# SPEARMINT RESOURCES INC.

CONDENSED INTERIM FINANCIAL STATEMENTS

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

July 31, 2012

**SPEARMINT RESOURCES INC.**
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

| **ASSETS** | July 31, 2012 (Unaudited) | January 31, 2012 |
|---|---|---|
| **Current assets** | | |
| Cash and cash equivalents - Note 4 | $ 260,925 | $ 201,964 |
| Receivables - Note 5 | 7,327 | 11,283 |
| Prepaid expenses | 310 | - |
| **Total current assets** | 268,562 | 213,247 |
| **Non-current assets** | | |
| Exploration and evaluation assets - Note 6 | 110,095 | 40,000 |
| Deferred financing costs | - | 30,095 |
| **Total assets** | $ 378,657 | $ 283,342 |
| **LIABILITIES** | | |
| **Current liabilities** | | |
| Accounts payable and accrued liabilities - Notes 7 and 10 | $ 5,510 | $ 71,662 |
| **Total current liabilities** | 5,510 | 71,662 |
| **SHAREHOLDERS' EQUITY** | | |
| Share capital - Note 8 | 595,260 | 206,752 |
| Share subscriptions received in advance - Note 8 | - | 138,515 |
| Reserves | 40,821 | 40,821 |
| Accumulated deficit | (262,934) | (174,408) |
| **Total shareholders' equity** | 373,147 | 211,680 |
| **Total liabilities and shareholders' equity** | $ 378,657 | $ 283,342 |

Nature and Continuance of Operations – Note 1
Subsequent Event – Note 8

APPROVED BY THE DIRECTORS:

*"Negar Adam"* Director
Negar Adam

*"Conrad Clemiss"* Director
Conrad Clemiss

The accompanying notes form an integral part of these condensed interim financial statements.

**SPEARMINT RESOURCES INC.**
CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE LOSS
Unaudited – Prepared by Management
(Expressed in Canadian dollars)

| | Three months ended July 31, 2012 | Three months ended July 31, 2011 | Six months ended July 31, 2012 | Six months ended July 31, 2011 |
|---|---|---|---|---|
| **Expenses** | | | | |
| Consulting | $ 19,763 | $ - | $ 19,763 | $ - |
| Office and miscellaneous | 7,585 | 50 | 14,333 | 106 |
| Professional fees | 20,978 | 5,610 | 43,178 | 9,191 |
| Transfer agent and filing fees | 3,876 | 3,822 | 13,089 | 9,837 |
| | (52,202) | (9,482) | (90,363) | (19,134) |
| **Other item:** | | | | |
| Interest income | 746 | 1,800 | 1,837 | 1,963 |
| **Net loss and total comprehensive loss for the period** | $ (51,456) | $ (7,682) | $ (88,526) | $ (17,171) |
| Loss per share - basic and diluted - Note 9 | $ (0.01) | $ (0.00) | $ (0.01) | $ (0.01) |
| Weighted average number of shares outstanding - basic and diluted - Note 9 | 8,200,000 | 2,000,000 | 8,097,802 | 2,000,000 |

The accompanying notes form an integral part of these condensed interim financial statements.

**SPEARMINT RESOURCES INC.**
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
Unaudited – Prepared by Management
(Expressed in Canadian Dollars)

| | Six months ended July 31, 2012 | 2011 |
|---|---|---|
| **Operating Activities** | | |
| Loss for the period | $ (88,526) | $ (17,171) |
| Changes in non-cash working capital items: | | |
| Receivables | 3,956 | (1,803) |
| Prepaid expenses | (310) | - |
| Accounts payable and accrued liabilities | (66,152) | (6,802) |
| **Cash used in operating activities** | (151,032) | (25,776) |
| **Investing Activities** | | |
| Exploration and evaluation assets | (50,095) | - |
| **Cash used in investing activities** | (50,095) | - |
| **Financing Activities** | | |
| Proceeds from issuance of share capital | 261,500 | - |
| Share issue costs | (1,412) | - |
| **Cash provided by financing activities** | 260,088 | - |
| Increase (Decrease) in cash and cash equivalents during the period | 58,961 | (25,776) |
| Cash and cash equivalents, beginning of the period | 201,964 | 181,081 |
| **Cash and cash equivalents, end of the period - Note 4** | $ 260,925 | $ 155,305 |

Supplemental Disclosure with Respect to Cash Flows (Note 12)

The accompanying notes form an integral part of these condensed interim financial statements.

**SPEARMINT RESOURCES INC.**
CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
Unaudited – Prepared by Management
(Expressed in Canadian Dollars)

| | Share Capital | | Share subscriptions received in advance | Reserves | Accumulated deficit | Total |
|---|---|---|---|---|---|---|
| | No. of shares | Amount | | | | |
| **Balance, February 1, 2011** | 4,000,000 | $ 206,752 | $ - | $ 40,821 | $ (77,075) | $ 170,498 |
| Total comprehensive loss | - | - | - | - | (17,171) | (17,171) |
| **Balance, July 31, 2011** | 4,000,000 | 206,752 | - | 40,821 | (94,246) | 153,327 |
| Share subscriptions received in advance | - | - | 138,515 | - | - | 138,515 |
| Total comprehensive loss | - | - | - | - | (80,162) | (80,162) |
| **Balance, January 31, 2012** | 4,000,000 | 206,752 | 138,515 | 40,821 | (174,408) | 211,680 |
| Private placement | 4,000,000 | 400,000 | (138,515) | - | - | 261,485 |
| Share issue costs | - | (31,492) | - | - | - | (31,492) |
| For exploration and evaluation assets | 200,000 | 20,000 | - | - | - | 20,000 |
| Total comprehensive loss | - | - | - | - | (88,526) | (88,526) |
| **Balance, July 31, 2012** | 8,200,000 | $ 595,260 | $ - | $ 40,821 | $ (262,934) | $ 373,147 |

The accompanying notes form an integral part of these condensed interim financial statements.

## 1. NATURE AND CONTINUANCE OF OPERATIONS

Spearmint Resources Inc. (the "Company") was incorporated under the Business Corporations Act of British Columbia, Canada on September 23, 2009 as Indefinitely Capital Corp. The Company was classified as a Capital Pool Company ("CPC"), as defined by Policy 2.4 (the "CPC Policy") of the TSX Venture Exchange (the "Exchange"). The Company's principal business activity was to identify and evaluate business opportunities with the objective of completing a Qualifying Transaction under the Exchange rules. On February 3, 2012, the Company closed its Qualifying Transaction (Note 6) and as such the Company graduated from being a CPC to a Tier 2 mining issuer on the Exchange. The Company changed its name to Spearmint Resources Inc.

The Company's head office and principal business address is located at 1470 – 701 West Georgia Street, Vancouver, British Columbia, V7Y 1C6, and its registered and records office is located at 800-885 West Georgia Street, Vancouver, British Columbia, V6C 3H1.

These condensed interim financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realization of assets and discharge of liabilities in the normal course of business. At July 31, 2012, the Company has not yet achieved profitable operations and has an accumulated deficit of $262,934 since its inception and expects to incur further losses in the development of its business, all of which cast substantial doubt on the Company's ability to continue as a going concern. The Company will require additional financing in order to conduct its future work programs on exploration and evaluation assets, meet its ongoing levels of corporate overhead and discharge its liabilities as they come due. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future. Accordingly, these condensed interim financial statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern. If the going concern assumption was not used then the adjustments required to report the Company's assets and liabilities on a liquidation basis could be material to these condensed interim financial statements.

## 2. BASIS OF PREPARATION

a) Statement of Compliance

These condensed interim financial statements of the Company have been prepared in accordance with IAS34 *Interim Financial Reporting*. Therefore, these 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 Company's 2012 annual audited financial statements.

These condensed interim financial statements were authorized for issue by the Board of Directors on September 27, 2012.

## 2. BASIS OF PREPARATION (continued)

b) Basis of Measurement

These condensed interim financial statements have been prepared on the historical costs basis, except for certain financial instruments that have been initially measured at fair value.

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

The preparation of these condensed interim financial statements in accordance with International Financial Reporting Standards ("IFRS") requires management to make estimates, judgements and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results could differ from these estimates.

These condensed interim financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout these condensed interim financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

The recoverability of receivables, the carrying value and recoverability of exploration and evaluation assets, estimated accrued liabilities, and inputs used in accounting for share-based compensation.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these condensed interim financial statements, unless otherwise indicated.

*(a)* ***Financial instruments***

Financial assets are classified into one of the following categories based on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

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

### *(a) Financial instruments (continued)*

***Financial assets at fair value through profit or loss ("FVTPL")***

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management strategy. Attributable transaction costs are recognized in profit or loss when incurred. FVTPL are measured at fair value, and changes are recognized in profit or loss.

***Held-to-maturity ("HTM")***

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the asset is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

***Loans and receivables***

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

***Available-for-sale ("AFS")***

Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in profit or loss.

The Company classified its financial assets as follows:

-Cash and cash equivalents are classified as FVTPL; and
-Receivables are classified as loans and receivables.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### *(a) Financial instruments (continued)*

***Financial liabilities***

Financial liabilities are classified into one of two categories:

-Fair value through profit or loss; and

-Other financial liabilities

***Fair value though profit or loss***

This category comprises derivatives, or liabilities, acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in profit or loss.

***Other financial liabilities***

This category includes amounts due to related parties and accounts payable and accrued liabilities and long-term debt, all of which are recognized at amortized cost.

The Company classified its accounts payable and accrued liabilities as other financial liabilities.

***Impairment of financial assets***

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted.

For all financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### *(a)* ***Financial instruments (continued)***

credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date of the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

### *(b)* ***Cash and equivalents***

Cash and cash equivalents includes cash on hand, demand deposits and highly liquid Canadian dollar investments in term deposits with major financial institutions that have maturities or redemption provisions of three months or less from the date of acquisition that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

### *(c)* ***Exploration and evaluation assets***

*Pre-exploration costs*

Costs incurred prior to acquiring the right to explore an area of interest are expensed as incurred.

*Exploration and evaluation expenditures*

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs, and payments made to contractors during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed as incurred.

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

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### *(c)* ***Exploration and evaluation assets (continued)***

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

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

### *(d)* ***Impairment of tangible and intangible assets***

Tangible and intangible assets with finite useful lives are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

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

An impairment loss is charged to the profit or loss except to the extent it reverses gains previously recognized in other comprehensive loss/income. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior periods. A reversal of an impairment loss is recognized in profit or loss.

### *(e)* ***Rehabilitation provision***

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. The nature of the rehabilitation activities includes restoration, reclamation and re-vegetation of the affected exploration sites.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (e) *Rehabilitation provision (continued)*

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.

Additional environment disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the period in which they occur.

The Company does not have any significant rehabilitation obligations.

### (f) *Income taxes*

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current income tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

The Company follows the asset and liability method of accounting for income taxes whereby deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates and laws expected to apply in the years in which temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred income tax assets and liabilities is recognized in operations in the period that includes the substantive enactment date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### *(g) Share capital*

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, share purchase options and share purchase warrants are classified as equity. Share issue costs and deferred costs of future financings, which include commissions, professional and regulatory fees are deferred and charged to share capital on completion of the financing or expensed if the financing is not completed.

### *(h) Share-based payment transactions*

The Company grants stock options to buy common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to capital stock.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment, using the Black-Scholes option pricing model.

### *(i) Warrants issued in equity financing transactions*

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore its exploration and evaluation assets. These equity financing transactions may involve the issuance of common shares or units. A unit comprises a certain number of common shares and a certain number of share purchase warrants ("Warrants"). Depending on the terms and conditions of each equity financing agreement ("Agreement"), the Warrants are exercisable into additional common shares prior to expiry at a price stipulated by the Agreement. Warrants that are part of units are valued based on the residual value method. Warrants that are issued as payment for agency fees or other transaction costs are accounted for as share-based payments.

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

*(j)* ***Earnings (loss) per share***

Basic earnings (loss) per share is calculated by dividing the net income or loss attributable to the common shareholders of the Company by the weighted average number of common shares outstanding during the reporting period. Diluted earnings (loss) per share is calculated by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding if potentially dilutive instruments were converted.

*(k)* ***Accounting standards issued but not yet applied***

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its financial statements.

Accounting Standards Issued and Effective January 1, 2013

IFRS 10 *Consolidated Financial Statements* establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

IFRS 11 *Joint Arrangements* establishes the core principle that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations and accounts for those rights and obligations in accordance with that type of joint arrangement.

IFRS 12 *Disclosure of Involvement with Other Entities* requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

IFRS 13 *Fair Value Measurement* defines fair value, sets out in a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except for: share-based payment transactions within the scope of IFRS 2 Share-based Payment; leasing transactions within the scope of IAS 17 Leases; measurements that have some similarities to fair value but that are not fair value, such as net realizable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### *(k) Accounting standards issued but not yet applied (continued)*

IAS 27 *Separate Financial Statements* has the objective of setting standards to be applied in accounting for investments in subsidiaries, joint ventures, and associates when an entity elects, or is required by local regulations, to present separate (non-consolidated) financial statements.

IAS 28 *Investments in Associates and Joint Ventures* prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 applies to all entities that are investors with joint control of, or significant influence over, an investee (associate or joint venture).

Accounting Standards Issued and Effective January 1, 2015

IFRS 9 *Financial Instruments* replaces the current standard IAS 39 Financial Instruments: Recognition and Measurement, replacing the current classification and measurement criteria for financial assets and liabilities with only two classification categories: amortized cost and fair value.

## 4. CASH AND CASH EQUIVALENTS

The Company's cash and cash equivalents are denominated in Canadian dollars and include the following components:

| | July 31, 2012 | January 31, 2012 |
|---|---|---|
| Cash at bank and in hand | $ 19,883 | $ 92,631 |
| Short-term deposits | 241,042 | 69,000 |
| Trust account | - | 40,333 |
| Cash and cash equivalents | $ 260,925 | $ 201,964 |

## 5. RECEIVABLES

The Company's receivables comprise solely harmonized sales tax ("HST") / goods and services tax ("GST") receivables due from Canadian government taxation authorities.

| | July 31, 2012 | January 31, 2012 |
|---|---|---|
| HST/GST recoverable | $ 7,327 | $ 11,283 |
| Total receivables | $ 7,327 | $ 11,283 |

All amounts are short-term and the net carrying value of receivables is considered a reasonable approximation of fair value. The Company anticipates full recovery of these amounts and therefore no impairment has been recorded against receivables. The Company's receivables are all considered current and are not past due or impaired. The Company does not possess any collateral related to these assets.

## 6. EXPLORATION AND EVALUATION ASSETS

| | July 31, 2012 | January 31, 2012 |
|---|---|---|
| Acquisition costs, beginning of the period | $ 40,000 | $ - |
| Cash | 6,000 | 40,000 |
| Common shares | 20,000 | - |
| Acquisition costs, end of the period | 66,000 | 40,000 |
| Deferred exploration expenditures, beginning of the period | - | - |
| Claim maintenance fees | 44,095 | - |
| Deferred exploration expenditures, end of the period | 44,095 | - |
| Total exploration and evaluation assets | $ 110,095 | $ 40,000 |

## 6. EXPLORATION AND EVALUATION ASSETS (continued)

Otter Property, British Columbia

On October 11, 2011, the Company entered into an option agreement (the "Agreement") with an arm's length party (the "Optionor") whereby the Company was granted an option to acquire a 100% interest in and to twelve mineral claims known as the Otter Property (the "Otter Property") located in the Similkameen Mining Division in the Princeton Area of British Columbia. The Agreement constituted the Company's Qualifying Transaction and was completed on February 3, 2012. In order to exercise the Option and keep it in good standing, the Company is required to make total cash payments of $40,000, issue a total of 800,000 common shares of the Company and incur exploration expenditures of $2,000,000 as follows:

| | Cash | Exploration Costs | Common Shares |
|---|---|---|---|
| Upon execution of the Agreement (paid ) | $ 25,000 | $ - | - |
| Upon closing date (cash paid and shares issued at a value of $20,000) | 15,000 | - | 200,000 |
| On or before February 3, 2013 | - | 200,000 | 200,000 |
| On or before February 3, 2014 | - | 300,000 | 200,000 |
| On or before February 3, 2015 | - | 500,000 | 200,000 |
| On or before February 3, 2016 | - | 1,000,000 | - |
| | $ 40,000 | $ 2,000,000 | 800,000 |

Upon satisfaction of the payments, share issuances and work commitments above, the Option will be deemed to be exercised and a 100% undivided interest in the Otter Property will be transferred to the Company, free and clear of all encumbrances, subject to a 2% net smelter return royalty (the "**NSR**") in favour of the Optionor with respect to production of all precious metals from the Property. The NSR will be payable following commencement of commercial production on the Otter Property. The Company may buy-back 1% of the NSR in consideration for payment of $1,000,000 to the Optionor.

The Company paid a finders' fee of $6,000 in connection with this transaction.

## 7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities recognized in the statements of financial position can be analyzed as follows:

| | July 31, 2012 | January 31, 2012 |
|---|---|---|
| Trade payables | $ 5,510 | $ 56,662 |
| Accrued liabilities | - | 15,000 |
| Total payables | $ 5,510 | $ 71,662 |

All amounts are short-term. The carrying value of trade payables and accrued liabilities is considered a reasonable approximation of fair value.

## 8. SHARE CAPITAL

**Authorized:**

Unlimited common shares, without par value

**Escrow Shares**

On February 3, 2012, upon closing of the Qualifying Transaction (Note 6), 200,000 common shares were released from escrow. As at July 31, 2012, 1,800,000 (January 31, 2012: 2,000,000) common shares were held in escrow. Subsequent to July 31, 2012, 300,000 common shares were released from escrow. The remaining shares will be released in amounts of 300,000 shares on February 3, 2013 and every six months thereafter.

As 2,000,000 common shares issued at inception were considered contingently cancellable until the Company completed the Qualifying Transaction, they were not considered to be outstanding shares for the purposes of loss per share calculations for the three and six months ended July 31, 2011.

Consequently, only the 2,000,000 common shares issued for the IPO were included in the calculation of the weighted average number of shares outstanding for the three and six months ended July 31, 2011.

**Private Placement**

During the six months ended July 31, 2012, concurrent with the closing of the Company's Qualifying Transaction (Note 6), the Company closed a non-brokered private placement of 4,000,000 units at a price of $0.10 per unit for gross proceeds of $400,000. Each unit was comprised of one common share and one share purchase warrant exercisable into one additional common share of the Company at $0.10 per share until February 3, 2017. The Company incurred share issuance costs of $31,492 in connection with the private placement.

**Share purchase warrants**

The following is a summary of changes in share purchase warrants from February 1, 2011 to July 31, 2012:

| | Number of Warrants | Weighted Average Exercise Price |
|---|---|---|
| Balance, February 1, 2011 and January 31, 2012 | 200,000 | $0.10 |
| Granted | 4,000,000 | $0.10 |
| Expired | (200,000) | $0.10 |
| Balance, July 31, 2012 | 4,000,000 | $0.10 |

As of July 31, 2012, the Company had 4,000,000 share purchase warrants outstanding. Each warrant entitles the holder the right to purchase one common share at a price of $0.10 per common share until February 3, 2017.

## 8. SHARE CAPITAL (continued)

**Share-based payments**

The Company may grant incentive stock options as permitted pursuant to the Company's Stock Option Plan (the "Plan"). The aggregate number of common shares which may be subject to option at any one time may not exceed 10% of the issued common shares of the Company as of that date including options granted prior to the adoption of the Plan and until the completion of the Qualifying Transaction will not exceed 400,000 common shares. Options granted may not exceed a term of ten years. If the optionee ceases to be qualified to receive options from the Company, those options expire as specified by the Board at the time of granting the option. All options vest when granted unless otherwise specified by the Board of Directors. The exercise of each option is based on the market price of the Company's stock at the date of grant. Any shares issued upon exercise of the options prior to the Company entering into a Qualifying Transaction were subject to escrow restrictions. During the six months ended July 31, 2012, the Company closed its Qualifying Transaction (Note 6).

The following is a summary of changes in share purchase options from February 1, 2011 to July 31, 2012:

| | Number of Options | Weighted Average Exercise Price |
|---|---|---|
| Balance, February 1, 2011, January 31, 2012 and July 31, 2012 | 400,000 | $0.10 |

As of July 31, 2012, 400,000 share purchase options were outstanding and exercisable entitling the holders thereof the right to purchase one common share at an exercise price of $0.10 per share until April 30, 2015.

## 9. LOSS PER SHARE

The calculation of basic and diluted loss per share was based on the following data:

| | Six months ended July 31, 2012 | Six months ended July 31, 2011 |
|---|---|---|
| Net Loss | $ 88,526 | $ 17,171 |
| Weighted average number of common shares for the purpose of basic and diluted loss per share | 8,097,802 | 2,000,000 |

The basic loss per share is computed by dividing net loss by the weighted average number of common shares outstanding during the year. The diluted loss per share reflects the potential dilution of common share equivalents, such as stock options and share purchase warrants, in the weighted average number of common shares outstanding during the period, if dilutive. All of the stock options and share purchase warrants currently issued (see Note 8) were anti-dilutive for the six months ended July 31, 2012 and 2011.

The loss per share for the six months ended July 31, 2012 was $0.01. (2011: $0.01).

## 10. RELATED PARTY TRANSACTIONS

Key management personnel compensation

Key management of the Company are directors and officers of the Company. There was no key management remuneration during the six months ended July 31, 2012 and 2011.

Related party balances

At July 31, 2012, accounts payable and accrued liabilities include $3,161 (January 31, 2012: $2,017) payable to public companies with common directors for unpaid expense reimbursements. These amounts are unsecured, non-interest bearing and payable on demand.

## 11. SEGMENTAL REPORTING

The Company operates in one business segment, the acquisition and exploration of mineral properties. The Company's equipment and its mineral properties are located in Canada.

## 12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Investing and financing activities that do not have a direct impact on cash flows are excluded from the statement of cash flows. The following transactions were excluded from the statements of cash flows:

During the six months ended July 31, 2012,

i. The Company reclassified $30,095 of deferred financing costs to share issue costs.

ii. The Company issued 200,000 common shares valued at $20,000 pursuant to the Otter Property option agreement.

During the six months ended July 31, 2011,

i. The Company reclassified $43,978 of deferred financing costs to share issue costs.