SPARROW VENTURES CORP.

January 31, 2013 and 2012

(Expressed in Canadian Dollars)

Financial Statements

Independent Auditors' Report

To the Shareholders of:
SPARROW VENTURES CORP.

We have audited the accompanying financial statements of Sparrow Ventures Corp. which comprise the statements of financial position as at January 31, 2013 and 2012, the statements of changes in equity, comprehensive loss, and cash flows 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the 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 Sparrow Ventures Corp. as at January 31, 2013 and 2012, and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

Emphasis of Matter – Going Concern

In forming our opinion, which is not qualified, we have considered the adequacy of the disclosures made in Note 1 to the financial statements concerning the ability of Sparrow Ventures Corp. to continue as a going concern. The company incurred a net loss of $115,142 during the year ended January 31, 2013, and as of that date, had accumulated losses since inception of $1,040,408. These conditions, along with the other matters explained in Note 1 of the financial statements, indicate the existence of material uncertainties that raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if Sparrow Ventures Corp. was unable to continue as a going concern.

"WDM Chartered Accountants"

Vancouver, B.C., Canada
May 29, 2013

SPARROW VENTURES CORP.
Statements of Financial Position
(Expressed in Canadian Dollars)

	Note	January 31, 2013 $	January 31, 2012 $
ASSETS			
CURRENT			
Cash and cash equivalents		124,184	226,240
Interest receivable		-	1,235
HST recoverable		1,567	1,569
Prepaid expenses and deposits	8(c)	1,732	1,500
		127,483	230,544
Equipment	5	1,479	2,113
		128,962	232,657
LIABILITY			
CURRENT			
Accounts payable and accrued liabilities	8(c)	13,960	12,731
SHAREHOLDERS' EQUITY			
Share capital	7	1,007,228	1,007,228
Share-based payment reserve		148,182	138,952
Deficit		(1,040,408)	(926,254)
		115,002	219,926
		128,962	232,657

Nature and continuance of operations (Note 1)

Approved on behalf of the board:

"Marc Levy"
Marc Levy, Director

"Marc Morin"
Marc Morin, Director

SPARROW VENTURES CORP.

Statements of Changes in Equity

For the Years Ended January 31, 2013 and 2012
(Expressed in Canadian Dollars)

	Note	Number of Common Shares	Share Capital	Share-Based Payment Reserve	Deficit	Total
			$	$	$	$
Balance, January 31, 2011		13,590,500	1,007,228	135,149	(772,456)	369,921
Comprehensive loss for the year		-	-	-	(182,927)	(182,927)
Expired stock options		-	-	(29,129)	29,129	-
Share-based payments	7(d)	-	-	32,932	-	32,932
Balance, January 31, 2012		13,590,500	1,007,228	138,952	(926,254)	219,926
Comprehensive loss for the year		-	-	-	(115,142)	(115,142)
Forfeited stock options		-	-	(988)	988	-
Share-based payments	7(d)	-	-	10,218	-	10,218
Balance, January 31, 2013		13,590,500	1,007,228	148,182	(1,040,408)	115,002

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

SPARROW VENTURES CORP.

Statements of Comprehensive Loss

For the Years Ended January 31, 2013 and 2012

(Expressed in Canadian Dollars)

	Note	2013 $	2012 $
EXPENSES			
Accounting, audit and legal		13,609	17,055
Bank charges		483	480
Consulting fees	8(b)	10,000	15,778
Depreciation		634	710
Management fees	8(b)	12,000	12,000
Office, rent and administration	8(a)	69,503	66,089
Regulatory fees		9,155	10,515
Share-based payments	7(d)	10,218	32,932
Transfer agent and shareholder information		6,881	7,148
Travel and promotion		813	23,121
LOSS BEFORE OTHER ITEMS		(133,296)	(185,828)
Interest income		833	2,901
Other income	10	17,321	-
		18,154	2,901
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR		(115,142)	(182,927)
LOSS PER SHARE - BASIC AND DILUTED		(0.01)	(0.01)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUSTANDING - BASIC AND DILUTED		13,590,500	13,590,500

SPARROW VENTURES CORP.
Statements of Cash Flows
For the Years Ended January 31, 2013 and 2012
(Expressed in Canadian Dollars)

	2013 $	2012 $
CASH WAS PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net loss for the year	(115,142)	(182,927)
Non-cash items		
Depreciation	634	710
Share-based payments	10,218	32,932
Changes in non-cash working capital accounts		
Interest receivable	1,235	614
HST recoverable	2	6,522
Prepaid expenses and deposits	(232)	-
Accounts payable and accrued liabilities	1,229	(991)
	(102,056)	(143,140)
INVESTING ACTIVITY		
Purchase of equipment	-	(910)
DECREASE IN CASH AND CASH EQUIVALENTS	(102,056)	(144,050)
Cash and cash equivalents, beginning of the year	226,240	370,290
CASH AND CASH EQUIVALENTS, END OF THE YEAR	124,184	226,240
CASH AND CASH EQUIVALENTS CONSIST OF:		
Cash	124,184	-
Guaranteed Investment Certificates	-	226,240
	124,184	226,240

NOTE 1 – NATURE AND CONTINUANCE 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, British Columbia, 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. On May 26, 2010, the Company entered into a mineral option agreement which constituted the Company's Qualifying Transaction under the policies of the Exchange. During the year ended January 31, 2012, the Company terminated this option agreement (Note 6). The Company currently does not hold any mineral property interests and is actively evaluating mineral properties to acquire or option.

These financial statements have been prepared in accordance with International Financial Reporting Standards on the basis that the Company is a going concern and will be able to meet its obligations and continue its operations for its next fiscal year. Several conditions as set out below cast uncertainties on the Company's ability to continue as a going concern.

The Company's ability to continue as a going concern is dependent upon the identification and acquisition of resource properties, financial support from its creditors, shareholders, and related parties, its ability to obtain financing to fund working capital requirements and upon the attainment of future profitable operations.

The Company has not yet achieved profitable operations, has incurred significant operating losses and negative cash flows from operations, and has been reliant on external financing of equity. As at January 31, 2013, the Company has accumulated losses of $1,040,408 since inception. There is no assurance that the Company will be successful with generating and maintaining profitable operations, or able to secure future debt or equity financing for its working capital and development activities.

These financial statements do not reflect any adjustments to the amounts and classifications of assets and liabilities, which would be necessary should the Company be unable to continue as a going concern.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

The financial statements were authorized for issue on May 29, 2013 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 Presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The financial statements of the Company have been prepared on a historical cost basis.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Functional and Presentation of Foreign Currency

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

(c) Cash and Cash Equivalents

Cash and cash equivalents consist of cash balances and short-term highly liquid investments which are readily convertible into cash and that are subject to an insignificant risk of changes in value.

For the purpose of the statements of cash flows, total cash and cash equivalents include cash and guaranteed investment certificates ("GIC") with maturities of less than one year and redeemable anytime at the option of the holder.

(d) Equipment and Depreciation

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

Depreciation is 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 rate applicable to equipment is 30%.

(e) Exploration and Evaluation Assets

Exploration and evaluation activity begins when the Company obtains legal rights to explore a specific area and involves the search for mineral reserves, the determination of technical feasibility, and the assessment of commercial viability of an identified mineral resource. Expenditures incurred in the exploration and evaluation phase include the cost of acquiring interests in mineral rights, licenses and properties, and the costs of the Company's exploration activities, such as researching and analyzing existing exploration data, gathering data through geological studies, exploratory drilling, trenching, sampling, and certain feasibility studies.

Exploration and evaluation expenditures incurred prior to the determination of commercially viable mineral resources, the feasibility of mining operations, and a positive development decision, are expensed as incurred. Mineral property acquisition costs and development expenditures incurred subsequent to such a determination are capitalized and amortized over the estimated life of the property following the commencement of commercial production or are written off if the property is sold, allowed to lapse, abandoned, or when an impairment is determined to have occurred.

(f) Impairment of Financial Assets

A financial asset not carried at fair value through profit or loss is reviewed at each reporting date to determine whether there is any indication of impairment. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the assets' original effective interest rate. Losses are recognized in profit or loss with a corresponding reduction in the financial asset, or in the case of amounts receivable are reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Share Capital

Share Capital includes cash consideration received for share issuances. The proceeds from the exercise of stock options or warrants together with amounts previously recorded over the vesting periods are recorded as share capital. Common Shares issued for non-monetary consideration is recorded at an amount based on their fair market value on the date of issue. Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from equity.

(h) 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 share-based payment reserve.

The fair value of options is determined using the Black–Scholes option 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. Amounts recorded for forfeited or expired unexercised options are reversed in the period the forfeiture occurs.

Upon the exercise of stock options, consideration received on the exercise of these equity instruments is recorded as share capital and the related share-based payment reserve is transferred to share capital.

(i) Income Taxes

Tax expense recognized in profit or loss comprises the sum of current and deferred taxes not recognized in other comprehensive income or directly in equity.

(i) Current Income Tax

Current income tax assets and/or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

(ii) Deferred Income Tax

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Income Taxes (Continued)

(ii) Deferred Income Tax (Continued)

Deferred tax assets are recognized to the extent that it is probable that they will be utilized against future taxable income. Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

(j) Loss per Share

The Company calculates basic loss per share using the weighted average number of common shares outstanding during the period. Diluted loss per share is the same as basic loss per share, as the issuance of shares on the exercise of stock options and share purchase warrants is anti-dilutive.

(k) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument to another entity. Financial assets and financial liabilities are recognized on the statements of financial position at the time the Company becomes a party to the contractual provisions of the financial instrument.

Financial instruments are initially measured at fair value. Measurement in subsequent periods is dependent on the classification of the financial instrument. The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity, available-for-sale, and other financial liabilities.

(i) Financial Assets and Liabilities at Fair Value Through Profit or Loss

Financial assets and liabilities at fair value through profit or loss are either 'held-for-trading' or classified at fair value through profit or loss. They are initially and subsequently recorded at fair value and changes in fair value are recognized in profit or loss for the period. The Company does not have any financial assets and liabilities at fair value through profit or loss.

(ii) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value and subsequently 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, which are classified as non-current assets. The Company has designated its cash and cash equivalents and interest receivables as loans and receivables.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial Instruments (Continued)

(iii) Held-to-Maturity Financial 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. The Company does not have any held-to-maturity financial assets.

(iv) Available-For-Sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any other financial asset categories. They are initially and subsequently measured at fair value and the changes in fair value, other than impairment losses are recognized in other comprehensive income (loss) and presented in the fair value reserve in shareholders' equity. When the financial assets are sold or an impairment write-down is required, losses accumulated in the fair value reserve recognized in shareholders' equity are included in profit or loss. The Company does not have any available-for-sale financial assets.

(v) Financial Liabilities at Amortized Cost

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

The Company's non-derivative financial liabilities are its accounts payable and accrued liabilities, which are designated as other liabilities.

NOTE 3 – SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

In the application of the Company's accounting policies which are described in Note 2, management is required to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Significant judgments, estimates, and assumptions that have the most significant effect on the amounts recognized in the financial statements are described below.

(a) Share-Based Compensation

The Company grants stock options to directors, officers, employees, and consultants of the Company under its incentive stock option plan. The fair value of stock options is estimated using the Black-Scholes option pricing model and are expensed over their vesting periods. In estimating fair value, management is required to make certain assumptions and estimates such as the life of options, volatility, and forfeiture rates. Changes in assumptions used to estimate fair value could result in materially different results.

NOTE 3 – SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

(b) Decommissioning and Restoration Provision

The decommissioning and restoration provision is based on future cost estimates using information available at the reporting date. The decommissioning and restoration provision is adjusted at each reporting period for changes to factors such as the expected amount of cash flows required to discharge the liability, the timing of such cash flows, and the discount rate. The decommissioning and restoration provision requires other significant estimates and assumptions such as requirements of the relevant legal and regulatory framework, and the timing, extent and costs of required decommissioning and restoration activities. Actual costs may differ from these estimates.

As at January 31, 2013 and 2012, the Company has no material decommissioning and restoration provision.

(c) Deferred Tax Assets

Deferred tax assets, including those arising from un-utilized tax losses, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

NOTE 4 – ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following IFRS standards have been recently issued by the IASB or the IFRIC. The Company is assessing the impact of these new standards, but does not expect them to have a significant effect on the financial statements. Pronouncements that are not applicable or do not have a significant impact to the Company have been excluded herein.

(a) IFRS 7, Financial Instruments: Disclosures, and IAS 32, Financial Instruments: Presentation

The IASB has issued amendment to IFRS 7, Financial Instruments: Disclosures and IAS 32, Financial Instruments: Presentation, requiring incremental disclosures regarding transfers of financial assets and clarity of an entity's ability to offset financial assets and financial liabilities. The amendments to IFRS 7 are effective for annual periods beginning on or after July 1, 2013, and the amendments to IAS 32 are effective for annual periods beginning on or after July 1, 2014. The Company does not expect the implementation to have a significant impact on the Company's disclosures.

(b) IFRS 9, Financial Instruments

The IASB has issued a new standard, IFRS 9, Financial Instruments, which will replace IAS 39, Financial Instruments: Recognition and Measurement. The replacement of IAS 39 is a multi-phase project with the objective of improving and simplifying the reporting for financial instruments and the issuance of IFRS 9 is part of the first phase of this project. IFRS 9 uses a single approach to determine whether a financial asset or liability is measured at amortized cost or fair value, replacing the multiple rules in IAS 39.

NOTE 4 – ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE (Continued)

(b) IFRS 9, Financial Instruments (Continued)

For financial assets, 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. IFRS 9 requires a single impairment method to be used, replacing multiple impairment methods in IAS 39. For financial liabilities measured at fair value, fair value changes due to changes in an entity's credit risk are presented in other comprehensive income. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. The Company does not expect the implementation to have a significant impact on the Company's results of operations, financial position, and disclosures.

(c) IFRS 13, Fair Value Measurement

IFRS 13, Fair Value Measurement is effective for annual periods beginning on or after January 1, 2013. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard also establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements to provide information that enables financial statement users to assess the methods and inputs used to develop fair value measurements and, for recurring fair value measurements that use significant unobservable inputs (Level 3), the effect of the measurements on profit or loss or other comprehensive income. The Company does not expect the implementation to have a significant impact on the Company's results of operations, financial position, and disclosures.

(d) IAS 1, Presentation of Items of Other Comprehensive Income

The IASB has issued an amendment to IAS 1, Presentation of Financial Statements, which requires entities to group items presented in other comprehensive income "OCI" on the basis of whether they might at some point be reclassified from OCI to profit or loss at a later date when specified conditions are met. By requiring items of OCI to be grouped on this basis, their potential effect on profit or loss in future periods will be clearer. This amendment is effective for annual periods beginning on or after July 1, 2012 and requires full retrospective application. The Company does not expect the amendment to have a material impact on the financial statements.

(e) IAS 32, Financial Instruments

Presentation was amended to address inconsistencies in current practice when applying the offsetting criteria in IAS 32. Under this amendment, the meaning of "currently has a legally enforceable right of set-off" was clarified as well as providing clarification that some gross settlement systems may be considered equivalent to net settlement. This amendment is effective for annual periods beginning on or after January 1, 2014 and is not expected to have a significant impact on the Company.

(Expressed in Canadian Dollars)

NOTE 5 – EQUIPMENT

	Computer $
COST	
Balance, January 31, 2011	2,250
Additions	910
Balance, January 31, 2012	3,160
Additions	-
Balance, January 31, 2013	3,160

	Computer $
ACCUMULATED DEPRECIATION	
Balance, January 31, 2011	337
Depreciation	710
Balance, January 31, 2012	1,047
Depreciation	634
Balance, January 31, 2013	1,681
NET BOOK VALUE	
January 31, 2012	2,113
January 31, 2013	1,479

NOTE 6 – EXPLORATION AND EVALUATION ASSETS

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 the 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 could 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 were subject to a Net Smelter Royalty of 2%.

During the year ended January 31, 2011, the Company incurred acquisition costs of $87,531, which consisted of cash payments of $25,000, issuance of 100,000 common shares of the Company valued at $0.11 per share, and professional and regulatory fees of $51,531.

During the year ended January 31, 2012, the Company terminated its option agreement with Full Metal.

(Expressed in Canadian Dollars)

NOTE 7 – SHARE CAPITAL

(a) Authorized Share Capital

The Company is authorized to issue an unlimited number of voting common shares without par value.

(b) Issued and Outstanding Share Capital

As at January 31, 2013, there were 13,590,500 issued and fully paid common shares (2012 – 13,590,500).

(c) Escrow Shares

As of January 31, 2013, the Company had 1,260,001 (2012 – 2,520,001) 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 of 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 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, or, in the case of an optionee providing investor relations activities, the 30th day 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 is as follows:

	Number of Options	Weighted Average Exercise Price $
Balance, January 31, 2011	1,464,000	0.10
Cancelled	(330,000)	0.11
Granted	330,000	0.11
Balance, January 31, 2012	1,464,000	0.10
Cancelled	(10,000)	0.12
Balance, January 31, 2013	1,454,000	0.11

(Expressed in Canadian Dollars)

NOTE 7 – SHARE CAPITAL (Continued)

(d) Share-Based Payments (Continued)

The following table summarizes the stock options outstanding as at January 31, 2013:

Exercise Price $	Number of Options Outstanding	Expiry Date	Number of Options Exercisable
0.10	865,000	May 26, 2018	865,000
0.11	100,000	August 31, 2020	100,000
0.12	159,000	October 7, 2020	159,000
0.11	330,000	May 27, 2021	330,000
	1,454,000		1,454,000

During the year ended January 31, 2013, the Company recorded share-based payments of $10,218 (2012 – $32,932) for stock options vested during the year. The weighted average fair value of options granted during the year ended January 31, 2013 was $Nil (2012 – $0.10) per option and the weighted average remaining contractual life of outstanding stock options was 6.42 years (2012 – 7.4 years).

The fair values of the stock options granted during the year ended January 31, 2012 were estimated using the Black-Scholes option pricing model, with the following weighted average assumptions:

	2012
Risk free interest rate	2.03 – 2.63%
Expected dividend yield	0%
Expected stock price volatility	145%
Expected life (in years)	5.00 – 7.00

There were no stock options granted during the year ended January 31, 2013.

Option pricing models require the input of highly subjective assumptions. The volatility assumption is based on an analysis of historical volatility over a period equivalent to the expected life of the equity instruments. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models may not necessarily provide a single reliable measure of the fair value of stock options.

(Expressed in Canadian Dollars)

NOTE 8 – RELATED PARTY TRANSACTIONS

(a) Related Party Transactions

The Company incurred the following transactions with companies having directors and officers in common during the years ended January 31, 2013 and 2012:

	2013 $	2012 $
Office, rent and administration expense (i)	53,200	54,600
Legal fees	604	-
	53,804	54,600

(i) Of these fees, $15,300 (2012 - $1,200) was paid to the Chief Financial Officer (CFO) of the Company.

(b) Compensation of Key Management Personnel

The remuneration of directors and other members of key management personnel during the years ended January 31, 2013 and 2012 were as follows:

	$	$
Short-term benefits (i)	37,300	13,200
Share-based payments (ii)	7,302	17,236
	44,602	30,436

(i) Short-term benefits include salaries and benefits, consulting, and management fees. Of the monthly fees paid to Remstar Resources Ltd. (a related party), $1,200 from January 2012 to October 2012 and $1,500 from November 2012 to January 2013, was allocated to the services of the CFO of the Company.

(ii) Share-based payments represent the fair value of options granted and vested to key management personnel under the Company's stock option plan (Note 7(d)).

(c) Related Party Balances

The following related party amounts were included in *(i)* accounts payable and accrued liabilities and *(ii)* prepaid expenses and deposits:

	$	$
Company having directors in common *(i)*	275	-
Company having directors in common *(ii)*	1,500	1,500
	1,775	1,500

(Expressed in Canadian Dollars)

NOTE 9 – INCOME TAXES

(a) Reconciliation of Effective Tax Rate

Income tax expense (recovery) differs from the amounts computed by applying the combined federal and provincial income tax rate of 25% (2012 – 26.4%) to pre-tax loss as a result of the following:

	2013	2012
	$	$
Loss before income taxes	(115,142)	(182,927)
Computed expected income tax recovery	(28,786)	(48,247)
Deferred tax assets not recognized	26,231	36,208
Effect of change in tax rates	-	1,991
Permanent difference	2,555	10,048
Other	-	-
Income tax expense (recovery)	-	-

(b) Deferred Income Tax Assets and Liabilities

Deferred tax assets have not been recognized in respect of the following items:

	$	$
Non-capital losses carry-forward	232,317	199,105
Share issue cost	675	7,815
Exploration and evaluation assets	21,883	21,883
Other	645	487
Unrecognized deferred tax assets	255,520	229,290

(c) Non-Capital Losses

As at January 31, 2013, the Company has non-capital losses of $929,269, which may be applied to reduce taxable income of future years. These non-capital losses expire as follows:

Year	$
2028	677
2029	98,734
2030	327,778
2031	196,550
2032	172,681
2033	132,849
	929,269

In addition, the Company has cumulative resource pools of $87,531 which can be carried forward indefinitely to offset future resource profits.

NOTE 10 – OTHER INCOME

On January 21, 2010, the Company paid a deposit in the amount of $25,000 to acquire all of the issued and outstanding shares of Network Entertainment Inc. (“Network”), which carries on the business of producing high-quality original programming for television, film, publishing, radio, and online distribution.

The Company subsequently filed a claim against Network to recover the deposit paid. In April 2012, the Company recovered the deposit. After adjusting for legal fees and disbursements, the net amount received was $17,321.

NOTE 11 – FINANCIAL RISK MANAGEMENT

(a) Fair Value of Financial Instruments

The Company’s financial instruments consist of cash and cash equivalents, interest receivable, and accounts payable and accrued liabilities. The carrying values of these financial instruments approximate their fair values because of their short term nature and/or the existence of market related interest rates on the 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.

Cash and cash equivalents and interest receivable are classified as loans and receivables and are carried at their amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities and are carried at their amortized cost.

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 to estimate the fair values. The three levels of 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 for the asset or liability that are not based on observable market data.

The Company has no financial instrument assets or liabilities recorded in the statements of financial position at fair value at January 31, 2013 and 2012

(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 (“GICs”), and interest receivable. Cash and cash equivalents consisting of 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.

NOTE 11 – 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 January 31, 2013, the Company had cash and cash equivalents of $124,184 to settle current liabilities of $13,960 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 capital requirements for fiscal 2014.

(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 attracts 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 January 31, 2013, was $1,007,228 (2012 - $1,007,228).

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, sell assets to settle liabilities, or return capital to its shareholders.

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 year ended January 31, 2013.