SPARROW VENTURES CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Years ended January 31, 2011 and 2010

This Management Discussion and Analysis ("MD&A") of Sparrow Ventures Corp. (the "Company" or "Sparrow") has been prepared by management, in accordance with the requirements of National Instrument 51-102, as of May 27, 2011. This MD&A should be read in conjunction with the Company's audited financial statements and the accompanying notes for the years ended January 31, 2011 and 2010. The Company's reporting currency is the Canadian dollar, and all monetary amounts in this MD&A are expressed in Canadian dollars unless otherwise stated. The Company is presently a "Venture Issuer" as defined in NI 51-102.

This MD&A may contain "forward-looking statements" which reflect the Company's current expectations regarding the future results of operations, performance and achievements of the Issuer. The Issuer has tried, wherever possible, to identify these forward-looking statements by, among other things, using words such as "anticipate," "believe," "estimate," "expect" and similar expressions. The statements reflect the current beliefs of the management of the Company, and are based on currently available information. Accordingly, these statements are subject to known and unknown risks, uncertainties and other factors, which could cause the actual results, performance, or achievements of the Company to differ materially from those expressed in, or implied by, these statements.

The Company undertakes no obligation to publicly update or review the forward-looking statements whether as a result of new information, future events or otherwise, other than as required by applicable law.

Historical results of operations and trends that may be inferred from the following discussions and analysis may not necessarily indicate future results from operations.

Company Overview

The Company was incorporated under the provisions of the Business Corporations Act (British Columbia) on July 04, 2006. Sparrow is a junior mineral resource exploration company with a focus on the acquisition, exploration and development of mineral properties. It presently holds, or has the right to acquire a 60% interest in the Nebocat and RIM properties (the "Properties") located in the Yukon. In addition to the Company's ongoing work program on the Properties, it continues to actively evaluate new potential projects.

The Nebocat and RIM Properties

The Company entered into an option agreement dated May 26, 2010 with Full Metal Minerals Ltd. ("Full Metal") pursuant to which the Company may earn a 60-per-cent interest in the Properties by incurring exploration expenditure totaling $3,000,000 ($200,000 in the first year), making cash payments to Full Metal totaling $150,000 ($25,000 upon agreement (paid) and $25,000 in the first year) and issuing 400,000 common shares of the Company to Full Metal (100,000 upon agreement (issued) and 100,000 in the first year) over a period of four years.

Following the exercise of the option by the Company, the Company and Full Metal will continue the exploration and development of the Properties under a joint venture, with Sparrow acting as the operator in respect of the Properties. The Properties are subject to Net Smelter Royalty of 2%.

The Properties are located within a 90-kilometre-long belt of massive-sulphide occurrences, located south of the community of Ross River, Yukon. Multiple occurrences of sphalerite, galena, pyrite and barite massive-sulphide mineralization have been identified on the properties.

Newmont Exploration carried out a regional silt sampling program in 1976. Follow-up work to this program led to the staking of the Nebocat showing and discovery of a 200 metre long massive to semi-massive mineralized outcrop.

Five historic drill holes were completed at the Nebocat Prospect by Newmont Exploration in the late 1970's.

The RIM showing was originally explored in 2003 as the source of placer gold occurrences using a 'Carlin-Type' model. The exploration program was unsuccessful in locating the source of the gold but did outline several strongly anomalous areas of lead, zinc and silver geochemistry.

Risk Factors

The Company is in the business of acquiring, exploring and, if warranted, developing and exploiting natural resource properties. Due to the nature of the Company's business and the present stage of exploration of its resource properties (which are primarily early stage exploration properties with no known resources or reserves that have not been explored by modern methods), the following risk factors, among others, will apply:

Mining Industry is Intensely Competitive*:* The Company's business of the acquisition, exploration and development of mineral properties is intensely competitive. The Company may be at a competitive disadvantage in acquiring additional mining properties because it must compete with other individuals and companies, many of which have greater financial resources, operational experience and technical capabilities than the Company. Increased competition could adversely affect the Company's ability to attract necessary capital funding or acquire suitable producing properties or prospects for mineral exploration in the future.

Resource Exploration and Development is Generally a Speculative Business: Resource exploration and development is a speculative business and involves a high degree of risk, including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but from finding mineral deposits which, though present, are insufficient in size to return a profit from production. The marketability of natural resources that may be acquired or discovered by the Company will be affected by numerous factors beyond the control of the Company. These factors include market fluctuations, the proximity and capacity of natural resource markets, government regulations, including regulations relating to prices, taxes, royalties, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital. The great majority of exploration projects do not result in the discovery of commercially mineable deposits of ore.

Fluctuation of Metal Prices: Even if commercial quantities of mineral deposits are discovered by the Company, there is no guarantee that a profitable market will exist for the sale of the metals produced. Factors beyond the control of the Company may affect the marketability of any substances discovered. The prices of various metals have experienced significant movement over short periods of time, and are affected by numerous factors beyond the control of the Company, including international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates and global or regional consumption patterns, speculative activities and increased production due to improved mining and production methods. The supply of and demand for metals are affected by various factors, including political events, economic conditions and production costs in major producing regions. There can be no assurance that the price of any mineral deposit will be such that any of its mineral properties could be mined at a profit.

Permits and Licenses*:* The operations of the Company will require licenses and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects, on reasonable terms or at all. Delays or a failure to obtain such licenses and permits or a failure to comply with the terms of any such licenses and permits that the Company does obtain, could have a material adverse effect on the Company.

No Assurance of Profitability*:* The Company has no history of earnings and, due to the nature of its proposed business, there can be no assurance that the Company will ever be profitable. The Company has not paid dividends on its shares since incorporation and does not anticipate doing so in the foreseeable future. The only present source of funds available to the Company is from the sale of its common shares or, possibly, the sale or optioning of a portion of its interest in its mineral properties. Even if the results of exploration are encouraging, the Company may not have sufficient funds to conduct the further exploration that may be necessary to determine whether or not a commercially mineable deposit exists. While the Company may generate additional working capital through further equity offerings or through the sale or possible syndication of its properties, there can be no assurance that any such funds will be available on favourable terms, or at all. At present, it is impossible to determine what amounts of additional funds, if any, may be required. Failure to raise such additional capital could put the continued viability of the Company at risk.

Uninsured or Uninsurable Risks: Exploration, development and mining operations involve various hazards, including environmental hazards, industrial accidents, metallurgical and other processing problems, unusual or unexpected rock formations, structural cave-ins or slides, flooding, fires, metal losses and periodic interruptions due to inclement or hazardous weather conditions. These risks could result in damage to or destruction of mineral properties, facilities or other property, personal injury, environmental damage, delays in operations, increased cost of operations, monetary losses and possible legal liability. The Company may not be able to obtain insurance to cover these risks at economically feasible premiums or at all. The Company may elect not to insure where premium costs are disproportionate to the Company's perception of the relevant risks. The payment of such insurance premiums and of such liabilities would reduce the funds available for exploration and production activities.

Government Regulation: Any exploration, development or mining operations carried on by the Company will be subject to government legislation, policies and controls relating to prospecting, development, production, environmental protection, mining taxes and labour standards. In addition, the profitability of any mining prospect is affected by the market for precious and/or base metals which is influenced by many factors including changing production costs, the supply and demand for metals, the rate of inflation, the inventory of metal producing corporations, the political environment and changes in international investment patterns.

Environmental Restrictions: The activities of the Company are subject to environmental regulations promulgated by government agencies in different countries from time to time. Environmental legislation generally provides for restrictions and prohibitions on spills, releases or emissions into the air, discharges into water, management of waste, management of hazardous substances, protection of natural resources, antiquities and endangered species and reclamation of lands disturbed by mining operations. Certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards, and enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations.

Dependence Upon Others and Key Personnel: The success of the Company's operations will depend upon numerous factors, many of which are beyond the Company's control, including (i) the ability to design and carry out appropriate exploration programs on its mineral properties; (ii) the ability to produce minerals from any mineral deposits that may be located; (iii) the ability to attract and retain additional key personnel in exploration, marketing, mine development and finance; and (iv) the ability and the operating resources to develop and maintain the properties held by the Company. These and other factors will require the use of outside suppliers as well as the talents and efforts of the Company and its consultants and employees. There can be no assurance of success with any or all of these factors on which the Company's operations will depend, or that the Company will be successful in finding and retaining the necessary employees, personnel and/or consultants in order to be able to successfully carry out such activities. This is especially true as the competition for qualified geological, technical and mining personnel and consultants is particularly intense in the current marketplace.

Share Price Volatility: During the past year, worldwide securities markets, particularly those in the United States and Canada have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered exploration or development stage companies, have experienced unprecedented declines in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. Most significantly, the share prices of junior natural resource companies have experienced an unprecedented decline in value and there has been a significant decline in the number of buyers willing to purchase such securities. In addition, significantly higher redemptions by holders of mutual funds has forced many of such funds (including those holding the Company's securities) to sell such securities at any price. As a consequence, despite the Company's past success in securing significant equity financing, market forces may render it difficult or impossible for the Company to secure placees to purchase new share issues at a price which will not lead to severe dilution to existing shareholders, or at all. Therefore, there can be no assurance that significant fluctuations in the trading price of the Company's common shares will not occur, or that such fluctuations will not materially adversely impact on the Company's ability to raise equity funding without significant dilution to its existing shareholders, or at all.

Financing Risks: The Company has limited financial resources, has no source of operating cash flow and has no assurance that additional funding will be available to it for further exploration and development of its projects or to fulfil its obligations under any applicable agreements. Although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that it will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of its projects with the possible loss of such properties.

Insufficient Financial Resources: The Company does not presently have sufficient financial resources to undertake by itself the exploration and development of all of its planned exploration and development programs. Future property acquisitions and the development of the Company's properties will therefore depend upon the Company's ability to obtain financing through the joint venturing of projects, private placement financing, public financing, short or long-term borrowings or other means. There is no assurance that the Company will be successful in obtaining the required financing. Failure to raise the required funds could result in the Company losing, or being required to dispose of, its interest in its properties. In particular, failure by the Company to raise the funding necessary to maintain in good standing its various option agreements could result in the loss of its rights to such properties.

Dilution to the Company's existing shareholders: The Company will require additional equity financing be raised in the future. The Company may issue securities on less than favourable terms to raise sufficient capital to fund its business plan. Any transaction involving the issuance of equity securities or securities convertible into common shares would result in dilution, possibly substantial, to present and prospective holders of common shares.

Surface Rights and Access: Although the Company acquires the rights to some or all of the minerals in the ground subject to the tenures that it acquires, or has a right to acquire, in most cases it does not thereby acquire any rights to, or ownership of, the surface to the areas covered by its mineral tenures. In such cases, applicable mining laws usually provide for rights of access to the surface for the purpose of carrying on mining activities, however, the enforcement of such rights can be costly and time consuming. In areas where there are no existing surface rights holders, this does not usually cause a problem, as there are no impediments to surface access. However, in areas where there are local populations or land owners, it is necessary, as a practical matter, to negotiate surface access. There can be no guarantee that, despite having the right at law to access the surface and carry on mining activities, the Company will be able to negotiate a satisfactory agreement with any such existing landowners/occupiers for such access, and therefore it may be unable to carry out mining activities. In addition, in circumstances where such access is denied, or no agreement can be reached, the Company may need to rely on the assistance of local officials or the courts in such jurisdictions.

Title: Although the Company has taken steps to verify the title to the mineral properties in which it has or has a right to acquire an interest in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee title (whether of the Company or of any underlying vendor(s) from whom the Company may be acquiring its interest). Title to mineral properties may be subject to unregistered prior agreements or transfers, and may also be affected by undetected defects or the rights of indigenous peoples.

Acquisition of Mineral Concessions under Agreements: The agreement pursuant to which the Company has the right to acquire a number of its properties provide that the Company must make a series of cash payments and/or share issuances over certain time periods, expend certain minimum amounts on the exploration of the properties or contribute its share of ongoing expenditures. The Company does not presently have the financial resources required to complete all expenditure obligations under its property acquisition agreement over their full term. Failure by the Company to make such payments, issue such shares or make such expenditures in a timely fashion may result in the Company losing its interest in such properties. There can be no assurance that the Company will have, or be able to obtain, the necessary financial resources to be able to maintain all of its property agreements in good standing, or to be able to comply with all of its obligations thereunder, with the result that the Company could forfeit its interest in one or more of its mineral properties.

Selected Annual Information

The following selected financial data with respect to the Company's financial condition and results of operations has been derived from the audited financial statements of the Company for the years ended January 31, 2011, 2010 and 2009, which have been prepared in accordance with accounting principles generally accepted in Canada. The selected financial data should be read in conjunction with those financial statements and the notes thereto.

	Years ended January 31,		
	2011	2010	2009
	$	$	$

Interest income	3,854	1,876	8,580
Net Loss	188,083	351,859	169,111
Loss per share	0.01	0.03	0.02
Total assets	471,174	658,196	692,445
Total long term liabilities	Nil	Nil	Nil
Cash dividends declared per share for each class of share	Nil	Nil	Nil

Results of Operations

Year ended January 31, 2011 compared with year ended January 31, 2010

During the year ended January 31, 2011, the Company reported a net loss of $188,083 or $0.01 per share compared to a net loss of $351,859 or $0.03 per share during the year ended January 31, 2010, representing a decrease in loss of $163,776. The decrease in loss was primarily attributable to a decrease in general and administrative expenses of $161,798 and an increase in interest income of $1,978. The over-all decrease in general and administrative expenses was a result of various expenses incurred in fiscal 2010 related to the agreements entered into by the Company for its Qualifying Transactions, which were subsequently terminated.

General and administrative expenses decreased by $161,798 from $353,735 during the year ended January 31, 2010 to $191,937 during the year ended January 31, 2011. The decrease resulted from decreases in accounting, audit and legal fees of $128,628, business acquisition of $25,000, consulting fees of $3,150, regulatory fees of $24,212 and stock-based compensation of $36,525 offset by increases in amortization of $337, bank charges and interest of $1,409, management fees of $4,000, office, rent and administration of $17,272, transfer agent and shareholder information of $1,371, travel and promotion of $4,328 and a decrease in expense recovery of $27,000.

The decreases in accounting, audit and legal fees by $128,628, business acquisition by $25,000, consulting fees by $3,150 and regulatory fees by $24,212 resulted primarily from deferred costs charged to operations in the prior year due to the termination of the Company's proposed asset acquisition.

The increase in office, rent and administration by $17,272 mainly resulted from an increase in rent and administrative fees paid to related companies from $1,500 per month to $3,600 per month effective October 1, 2010.

The increase in management fees by $4,000 was a result of fees paid to a director and an officer of the Company in the amount of $1,000 per month effective October 1, 2010. No such management fees were paid in the prior fiscal year.

During the year ended January 31, 2011, the Company recorded stock-based compensation of $14,496 for stock options granted to directors, officers and consultants of the Company to purchase 100,000 shares at $0.105 per share for a period of ten years expiring August 31, 2020 and 169,000 shares at $0.12 per share for a period of ten years expiring October 7, 2020. During the year ended January 31, 2010, the Company recorded stock-based compensation of $51,021 for stock options granted to directors, officers and consultants of the Company to purchase 330,000 shares at $0.105 per share for a period of five years expiring February 5, 2014.

Stock-based compensation expenses were charged against operations as follows:

	2011 $	2010 $
Consulting	8,516	-
Management fees	566	-
Wages	5,414	51,021
	14,496	51,021

Interest income was higher in 2011 due to increased average cash balances which often are affected by the timing of financing activities.

Summary of Quarterly Results

Quarter ended	Interest Income $	Income (Loss) $	Earnings (Loss) per share $
January 31, 2011	1,146	(56,453)	(0.004)
October 31, 2010	1,244	(35,114)	(0.003)
July 31, 2010	840	(69,240)	(0.005)
April 30, 2010	624	(27,276)	(0.002)
January 31, 2010	393	(18,539)	(0.001)
October 31, 2009	464	(230,879)	(0.02)
July 31, 2009	391	12,668	0.001
April 30, 2009	629	(115,109)	(0.010)

The following discussion outlines the reasons for some of the variations in the quarterly numbers but, as with most junior mineral exploration companies, the results of operations (including interest income and net losses) are not the main factor in establishing the financial health of the Company. Of far greater significance is the resource property in which the Company has, or may earn an interest, its working capital and how many shares it has outstanding. The variation seen over such quarters is primarily dependent upon the success of the Company's ongoing property evaluation program and the timing and results of the Company's exploration activities on its then current property, none of which are possible to predict with any accuracy.

There are no general trends regarding the Company's quarterly results, and the Company's business of resource exploration is not seasonal, as it can work on its property on a year-round basis (funding permitting). Quarterly results may vary significantly depending mainly on whether the Company has written-off costs related to terminated asset acquisition agreements or qualifying transaction or granted any stock options and these factors which account for material variations in the Company's quarterly net income (losses) are not predictable. The major factors which may cause a material variation in net loss on a quarterly basis are deferred costs charged to operations as a result of the termination of the Company's qualifying transaction which may be seen in the quarters ended October 31, 2009 and April 30, 2010, the reclassification of amounts from general and administrative expenses to deferred costs related to the qualifying transaction as may be seen in the quarters ended April 30, 2009 and July 31, 2009 and the grant of stock options due to the resulting stock-based compensation charges which may be significant when they arise. This may be seen in the quarters ended April 30, 2009 and October 31, 2010. The one-time expense recovery on office, rent and administration caused a material variation during the quarter ended January 31, 2010. General and administrative costs other than the expense recovery noted above tend to be quite similar from period to period, except in certain cases when there is increased corporate activity. The variation in income is related solely to the interest earned on funds held by the Company, which is dependent upon the success of the Company in raising the required financing for its activities which will vary with overall market conditions, and is therefore difficult to predict.

Liquidity and Capital Resources

The Company has no revenue generating operations from which it can internally generate funds. To date, the Company's ongoing operations have been predominantly financed by the sale of its equity securities by way of private placements and the subsequent exercise of agent's options issued in connection with such private placements and, more recently, a short-term loan from a related party. In addition, the Company can raise funds through the sale of interests in its resource properties, although current market conditions have substantially reduced the number of potential buyers/acquirors of any such interest(s). When acquiring an interest in resource properties through purchase or option the Company will sometimes issue common shares to the vendor or optionee of the property as partial or full consideration for the property interest in order to conserve its cash (the majority of the Company's outstanding option agreements require the issuance of common shares of the Company, as opposed to cash payments, to the vendors thereof). During the year ended January 31, 2011, 100,000 shares were issued for property acquisitions.

As at January 31, 2011, the Company reported working capital of $368,008 as compared to working capital of $620,039 as at January 31, 2010, representing a decrease in working capital of $252,031. Cash and cash equivalents decreased by $282,797 from $653,087 at January 31, 2010 to $370,290 at January 31, 2011. The decrease in cash resulted mainly from net cash outflows for operations of $204,016, acquisition of resources properties of $76,531 and purchase of equipment of $2,250.

Current assets, excluding cash, at January 31, 2011 consisted of interest receivable of $1,849, HST recoverable of $8,091 and prepaid expenses and deposits of $1,500 as compared to interest receivable of $843, GST recoverable of $2,766 and prepaid expenses and deposits of $1,500 at January 31, 2010.

During the year ended January 31, 2010, the Company closed a non-brokered private placement of 2,400,000 common shares at $0.10 per share for gross proceeds of $240,000. The Company paid $11,400 as finders' fees with respect to this financing.

During the year ended January 31, 2010, 120,500 agent's options at $0.10 per share were exercised and 120,500 common shares were issued for proceeds of $12,050.

The Company has not entered into any long-term lease commitments nor is the Company subject to any mineral property commitments other than those outlined under Note 5 of the Company's financial statements for the year ended January 31, 2011.

The Company has no exposure to any asset-backed commercial paper. All of the Company's cash reserves are on deposit with a major Canadian chartered bank or invested in Guaranteed Investment Certificates (GICs) issued by major Canadian chartered banks. The Company does not believe that the credit, liquidity or market risks with respect thereto have increased as a result of the current market conditions. However, in order to achieve greater security for the preservation of its capital, the Company has, of necessity, been required to accept lower rates of interest which has also lowered its potential interest income.

As of the date of this MD&A, financing for the Company's operations is also potentially available through the exercise of 865,000 stock options exercisable at a price of $0.10 per share which expire on May 26, 2018, 330,000 stock options exercisable at a price of $0.105 per share which expire on February 5, 2014, 50,000 stock options exercisable at a price of $0.11 per share which expire on August 31, 2020 and 84,500 stock options exercisable at a price of $0.12 per share which expire on October 7, 2020. However, there can be no assurance that any of these outstanding convertible securities will be exercised, particularly if the trading price of the common shares on the Exchange does not exceed, by an material amount and for a reasonable period, the exercise price of such convertible securities at some time prior to their expiry dates.

The Company has prepared a budget for its cash flows for the period ending January 31, 2012. The budget is based on management's best estimates of operating conditions in the context of current economic conditions. Management has estimated that the Company will have adequate funds from existing working capital to meet corporate, administrative and other obligations during the period ending January 31, 2012. However, if the Company's plans change (as, for example, if it determines to acquire additional properties or accelerate its presently contemplated work programs) or its current assumptions change or prove inaccurate, the Company may be required to seek additional financing through the issuance of shares or disposing of interests in its mineral properties (by options, joint ventures or outright sales).

Off-Balance Sheet Arrangements

The Company has not entered into any off balance sheet arrangements.

Transaction with Related Parties

The Company has entered into certain transactions with related parties during the year ended January 31, 2011. All transactions with related parties have occurred in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed upon by the related parties.

A description of the related party transactions is as follows:

Name and Relationship to Company	Transaction	Three Months Ended January 31, 2011	Year Ended January 31, 2011	Year Ended January 31, 2010
		$	$	$
Marc Morin, Director, President & CEO	Management fees	3,000	4,000	-
Remstar Resources Ltd., a company with a common director and a common officer (4)	Office, rent and administration (1)	6,900	15,200	18,000

Ultra Lithium Inc., a company with common directors and officers	Rent [2]	3,900	11,200	-
Marc Levy, Director	Loan to the Company [3] Interest on loan [3]	(20,000) 602	- 1,403	- -

(1) The Company entered into a month-to-month arrangement for the rental of office premises and the provision of accounting, financial reporting and administrative services with Remstar Resources Ltd., a public company related by a common director and a common officer.

(2) The Company entered into a month-to-month arrangement for the rental of office premises with Ultra Lithium Inc., a public company related by a common director and a common officer.

(3) During the year ended January 31, 2011, the Company entered into a loan agreement in the amount of $20,000 with Marc Levy. The loan is unsecured, bears interest at 18% per annum and due on or before August 31, 2011. During the year ended January 31, 2011, the Company paid the full amount of the loan plus interest of $1,403.

(4) Included in prepaid expenses is a rent deposit of $1,500 (January 31, 2010 - $1,500) paid to a company having a director and an officer in common.

Fourth Quarter

During the fourth quarter, the Company reported a net loss of $56,453 as compared to a net loss of $18,539 during the fourth quarter in the prior fiscal year, representing an increase in loss of $37,914. The increase in loss was primarily attributable to an increase in general and administrative expenses of $38,667 offset by an increase in interest income of $753.

General and administrative expenses increased by $38,667 as a result of increases in amortization of $84, bank charges and interest of $654, consulting fees of $10,462, management fees of $3,000, office, rent and administration of $35,029, transfer agent and shareholder information of $505, travel and promotion of $8,550 and a decrease in expense recovery of $27,000 offset by decreases in accounting, audit and legal fees of $5,244, business acquisition of $25,000 and stock-based compensation of $16,373.

Office, rent and administration increased by $35,029 as during the fourth quarter in the prior fiscal year the Company received $30,000 in expense recoveries. This resulted from an adjustment of shared office expense allocation among related companies.

The increase in consulting fees of $10,462 and travel and promotion of $8,550 resulted from increased corporate activities.

The increase in management fees by $3,000 was a result of fees paid to a director and an officer of the Company in the amount of $1,000 per month effective October 1, 2010. No such management fees were paid in the prior fiscal year.

The decreases in accounting, audit and legal fees by $128,628 and business acquisition by $25,000 resulted primarily from deferred costs charged to operations during the fourth quarter in the prior year due to the termination of the Company's proposed asset acquisition.

During the fourth quarter, the Company recorded stock-based compensation of $5,519 for stock options granted to directors, officers and consultants of the Company to purchase 100,000 shares at $0.105 per share for a period of ten years expiring August 31, 2020 and 169,000 shares at $0.12 per share for a period of ten years expiring October 7, 2020. During the fourth quarter in the prior fiscal year, the Company recorded stock-based compensation of $21,892 for extension of the term of 760,000 stock options granted to directors and officers of the Company from May 26, 2013 to May 26, 2018.

Stock-based compensation expenses were charged against operations as follows:

	2011 $	2010 $
Consulting	3,817	-
Management fees	174	-
Wages	1,528	21,892
	5,519	21,892

Future Accounting Pronouncements

International Financial Reporting Standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that publicly accountable enterprises will be required to adopt IFRS, replacing Canadian GAAP, for fiscal years beginning on or after January 1, 2011 with early adoption permitted.

The Company will prepare its first consolidated financial statements in accordance with IFRS for the year ending January 31, 2012. In accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards ("IFRS 1"), the Company will retrospectively apply IFRS, except for mandatory and elected optional exemptions from full retrospective application of IFRS as provided by IFRS 1.

Preparation of the first consolidated financial statements in accordance with IFRS will require presentation of comparative information in accordance with IFRS. Accordingly, the Company will be required to restate its balance sheet as at February 1, 2010 to comply with IFRS ("transition date").

The execution of the Company's IFRS conversion plan is underway, including the evaluation of the financial impact upon IFRS adoption, development of IFRS accounting policies, and redesign of business processes. The Company anticipates there will be changes in accounting policies and these changes may materially impact our consolidated financial statements but the impact cannot be reasonably estimated at this time. The Company does anticipate a significant increase in disclosure resulting from the adoption of IFRS and is continuing to assess the level of disclosure required. However, the Company has initially determined that its accounting and financial reporting systems will not be significantly impacted.

The Company's transition to IFRS and conversion plan consist of three phases:

1. Planning and Scoping

This phase covered project planning and identification of differences between existing Canadian GAAP and IFRS which have been completed during the fourth quarter of 2010. The areas of accounting differences that have been identified that will potentially be impacted share based payments and initial adoption of IFRS under the provisions of IFRS 1.

2. In-depth Analysis

This phase involves detailed evaluation of the financial impacts of various options and alternative methodologies available under IFRS, analysis of IFRS 1 optional exemptions and mandatory exceptions to the general requirement for full retrospective application upon transition to IFRS, compilation of IFRS disclosure requirements and development of required solutions to address identified issues.

3. Implementation and Review

This phase commenced in the first quarter of 2011 and included the preparation and reconciliation of opening balance sheet and collection of financial information required to complete IFRS compliant consolidated interim and annual financial statements.

First time adoption of IFRS

IFRS 1 generally requires that all IFRS standards and interpretations be accounted for on a retrospective basis. However, IFRS 1 provides for certain optional exemptions and other mandatory exceptions in specific areas of certain standards that do not require retrospective application of IFRS. The most significant IFRS optional exemptions which the Company is expected to apply are:

IFRS 2, Share-based Payments	Under IFRS 1, a first-time adopter may apply this standard retrospectively to all share-based payment transactions occurring before the transition date or not apply retrospectively to share-based payments that were granted after November 7, 2002, and that had vested before the transition date. The Company has elected to apply IFRS 2 prospectively to share-based payments granted after November 7, 2002, but not vested before the transition date.
IAS 16, Property, Plant and Equipment	The Company has decided not to use an optional IFRS 1 election to measure its property, plant and equipment at the date of transition to IFRS at its fair value and use that fair value as its deemed cost, or use a previous GAAP revaluation of property, plant and equipment as its deemed cost at the transition date. Instead, the Company will retrospectively apply recognition and measurement requirements of IAS 16, Property, Plant and Equipment. Under IAS 16, the Company made an accounting policy choice to measure its property, plant and equipment after its recognition at its cost less any accumulated

	depreciation and any accumulated impairment losses.
IAS 39, Financial Instruments: Recognition and Measurement	As at transition date, the Company will not make any additional optional designations of financial instruments as available for sale, or financial asset or financial liability at fair value through profit or loss, unless such designation has been made on initial recognition of such instruments in accordance with IAS 39.

IFRS to Canadian GAAP differences

IAS 36, Impairment of Assets

Both Canadian GAAP and IFRS require an entity to undertake impairment testing where there is an indication of impairment. Annual impairment tests are required for goodwill and indefinite-lived intangible assets.

Canadian GAAP generally uses a two-step approach to testing a long-lived asset for impairment if an indication of impairment exists. The first step is a test for recoverability whereby the carrying value is compared to the undiscounted cash flows that the asset is expected to generate. If the undiscounted cash flows exceed the carrying amount, then no impairment charge is necessary. If the undiscounted cash flows are lower than the carrying amount of the asset, then the asset is written down to the estimated fair value, determined based on the discounted cash flows.
Under IFRS, if there is an indication of impairment the entity must compare the carrying value of the asset to the recoverable amount. Recoverable amount is defined as the higher of an asset less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from an asset. An impairment loss is recognized to the extent that the carrying value exceeds the recoverable amount. Unlike Canadian GAAP, IFRS requires impairment charges to be reversed if the circumstances leading to the impairment no longer exist.

The Company preliminarily assessed the carrying value of its exploration project in accordance with IAS 36 and found that no impairment losses are required to be recognized as at the transition date.

IFRS 2, Share-based payments

Canadian GAAP requires that share-based payments are measured at fair value and an expense recorded over the vesting period of the instrument. IFRS standards require each tranche in the grant to be amortized over their respective vesting period, and estimates of forfeiture rates are applied at the outset. The Company's accounting policy under IFRS is largely consistent with Canadian GAAP except for the initial inclusion of a forfeiture rate in the fair value estimation and changes to the valuation of tranches of options that vest over different periods. The Company is in the process of calculating the measurement differences for the stock options that were unvested as of transition date.

IFRS 6, Exploration for and Evaluation of Mineral Resources

Under Canadian GAAP, costs incurred in the acquisition, exploration, evaluation and development of mineral resources are capitalized as incurred. IFRS has no explicit guidance on the treatment of these costs. IFRS allows a company to set its accounting policy to expense or capitalize the costs incurred in the acquisition, exploration, evaluation and development of mineral resources. The Company's current accounting policy is likely to be maintained through transition with no differences anticipated.

The discussion above should not be regarded as a complete list of changes that will result from the Company's transition to IFRS. In the period leading up to the changeover in 2011, the AcSB has ongoing projects and intends to issue new accounting standards during the conversion period. As a result, the final impact of IFRS on the Company's consolidated financial statements can only be measured once all the applicable IFRS accounting standards at the transition date are known. The Company will continue to review new standards, as well as the impact of the new accounting standards, between now and the transition date to ensure all relevant changes are addressed.

Financial Instruments and Other Instruments

The Company's financial instruments consist of cash and cash equivalents, interest receivable, HST/GST recoverable and accounts payable and accrued liabilities.

Cash and cash equivalents are designated as held-for-trading and carried at their fair value. Amounts receivable are classified as loans and receivables and carried at their amortized cost. Accounts payable and accrued liabilities are classified as other liabilities and 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 rate on the instruments.

The classification of the Company's financial instruments within the fair value hierarchy as at January 31, 2011 is included in Level 1.

The risk exposure is summarized as follows:

a) Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Cash and cash equivalents bear interest at market rates. Other current financial assets and liabilities are not exposed to interest rate risk because of their short-term nature or being non-interest bearing.

b) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Corporation to credit risk consist of cash and cash equivalent and amounts receivable. The Corporation has reduced its credit risk by investing its cash equivalents in guaranteed investment certificates with a Schedule 1 Canadian chartered bank. Also, as the majority of its receivables are with the Governments of Canada in the form of goods and services tax recoverable, the credit risk is considered minimal.

c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet the obligations associated with its financial liabilities. At of January 31, 2011, the Company had enough funds available to meet its financial liabilities and future financial liabilities from its commitments in the next fiscal year. The Company handles liquidity risk through the management of its capital structure.

Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal control over financial reporting or any other factors during the year ended January 31, 2011, that have materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting.

Summary of Outstanding Share Data

Authorized and issued common shares:

(a) Authorized:

Unlimited number of common shares without par value.

(b) Issued and fully paid:

	Number of Shares	Amount
Balance, January 31, 2009	10,970,000	$ 740,729
Exercise of options	120,500	12,050
Transfer to share capital on exercise of stock options	-	6,819
Private placement	2,400,000	240,000
Share issue costs		(13,500)
Balance, January 31, 2010	13,490,500	986,098
Shares issued for resource properties	100,000	11,000
Balance, January 31, 2011	13,590,500	$ 997,098

(c) Stock options and charitable options:

As of May 27, 2011, the following stock options were outstanding:

Number of shares	Exercise price per share	Expiry date	Exercisable
865,000	$0.10	May 26, 2018	865,000
330,000	$0.105	February 5, 2014	330,000
100,000	$0.11	August 31, 2020	50,000
169,000	$0.12	October 7, 2020	84,500
1,464,000			1,329,500

Additional disclosures pertaining to the Company's prospectus, news release and other information are available on the SEDAR website at www.sedar.com.