement. Pursuant to the escrow agreement, 10% of the escrowed common shares were released from escrow following issuance of the final Exchange bulletin (“Final Exchange Bulletin”) on completion of the Qualifying Transaction, and in increments of 15% every six months thereafter over a period of thirty six months. If the Company meets the Exchange’s Tier 1 status after receipt of the Final Exchange Bulletin, the release of escrow shares will be accelerated.

(d) Share-based payments

The Company adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, at its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares of the Company. Stock options will be exercisable for a period of up to 10 years from the date of grant and charitable options will be exercisable for a period of up to 10 years from the date of grant.

In connection with the foregoing, the number of common shares reserved for issuance to any individual director or officer will not exceed five percent (5%) of the issued and outstanding common shares and the number of common shares reserved for issuance to all consultants will not exceed two percent (2%) of the issued and outstanding common shares. Options may be exercised no later than 90 days following cessation of the optionee’s position with the Company, provided that if the cessation of office, directorship, or consulting arrangement was by reason of death, the option may be exercised within a maximum period of six months after such death, subject to the expiry date of such option.

A summary of the status of the options outstanding follows:

	Options \#	Weighted Average Exercise Price $
Balance, February 1, 2010	1,195,000	0.10
Granted	269,000	0.11
Balance, January 31, 2011	1,464,000	0.10
Cancelled	(330,000)	0.11
Granted	330,000	0.11
Balance, October 31, 2011	1,464,000	0.10

(Expressed in Canadian Dollars)

NOTE 7 – SHARE CAPITAL AND RESERVES (Continued)

(d) Share-based compensation (continued)

The following table summarizes the stock options outstanding as at October 31, 2011:

Exercise Price $	Options Outstanding #	Expiry Date	Options Exercisable #
0.10	865,000	May 26, 2018	865,000
0.11	100,000	August 31, 2020	75,000
0.12	169,000	October 7, 2020	126,750
0.11	330,000	May 27, 2021	123,750
	1,464,000		1,190,500

During the nine months ended October 31, 2011, the Company recorded share-based payments of $28,403 (2010 - $8,977) for stock options vested during the period.

(e) Loss per share

Basic loss per share is computed by dividing net loss for the period, applicable to common shareholders, by the weighted average number of common shares outstanding for the period, including contingently issuable shares when the conditions necessary for the issuance have been met. Diluted loss per share is calculated in a similar number except that the weighted average number of common shares outstanding is increased to include potential common shares from the assumed exercise of options, warrants and convertible securities, if dilutive.

	Three months ended October 31,		Nine months ended October 31,	
	2011	2010	2011	2010
	$	$	$	$
Loss per share - basic and diluted	0.01	0.01	0.02	0.01
Loss for the period	32,127	35,114	233,425	131,630
	#	#	#	#
Weighted average number of shares - basic and diluted	13,590,500	13,562,239	13,590,500	13,514,676

(Expressed in Canadian Dollars)

NOTE 8 – RELATED PARTY TRANSACTIONS

(a) Related party transactions

The Company incurred the following transactions with companies having directors in common:

	Three months ended October 31,		Nine months ended October 31,	
	2011	2010	2011	2010
	$	$	$	$
Office, rent and administration	16,500	6,600	43,100	15,600

(b) Compensation of key management personnel

The Company's key management personnel has authority and responsibility for planning, directing and controlling the activities of the Company and consists of its Directors, Chief Executive Officer and Chief Financial Officer.

	Three months ended October 31,		Nine months ended October 31,	
	2011	2010	2011	2010
	$	$	$	$
Management fees	3,000	-	9,000	-
Share-based compensation	4,009	-	13,544	-
	7,009	-	22,544	-

(c) Related party balances

The following related party amounts were included in prepaid expenses and deposits:

	October 31, 2011	January 31, 2011
	$	$
Company having directors in common	1,500	1,500

These transactions are in the normal course of operations and are measured at the fair value amount of consideration established and agreed to by the related parties. Any amounts due to related parties are unsecured, non-interest bearing and have no specific repayment terms.

NOTE 9 – FINANCIAL RISK MANAGEMENT

(a) Fair value of financial instruments

The Company's financial instruments consist of cash, short-term investments, receivables, and accounts payable and accrued liabilities. Cash and short-term investments are classified as held-for-trading and accordingly carried at its fair value. Receivables are classified as loans and receivables and are carried at their amortized costs. Accounts payable and accrued liabilities are classified as other financial liabilities and are carried at their amortized cost.

The fair values of these financial instruments approximate their carrying values due to their short term nature and/or the existence of market related interest rates on the instruments. Fair value estimates are made at a specific point in time based on relevant market information and information about financial instruments. These estimates are subjective and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Financial instruments measured at fair value are classified into one of the three levels in the fair value hierarchy according to the relative reliability of the inputs used estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 Inputs that are not based on observable market data.

As at October 31, 2011, January 31, 2011 and February 1, 2010, the Company's cash and short-term investments were classified as Level 1.

(b) Financial instruments risk

The Company is exposed in varying degrees to a variety of financial instrument related to risks. The Board approves and monitors the risk management processes:

(i) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company is subject to credit risk on the cash balances at the bank, its short-term bank guaranteed investment certificates and amounts receivable. Cash and cash equivalents consisting of Guaranteed Investment Certificates ("GICs") have been invested with Schedule 1 banks or equivalents, with its cash held in Canadian based banking institutions, authorized under the Bank Act to accept deposits, which may be eligible for deposit insurance provided by the Canadian Deposit Insurance Corporation. The receivables consist primarily of GST/HST recoverable of $6,707.

NOTE 9 – FINANCIAL RISK MANAGEMENT (Continued)

(b) Financial instruments risk (continued)

(ii) Liquidity risk

The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due. As at October 31, 2011, the Company had cash and short-term investments of $241,747 to settle current liabilities of $542 which mainly consisted of accounts payable that were considered short term and settled within 30 days. The Company believes that it has sufficient capital to meet its requirements for the next twelve months.

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's cash attract interest at floating rates and have maturities of 90 days or less. The Company's short-term investments are invested in GICs with greater than 90 day terms but not greater than one year. These GICs have a fixed interest rate for the term of the deposit. The interest on cash and GICs is typical of Canadian banking rates, which are low at present and the conservative investment strategy mitigates the risk of deterioration to the investment. A change of 100 basis points in the interest rates would not be material to the financial statements.

(c) Capital management

The Company manages its share capital as capital, which as at October 31, 2011 totalled $1,007,228 (January 31, 2011 – $1,007,228; February 1, 2010 - $986,098). The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern such that it can continue to provide returns for shareholders and benefits for other stakeholders. The management of the capital structure is based on the funds available to the Company in order to support the acquisition, exploration and development of mineral properties and to maintain the Company in good standing with the various regulatory authorities. In order to maintain or adjust its capital structure, the Company may issue new shares or debt or sell assets to settle liabilities.

To effectively manage the entity's capital requirements, the Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its objectives. The Company may issue new shares or seek debt financing to ensure that there is sufficient working capital to meet its short-term business requirements. The Company is not subject to externally imposed capital requirements.

There were no changes in the Company's management of capital during the nine months ended October 31, 2011.

NOTE 10 – CONVERSION TO IFRS

The Company adopted IFRS on February 1, 2011, with the transition date of February 1, 2010 representing the Company's opening IFRS balance sheet. As required by IFRS 1, *First-time Adoption of IFRS*, the Company will apply the IFRS in effect as at January 31, 2012 on a full retrospective basis, except where permitted or required under an IFRS 1 exemption.

On adoption of IFRS 1, the Company elected to apply the following exemptions:

IFRS 2 "Share-based Payment" has not been applied to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005. The Company has elected not to apply IFRS 2 to awards that vested prior to February 1, 2010 (date of transition date to IFRS), which have been accounted for in accordance with Canadian GAAP.

IFRS 1 also outlines specific guidelines that a first-time adopter must adhere to under certain circumstances. The Company has applied the following guidelines to its opening balance sheet dated February 1, 2010:

Estimates - In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as at February 1, 2010 are consistent with its previous estimates under GAAP for the same date.

In preparing its IFRS interim consolidated financial statements, the Company has adjusted amounts reported previously in financial statements prepared in accordance with GAAP. An explanation of how the transition from previous GAAP to IFRS affected the Company's financial position and results is set out in the following notes and accompanying tables

(a) Reserves

Under GAAP, amounts recorded in relation to the fair value of stock options granted and warrants issued were recorded to contributed surplus. Under IFRS, these amounts have been reclassified within equity as reserves.

(b) Share-based payments

Under GAAP, the Company recognized an expense related to share-based payments on a straight-line basis through the date of full vesting and did not incorporate a forfeiture multiple on the grant date.

Under IFRS, the Company is required to recognize the expense over the individual vesting periods for the graded vesting awards and estimate a forfeiture rate. The Company elected to use the IFRS exemption whereby the liabilities for share-based payments that had vested or settled prior to February 1, 2010 were not required to be retrospectively restated. As at February 1, 2010, all stock options granted were fully vested and no fair value adjustment was made accordingly. Subsequent to transition, the Company has assessed the impact of share-based payments being insignificant at October 31, 2010 and January 31, 2011 and no adjustment was made accordingly.

NOTE 10 – CONVERSION TO IFRS (continued)

(c) Forfeited or expired options and warrants

Under GAAP, the Company's policy was to leave the value recorded for forfeited or expired unexercised stock options and warrants in contributed surplus.

On transition to IFRS, the Company elected to change its accounting policy for the treatment of forfeited or expired unexercised options and warrants whereby amounts recorded for forfeited or expired unexercised stock options and warrants are transferred to deficit or share capital, respectively.

Accordingly, upon conversion to IFRS, the value assigned to forfeited options of $26,005 has been reclassified from reserves to deficit as at February 1, 2010, October 31, 2010 and January 31, 2011. Subsequent to transition, the value assigned to expired agent's options of $10,130 has been reclassified from reserves to share capital as at October 31, 2010 and January 31, 2011.

(Expressed in Canadian Dollars)

NOTE 10 – TRANSITION TO IFRS (Continued)

IFRS Reconciliation of Statements of Financial Position

		As at February 1, 2010			As at October 31, 2010			As at January 31, 2011		
	Note	Canadian GAAP $	Effect of Transition to IFRS $	**IFRS $**	Canadian GAAP $	Effect of Transition to IFRS $	**IFRS $**	Canadian GAAP $	Effect of Transition to IFRS $	**IFRS $**
ASSETS										
CURRENT										
Cash		3,087	-	**3,087**	13,746	-	**13,746**	70,290	-	**70,290**
Short-term investments		650,000	-	**650,000**	420,000	-	**420,000**	300,000	-	**300,000**
Interest receivable		843	-	**843**	1,584	-	**1,584**	1,849	-	**1,849**
HST/GST recoverable		2,766	-	**2,766**	4,967	-	**4,967**	8,091	-	**8,091**
Prepaid expenses and deposits		1,500	-	**1,500**	1,500	-	**1,500**	1,500	-	**1,500**
Deferred costs		-	-	**-**	-	-	**-**	-	-	**-**
		658,196	-	**658,196**	441,797	-	**441,797**	381,730	-	**381,730**
Equipment		-	-	**-**	1,997	-	**1,997**	1,913	-	**1,913**
Exploration and evaluation assets		-	-	**-**	87,531	-	**87,531**	87,531	-	**87,531**
		-	-	**-**	89,528	-	**89,528**	89,444	-	**89,444**
		658,196	-	**658,196**	**531,325**	-	**531,325**	**471,174**	-	**471,174**

(Expressed in Canadian Dollars)

NOTE 10 – TRANSITION TO IFRS (Continued)

IFRS Reconciliation of Statements of Financial Position (continued)

		As at February 1, 2010			As at October 31, 2010			As at January 31, 2011		
	Notes	Canadian GAAP	Effect of Transition to IFRS	**IFRS**	Canadian GAAP	Effect of Transition to IFRS	**IFRS**	Canadian GAAP	Effect of Transition to IFRS	**IFRS**
		$	$	**$**	$	$	**$**	$	$	**$**
LIABILITY										
CURRENT										
Accounts payable and accrued liabilities		38,157	-	**38,157**	2,939	-	**2,939**	13,722	-	**13,722**
Loans payable		-	-	**-**	20,000	-	**20,000**	-	-	**-**
		38,157	-	**38,157**	22,939	-	**22,939**	13,722	-	**13,722**
SHAREHOLDERS' EQUITY										
Share capital	(c)	986,098	-	**986,098**	997,098	10,130	**1,007,228**	997,098	10,130	**1,007,228**
Reserves	(a)(c)	-	130,783	**130,783**	-	129,630	**129,630**	-	135,149	**135,149**
Contributed surplus	(a)	156,788	(156,788)	**-**	165,765	(165,765)	**-**	171,284	(171,284)	**-**
Deficit	(c)	(522,847)	26,005	**(496,842)**	(654,477)	26,005	**(628,472)**	(710,930)	26,005	**(684,925)**
		620,039	-	**620,039**	508,386	-	**508,386**	457,452	-	**457,452**
		658,196	**-**	**658,196**	**531,325**	**-**	**531,325**	**471,174**	**-**	**471,174**

NOTE 10 – TRANSITION TO IFRS (Continued)

The transition from GAAP to IFRS had no impact on the Company's previously reported statements of loss and comprehensive loss and statements of cash flows for the year ended January 31, 2011 and the three and nine months ended October 31, 2010.