

**NORTH ARROW MINERALS INC.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**APRIL 30, 2010**

## AUDITORS' REPORT

To the Shareholders of  
North Arrow Minerals Inc.

We have audited the consolidated balance sheets of North Arrow Minerals Inc. as at April 30, 2010 and 2009 and the consolidated statements of operations and deficit, comprehensive loss and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

**“DAVIDSON & COMPANY LLP”**

Vancouver, Canada

Chartered Accountants

July 22, 2010



**NORTH ARROW MINERALS INC.**  
**CONSOLIDATED BALANCE SHEETS**  
**AS AT APRIL 30**

	2010	2009
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 1,126,124	\$ 200,486
Receivables	2,021	3,294
Prepaid expenses	<u>25,014</u>	<u>45,276</u>
	1,153,159	249,056
<b>Equipment</b> (Note 4)	2,264	3,234
<b>Mineral properties</b> (Note 5)	<u>2,207,651</u>	<u>3,003,421</u>
	<u>\$ 3,363,074</u>	<u>\$ 3,255,711</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 115,227	\$ 59,672
Due to related parties (Note 7)	<u>76,610</u>	<u>45,184</u>
	<u>191,837</u>	<u>104,856</u>
<b>Shareholders' equity</b>		
Capital stock (Note 6)	8,755,602	6,137,617
Contributed surplus (Note 6)	607,963	450,459
Deficit	<u>(6,192,328)</u>	<u>(3,437,221)</u>
	<u>3,171,237</u>	<u>3,150,855</u>
	<u>\$ 3,363,074</u>	<u>\$ 3,255,711</u>

**Nature and continuance of operations** (Note 1)

**On behalf of the Board:**

“D. Grenville Thomas” Director      “Kenneth A. Armstrong” Director

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

**NORTH ARROW MINERALS INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT**  
**YEAR ENDED APRIL 30**

	2010	2009
<b>EXPENSES</b>		
Advertising, promotion and travel	\$ 160,391	\$ 45,189
Amortization	970	1,386
Office, miscellaneous and rent	97,324	64,663
Professional fees	121,454	17,504
Regulatory and filing fees	23,853	15,589
Salaries and benefits	187,912	101,483
Stock-based compensation (Note 6)	<u>130,276</u>	<u>99,398</u>
<b>Loss before other items</b>	<u>(722,180)</u>	<u>(345,212)</u>
<b>OTHER ITEMS</b>		
Write-off of mineral properties (Note 5)	(2,180,427)	(3,229,988)
Part 12.6 tax	-	(6,258)
Interest income	<u>-</u>	<u>8,570</u>
	<u>(2,180,427)</u>	<u>(3,227,676)</u>
<b>Loss before income taxes</b>	(2,902,607)	(3,572,888)
Future income tax recovery (Note 8)	<u>147,500</u>	<u>476,876</u>
<b>Loss for the year</b>	(2,755,107)	(3,096,012)
<b>Deficit, beginning of year</b>	<u>(3,437,221)</u>	<u>(341,209)</u>
<b>Deficit, end of year</b>	<u>\$ (6,192,328)</u>	<u>\$ (3,437,221)</u>
<b>Basic and diluted loss per share</b>	<u>\$ (0.08)</u>	<u>\$ (0.14)</u>
<b>Weighted average number of common shares outstanding</b>	<u>34,419,087</u>	<u>22,501,206</u>

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
**AS AT APRIL 30**

	2010	2009
Loss for the year	\$ (2,755,107)	\$ (3,096,012)
Other comprehensive loss	<u>-</u>	<u>-</u>
<b>Comprehensive loss for the year</b>	<u>\$ (2,755,107)</u>	<u>\$ (3,096,012)</u>

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

**NORTH ARROW MINERALS INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEAR ENDED APRIL 30**

	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the year	\$ (2,755,107)	\$ (3,096,012)
Items not involving cash:		
Amortization	970	1,386
Stock-based compensation	130,276	99,398
Future income tax recovery	(147,500)	(476,876)
Write-off of mineral properties	2,180,427	3,229,988
Changes in non-cash working capital items:		
Decrease in receivables	1,273	57,631
Decrease (increase) in prepaid expenses	20,262	(16,906)
Increase (decrease) in accounts payable and accrued liabilities	23,059	(35,095)
Increase (decrease) in due to related parties	18,746	(36,299)
Net cash used in operating activities	<u>(527,594)</u>	<u>(272,785)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of capital stock	2,836,498	200,000
Share issue costs	(61,035)	-
Proceeds from promissory notes (Note 7)	200,000	-
Repayment of promissory notes	<u>(200,000)</u>	<u>-</u>
Net cash provided by financing activities	<u>2,775,463</u>	<u>200,000</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Expenditures on mineral properties, net	<u>(1,322,231)</u>	<u>(1,992,526)</u>
Net cash used in investing activities	<u>(1,322,231)</u>	<u>(1,992,526)</u>
<b>Change in cash during the year</b>	925,638	(2,065,311)
<b>Cash, beginning of year</b>	<u>200,486</u>	<u>2,265,797</u>
<b>Cash, end of year</b>	<u>\$ 1,126,124</u>	<u>\$ 200,486</u>
<b>Cash paid during the year for interest</b>	<u>\$ -</u>	<u>\$ -</u>
<b>Cash paid during the year for income taxes</b>	<u>\$ -</u>	<u>\$ -</u>

**Supplemental disclosure with respect to cash flows (Note 9)**

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

**1. NATURE AND CONTINUANCE OF OPERATIONS**

North Arrow Minerals Inc. (the “Company”) was incorporated on February 27, 2007 and is in the business of mineral property exploration. To date, the Company has not generated significant revenues from operations and is considered to be in the exploration stage.

The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties and related deferred costs is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the financing necessary to complete the development of its mineral properties and upon future profitable production.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”) with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company has a history of losses and no current source of revenue. Continued operations of the Company are dependent on the Company’s ability to complete equity financings or generate profitable operations in the future. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

	<u>April 30, 2010</u>	April 30, 2009
Deficit	\$ (6,192,328)	\$ (3,437,221)
Working capital	\$ 961,322	\$ 144,200

**2. SIGNIFICANT ACCOUNTING POLICIES**

**Changes in accounting policies**

Effective May 1, 2009, the Company adopted the following new accounting policies of the Canadian Institute of Chartered Accountants (“CICA”) Handbook:

*Goodwill and intangible assets*

The Company adopted the CICA recommendations pertaining to goodwill and intangible assets (Section 3064), which establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new standard also provides guidance for the treatment of pre-production and start-up costs and requires that these costs be expensed as incurred. The adoption of this section did not have a significant impact on the Company’s consolidated financial statements.

*Amendment to Financial Instruments – Disclosures*

In June 2009, the CICA amended Section 3862, “Financial Instruments – Disclosures” to require enhanced disclosure about the fair value assessments of the financial instruments. The new disclosures are based on a fair value hierarchy that categorizes financial instruments measured at fair value at one of three levels according to the reliability of the inputs used to estimate the fair values. The fair value of assets and liabilities included in level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in level 2 are valued using inputs other than quoted prices for which all significant inputs are based on observable market data. Level 3 valuations are based on inputs that are not based on observable market data. The adoption of this revised section did not result in a material impact on the Company’s consolidated financial statements.

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D...)**

### **Basis of consolidation**

These consolidated financial statements include the accounts of the Company and its wholly owned US subsidiary Carolina Lithium Inc. ("Carolina Lithium"). All inter-company balances and transactions have been eliminated upon consolidation.

### **Use of estimates**

The preparation of consolidated financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses during the year. Significant areas where management applies judgment include the assessment of possible impairment of the carrying value of assets, decisions as to when exploration and development costs should be capitalized or expensed, determination of the rate at which amortization is charged to operations, valuation allowances applied against future tax assets, and factors affecting valuations of stock-based compensation. The Company regularly reviews its estimates and assumptions, however, actual results could differ from these estimates and these differences could be material.

### **Equipment**

Equipment is recorded at cost less accumulated amortization. Amortization is provided for annually at the following rates:

Computer equipment	30% declining balance
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### **Mineral properties**

All costs related to the acquisition, exploration and development of mineral properties are capitalized by property. If economically recoverable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of a mineral property is impaired, that property is written down to its estimated net realizable value. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development and future profitable production or proceeds from the disposition thereof.

### **Asset retirement obligations**

The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability.

Changes in the liability for an asset retirement obligation due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in the statement of operations. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease to the carrying amount of the liability and the related long-lived asset. The Company does not have any asset retirement obligations.

### **Foreign currency translation**

The Company's subsidiary is an integrated foreign operation and is translated into Canadian dollars using the temporal method. Monetary items are translated at the exchange rate in effect at the balance sheet date; non-monetary items are translated at historical exchange rates. Income and expense items are translated at rates approximating those in effect on the date of transactions. Translation gains and losses are included in the results of operations for the year.

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D...)**

### **Loss per share**

Basic loss per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding during the year. The computation of diluted earnings (loss) per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on loss per share. Since the Company has losses, the exercise of outstanding stock options and warrants has not been included in this calculation as it would be anti-dilutive.

### **Stock-based compensation**

The Company uses the fair value method for stock-based compensation whereby all awards to employees and nonemployees will be recorded at fair value on the date of the grant and expensed over the period of vesting. The Company uses the Black-Scholes option-pricing model to estimate the fair value of each stock option at the date of grant. Any consideration paid by the option holders to purchase shares is credited to capital stock.

### **Financial instruments – recognition and measurement**

The Company classifies all financial instruments as held-for-trading, available-for-sale, held-to-maturity, loans and receivables or other financial liabilities. Financial instruments are required to be measured at fair value on initial recognition. Measurement in subsequent periods depends on the financial instruments classification. Held-for trading instruments are measured at fair value with unrealized gains and losses recognized in results of operations. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Instruments held-to-maturity, loans and receivables and other financial liabilities are measured at amortized cost.

The Company has classified its cash as held-for-trading and receivables as loans and receivables. Accounts payable and accrued liabilities and due from related parties are classified as other financial liabilities.

### **Financial instruments – disclosures and presentation**

Section 3862, *Financial Instruments – Disclosures* requires entities to provide disclosures in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks (see Note 3).

Section 3863, *Financial Instruments – Presentation* is to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows. This section establishes standards for presentation of financial instruments and nonfinancial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset.

### **Income taxes**

Future income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the year that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

### **Flow-through shares**

Canadian tax legislation permits a company to issue flow-through shares whereby the deduction for tax purposes relating to qualified resource expenditures is claimed by the investors rather than the Company. The Company records a future income tax liability and a reduction in capital stock for the estimated tax benefit transferred to shareholders.

When flow-through expenditures are renounced, a portion of future income tax assets not recognized in previous years, due to the recording of a valuation allowance, will be applied against the future income tax liability and recognized as a recovery of future income taxes in the statement of operations.



## **2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D...)**

### **Comprehensive income**

Comprehensive income is defined as the change in equity (net assets) from transactions and other events from non-owner sources. Other comprehensive income is defined as revenues, expenses, gains and losses that, in accordance with primary sources of GAAP, are recognized in comprehensive income, but excluded from net income. This would include holding gains and losses from financial instruments classified as available-for-sale.

### **Comparative figures**

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

### **Recent Accounting Pronouncements**

#### *Business combinations*

In January 2009, the CICA issued the new handbook Section 1582 - *Business Combinations* ("Section 1582"), 1601 - *Consolidated Financial Statements* ("Section 1601") and 1602 - *Non-controlling Interests* ("Section 1602") which replaces CICA Handbook Section 1581 - *Business Combinations* and 1600 - *Consolidated Financial Statements*. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards ("IFRS"). Section 1582 is applicable for the Company's business combinations with acquisition dates on or after February 1, 2011. Early adoption of this Section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company's interim and annual consolidated financial statements for its fiscal year beginning February 1, 2011. Early adoption of this Section is permitted. If the Company chooses to early adopt any one of these Sections, the other two sections must also be adopted at the same time.

#### *International financial reporting standards*

The Canadian Accounting Standards Board recently confirmed that IFRS will replace Canadian standards and interpretations on January 1, 2011. The process of changing from current Canadian GAAP to IFRS will be a significant undertaking that may materially affect reported financial position and results of operations, and also affect certain business functions. The Company will be required to prepare fully IFRS compliant financial statements for the year ended April 30, 2012, with the first interim financial statements prepared under IFRS for the three-month period ended July 31, 2011.

The Company's conversion plan consists of four phases: scoping and planning, detailed assessment, implementation and post implementation. The Company has completed the scoping and planning stage and is now in the detailed assessment stage. The Company has not commenced the implementation and the post implementation stages. While the Company has begun the detailed assessment process, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time. IFRS education and reports to the Audit Committee commenced in calendar 2009 and continues to be ongoing.

## **3. FINANCIAL INSTRUMENTS**

The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities and amounts due to related parties. The carrying value of receivables, accounts payable and accrued liabilities and amounts due to related parties approximates their fair values due to their immediate or short-term maturity. Cash is measured at fair value using a level 1 fair value measurement.

The Company is exposed to a variety of financial risks by virtue of its activities, including credit risk, interest rate risk, liquidity risk, equity risk and foreign currency risk. The Company's objective with respect to risk management is to minimize potential adverse effects on the Company's financial performance. The Board of Directors provides direction and guidance to management with respect to risk management. Management is responsible for establishing controls and procedures to ensure that financial risks are mitigated to acceptable levels.

**3. FINANCIAL INSTRUMENTS (CONT'D...)**

*Foreign Currency Risk*

The Company has some exposure to foreign currency risk with its acquisition of mineral properties in the United States however; the majority of its assets (87%) and liabilities (80%) are denominated in Canadian dollars. The Company's exploration activities and ongoing land tenure expense in the United States make it subject to foreign currency fluctuations, which may affect the Company's financial position, and cash flows. The Company is affected by changes in exchange rates between the Canadian Dollar and the US dollar. The Company does not presently invest in foreign currency contracts to mitigate this risk. It is management's opinion that the Company is not exposed to significant foreign currency risk arising from these financial instruments.

*Credit risk*

Credit risk is the risk of financial loss to the Company if a counter-party to a financial instrument fails to meet its contractual obligations. The Company's cash is held in high quality financial institutions. The Company's receivables consist primarily of sales tax receivables due from the federal government. The maximum exposure to credit risk at the reporting date is the carrying value of the Company's receivables and cash.

*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. Financial assets and liabilities with variable interest rates expose the Company to interest rate risk with respect to its cash flow. It is management's opinion that the Company is not exposed to significant interest rate risk arising from these financial instruments.

*Equity market risk*

The Company is exposed to equity price risk arising from its dependence on equity financings for working capital.

*Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise the funds required through future equity financings, asset sales or exploration option agreements, or a combination thereof. The Company has no regular cash flow from its operating activities. The Company manages its liquidity risk by forecasting cash flow requirements for its planned exploration and corporate activities and anticipating investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of annual budgets and significant expenditures and commitments. Failure to realize additional funding, as required, could result in the delay or indefinite postponement of further exploration and development of the Company's properties.

**4. EQUIPMENT**

	As at April 30, 2010			As at April 30, 2009		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 6,474	\$ 4,210	\$ 2,264	\$ 6,474	\$ 3,240	\$ 3,234
	\$ 6,474	\$ 4,210	\$ 2,264	\$ 6,474	\$ 3,240	\$ 3,234

**NORTH ARROW MINERALS INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**APRIL 30, 2010**

**5. MINERAL PROPERTIES**

	April 30, 2009	Expended During The Year	Write-off of Costs and Recoveries	April 30, 2010
<b>Gold and Base Metal Properties, NWT and Nunavut</b>				
Exploration costs	\$ 893,065	\$ 15,157	\$ (876,699)	\$ 31,523
Acquisition costs	595,889	39,052	(281,959)	352,982
Geological and assays	263,650	-	(262,201)	1,449
Office and salaries	<u>775,883</u>	<u>4,633</u>	<u>(759,568)</u>	<u>20,948</u>
	<u>2,528,487</u>	<u>58,842</u>	<u>(2,180,427)</u>	<u>406,902</u>
<b>Lithium Properties, NWT and Nunavut</b>				
Exploration costs	139,159	563,610	-	702,769
Acquisition costs	21,134	50,754	-	71,888
Geological and assays	3,197	15,712	-	18,909
Office and salaries	<u>26,745</u>	<u>35,657</u>	<u>-</u>	<u>62,402</u>
	<u>190,235</u>	<u>665,733</u>	<u>-</u>	<u>855,968</u>
<b>Lithium Properties, USA</b>				
Exploration costs	4,454	332,446	-	336,900
Acquisition costs	-	212,505	-	212,505
Geological and assays	-	13,015	-	13,015
Office and salaries	<u>371</u>	<u>93,852</u>	<u>-</u>	<u>94,223</u>
	<u>4,825</u>	<u>651,818</u>	<u>-</u>	<u>656,643</u>
<b>Diamond Properties, NWT and Nunavut</b>				
Exploration costs	33,767	5,471	-	39,238
Acquisition costs	21,274	600	(7,548)	14,326
Geological and assays	146,436	492	-	146,928
Office and salaries	<u>78,397</u>	<u>9,249</u>	<u>-</u>	<u>87,646</u>
	<u>279,874</u>	<u>15,812</u>	<u>(7,548)</u>	<u>288,138</u>
<b>TOTAL</b>	<b>\$ 3,003,421</b>	<b>\$ 1,392,205</b>	<b>\$ (2,187,975)</b>	<b>\$ 2,207,651</b>

**NORTH ARROW MINERALS INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**APRIL 30, 2010**

**5. MINERAL PROPERTIES (CONT'D...)**

	April 30, 2008	Expended During The Year	Write-offs During The Year	April 30, 2009
<b>Gold and Base Metal Properties, NWT and Nunavut</b>				
Exploration costs	\$ 1,729,468	\$ 1,289,033	\$ (2,125,436)	\$ 893,065
Acquisition costs	1,057,348	(9,960)	(451,498)	595,890
Geological and assays	264,385	17,813	(18,548)	263,650
Office and salaries	788,640	62,721	(75,479)	775,882
	<u>3,839,841</u>	<u>1,359,607</u>	<u>(2,670,961)</u>	<u>2,528,487</u>
<b>Lithium Properties, NWT and Nunavut</b>				
Exploration costs	-	139,159	-	139,159
Acquisition costs	-	21,134	-	21,134
Geological and assays	-	3,197	-	3,197
Office and salaries	-	26,745	-	26,745
	<u>-</u>	<u>190,235</u>	<u>-</u>	<u>190,235</u>
<b>Lithium Properties, USA</b>				
Exploration costs	-	4,454	-	4,454
Acquisition costs	-	-	-	-
Geological and assays	-	-	-	-
Office and salaries	-	371	-	371
	<u>-</u>	<u>4,825</u>	<u>-</u>	<u>4,825</u>
<b>Diamond Properties, NWT and Nunavut</b>				
Exploration costs	5,054	28,817	(104)	33,767
Acquisition costs	344,577	1,100	(324,403)	21,274
Geological and assays	205,293	13,409	(72,266)	146,436
Office and salaries	238,979	1,672	(162,254)	78,397
	<u>793,903</u>	<u>44,998</u>	<u>(559,027)</u>	<u>279,874</u>
<b>TOTAL</b>	<b>\$ 4,633,744</b>	<b>\$ 1,599,665</b>	<b>\$ (3,229,988)</b>	<b>\$ 3,003,421</b>

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties is in good standing.

**Gold and Base Metal Properties, Northwest Territories and Nunavut**

In addition to the properties described below, the Company maintains interests in various other gold and base metal properties in the Northwest Territories and Nunavut.

*Nunavut Tunngavik Incorporated ("NTI") Properties, Nunavut*

The Company has a 100% interest in the Nunavut Tunngavik Incorporated ("NTI") properties located in the West Kitikmeot region of Nunavut. If a feasibility study is completed on any area within the NTI properties, NTI has the option of taking either a 20% participating interest or a 7.5% net profits royalty in the specific area subject to study. The Company wrote-off \$68,845 relating to certain property segments during the year ended April 30, 2010, since no exploration programs of significance are planned for the foreseeable future on these segments.

The Company continues to maintain an interest in the Anialik property, however, as no exploration programs of significance are planned for the foreseeable future, the Company wrote-off \$2,078,588 for the year ended April 30, 2010.

The Canoe Lake property, discussed below, is comprised, in part, of a portion of the NTI properties.

**5. MINERAL PROPERTIES (CONT'D...)**

**Gold and Base Metal Properties, Northwest Territories and Nunavut (cont'd...)**

*Silvertip Project, Nunavut*

The Company entered into an agreement with Strongbow Exploration Inc. ("Strongbow") whereby it could earn a 60% interest in the Silvertip Project by spending \$5,000,000 to explore the property prior to December 31, 2011 with a firm commitment to spend \$300,000 prior to December 31, 2007 (incurred). In December 2008, the Company terminated its option to earn an interest in the Silvertip Project and wrote-off capitalized acquisition and exploration costs totaling \$15,197 (2009 - \$2,022,990) during the year ended April 30, 2010.

*Canoe Lake Property, Nunavut*

The Company maintains, or maintains the right to earn, a 100% interest in certain mineral claims and mining leases known as the "Canoe Lake Property" in the High Lake Greenstone Belt, Nunavut. In order to earn a 100% interest in two mining leases, the Company must complete a \$490,000 cash payment to Canadian Natural Resources Ltd. ("CNR") before December 31, 2010. The agreement with CNR also provides for a 2.5% gross overriding royalty ("GOR") on diamond production and a 2.5% net smelter return royalty ("NSR") on metallic mineral production from the leases. The Company retains the option to purchase half of these royalties from CNR for \$1,500,000.

Separate from the agreement with CNR, the Company maintains a 100% interest in a number of contiguous mineral claims. The 'BK claims' are subject to a 1% NSR on non-diamond mineral production and a 1% GOR on diamond production to a third party royalty holder (the 'BK royalty holder'). The 'Canoe claims' are subject to a 1% NSR on non-diamond mineral production and a 1% GOR on diamond production to a different third party royalty holder (the 'Canoe royalty holder'), as well as various royalties, payable to the BK royalty holder, ranging from 0.5% to 1.0%. The Company may purchase 100% of the royalties payable to the Canoe royalty holder for \$1,000,000.

The property is currently under option to Minerals and Metals Group ("MMG"), a subsidiary of the China Minmetals Non-Ferrous Metals Company Limited. Under the terms of the original and several revised agreements, MMG may earn up to a 70% interest in the Canoe Lake Project by making a cash payment to the Company of \$55,600 (received) and spending \$3,000,000 on project exploration by December 1, 2010.

*Hay Duck Property, NWT*

On May 29, 2008, the Company and Strongbow entered into an option agreement whereby the Company may earn a 100% interest in the Hay Duck property by reimbursing certain expenditures incurred to-date by Strongbow and assuming the annual option payments due under the original, underlying option agreement. The third party agreement, dated May 2007, required staged cash payments totalling \$500,000 over five years (\$17,500 previously paid by Strongbow). The third party option holder will retain a 2.5% NSR of which 1% can be purchased at anytime for \$500,000. An additional 1% of the royalty can be purchased at any time for \$2,000,000. Upon the Company incurring \$5,000,000 in exploration on the property, Strongbow may elect to back-in to 40% of the Company's interest in the property by funding the next \$5,000,000 in exploration expenditures. In certain circumstances, Strongbow has the option to elect to acquire a 1% NSR in place of exercising the back-in right. The Company may purchase one-half (0.5%) of the NSR at any time for \$500,000.

In April 2009, the terms of the third party option agreement were amended and the Company issued 50,000 common shares at a value of \$7,500 in May 2009 as partial consideration for a \$25,000 cash payment due under the terms of the agreement. The Company was required to make the remaining cash payment of \$17,500 by January 1, 2010. In January 2010, the terms of the April 2009 agreement were amended. The amended agreement postpones the due dates of three future annual cash option payments totalling \$450,000. These future option payments will be payable by the Company annually, following receipt of a land use permit which allows the Company to drill at the Hay Duck property. As partial compensation for amending the agreement, the Company issued 50,000 common shares to the property vendor in February 2010. At the date of issuance, the common shares had a fair value of \$9,750, which has been applied against the payment due January 1, 2010. The remainder of the January 2010 payment will be paid by the Company upon receipt of a land use permit for the Hay Duck property.

*Other Properties*

Mineral property write-offs of \$17,797 during the year ended April 30, 2010 (2009 - \$647,971) relate to various other properties in NWT and Nunavut, where no exploration programs of significance are planned for the foreseeable future.

**5. MINERAL PROPERTIES (CONT'D...)**

**Lithium Properties, Northwest Territories and Nunavut**

*Phoenix Lithium Project, NWT*

At various times between June 2008 and July 2009, the Company acquired, by staking, eleven claims in the Aylmer Lake area of the Northwest Territories. The claims form one contiguous block and the Company maintains a 100% interest in all the acquired claims.

The Company, along with the Attorney General of Canada, have been named as respondents in an application to the Federal Court of Canada filed by certain First Nations. The First Nations seek, among other things, the cancellation of the claim permits. The hearing took place in June 2010 and judgement is pending.

*Torp Lake Project, Nunavut*

In March 2009, the Company acquired, by staking, two claims in the Torp Lake area of Nunavut.

**Lithium Properties, USA**

*Lithium Projects, North Carolina, USA*

Between July and September 2009, the Company entered into seven option agreements with landowners in North Carolina. Under the terms of these option agreements, the Company must make cash payments upon execution (US \$84,706 paid) and various annual option payments ranging from US \$9,024 to US \$84,706 (US \$84,706 paid in 2010) between 2010 and 2018.

*Lithium Projects, Generative*

In July 2009, the Company and Strongbow entered into a generative exploration agreement which establishes an area of interest ("AOI") for the acquisition of lithium exploration properties, mineral rights or other interests (collectively, the "Rights"). Upon notice from Strongbow, the Company may exercise a back-in right to acquire an undivided 40% interest in the AOI and any Rights acquired by Strongbow within the AOI, after Strongbow incurs \$2 million in acquisition and exploration expenditures. If the Company elects to exercise the back-in right, it must spend \$2 million within thirty-six months from the date of notice, including minimum expenditures of \$500,000 within each twelve-month period.

**Diamond Properties, Northwest Territories and Nunavut**

The Company has varying interests in a number of diamond properties, including the Lac de Gras and Hammer properties.

*Lac de Gras, NWT*

In February 2010, the Company entered into an agreement with a third party option holder to jointly explore its Lac de Gras diamond property. Under the terms of the agreement, the third party option holder can earn a 50% interest in the Lac de Gras diamond property by paying the full legal survey costs required to convert selected existing mineral claims to mining leases, paying the first year's rental fees for the mining leases, and conducting a review of existing geophysical magnetic data. The Company will be responsible for funding the first \$1,000,800 in exploration expenditures on the property, subsequent to which exploration of the Lac de Gras property will be carried out based upon a 50/50 joint venture.

*Hammer, Nunavut*

In October 2008, the Company and Stornoway Diamond Corporation ("Stornoway") revised a pre-existing agreement on the Bear property, Nunavut, to include an area of interest, known as the "Hammer AOI", into the agreement. As a result of this revision, the Company holds a 25% interest in the property and Stornoway holds a 75% interest. The portion of the property comprising the original Bear Property is subject to an underlying 2% NSR and 2% GOR.

Mineral property write-offs of \$559,027 during the year ended April 30, 2009 related to the Blue Lake, Daring Lake, Napaktulik and Wales Island properties.

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**6. CAPITAL STOCK AND CONTRIBUTED SURPLUS**

	Number of Shares	Amount	Contributed Surplus
Authorized			
Unlimited common shares without par value			
Issued			
As at April 30, 2008	21,810,795	\$ 5,937,617	\$ 351,061
Private placement	4,000,000	200,000	-
Stock-based compensation	-	-	99,398
As at April 30, 2009	25,810,795	6,137,617	450,459
Shares issued for mineral property	100,000	17,250	-
Private placements	15,467,500	2,472,410	-
Share issue costs	240,000	(91,975)	30,940
Exercise of warrants	2,427,250	367,800	(3,712)
Tax benefits renounced to flow-through share subscribers (Note 8)	-	(147,500)	-
Stock-based compensation	-	-	130,276
As at April 30, 2010	44,045,545	\$ 8,755,602	\$ 607,963

**Share issuances**

In February 2009, the Company completed a non-brokered private placement of 4,000,000 units at a price of \$0.05 per unit for gross proceeds of \$200,000. Each unit consisted of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one additional common share until February 26, 2011 at a price of \$0.10 per share. The sole subscriber to the private placement was a private company controlled by a director.

In June 2009, the Company completed a non-brokered private placement of 5,000,000 flow-through units ("FT Units") at a price of \$0.10 per FT Unit, for gross proceeds of \$500,000. Each FT Unit consisted of one flow-through common share and one non-flow through common share purchase warrant. Each warrant could be exercised to acquire one common share at a price of \$0.20 per share until June 1, 2010. The Company paid certain finders fees of 240,000 common shares at a value of \$24,000. The Company also issued 300,000 warrants to the finders. Each finder's warrant was exercisable to acquire one common share of the Company at \$0.15 per share until June 1, 2010. The fair value of the warrants was estimated to be \$30,940 using the Black-Scholes option pricing model (1.07% risk-free interest rate; one-year term; 0.00% dividend yield; 100% volatility).

In August 2009, the Company completed a non-brokered private placement of 2,206,500 units at a price of \$0.22 per unit, for total gross proceeds of \$485,430. Each unit consisted of one common share and one-half of one common share purchase warrant. Each full warrant entitles the holder to purchase one additional common share at a price of \$0.32 per share. A total of 1,045,750 warrants expire February 21, 2011 and the remaining 57,500 warrants expire February 26, 2011.

In March, 2010, the Company completed a non-brokered private placement of 2,780,000 units at a price of \$0.18 per unit for total gross proceeds of \$500,400. Each unit consisted of one common share of the Company and one-half of one common share purchase warrant. Each full warrant entitles the holder to purchase one additional common share of the Company until March 26, 2011 at a price of \$0.30 per share.

In April, 2010, the Company completed a non-brokered private placement of 5,481,000 units at a price of \$0.18 per unit, for total gross proceeds of \$986,580. Each unit consisted of one common share of the Company and one-half of one common share purchase warrant. Each full warrant entitles the holder to purchase one additional common share of the Company until April 20, 2011 at a price of \$0.30 per share.

**6. CAPITAL STOCK AND CONTRIBUTED SURPLUS (CONT'D...)**

**Flow-through funds**

Under the terms of a flow-through private placement completed in June 2009, the Company was required to spend \$500,000 on Canadian exploration expenses ("CEE") on or before December 31, 2010. The Company had met this expenditure requirement as of April 30, 2010. The flow-through common shares provide for the Company's CEE to be transferred to the shareholders and, as a result, the tax base for these expenditures is not available to the Company.

**Stock options and warrants**

The Company's stock option plan (the "Plan") was approved by shareholders at the September 2009 annual meeting. The Plan gives the directors the authority to grant options to directors, officers, employees and consultants. The maximum number of shares to be issued under the Plan is 10% of the issued and outstanding common shares at the time of the grant. The exercise price of each option granted shall not be less than the market price at the date of grant less a discount up to 25% in accordance with the policies of the TSX Venture Exchange ("TSXV"). Options granted can have a term up to 5 years with vesting provisions determined by the directors in accordance with TSXV policies for Tier 2 Issuers, with a typical vesting period of 25% upon grant and 25% every six months thereafter.

As at April 30, 2010, the following stock options and warrants were outstanding:

	Number of Shares	Exercise Price	Number of Shares Vested	Expiry Date
<b>Options</b>	7,500	\$ 0.25	7,500	June 13, 2010 (subsequently expired)
	2,000	0.25	2,000	September 23, 2010
	78,000	0.25	78,000	March 16, 2011
	54,000	0.25	54,000	September 15, 2011
	148,000	0.25	148,000	March 29, 2012
	1,125,000	0.40	1,125,000	August 7, 2012
	1,410,000	0.20	705,000	June 4, 2014
	200,000	0.30	100,000	September 2, 2014
	150,000	0.19	37,500	March 26, 2015
	150,000	0.25	37,500	March 26, 2015
<b>Warrants</b>	5,000,000	\$ 0.20	5,000,000	June 1, 2010*
	264,000	0.15	264,000	June 1, 2010**
	1,045,750	0.32	1,045,750	February 21, 2011
	57,500	0.32	57,500	February 26, 2011
	4,000,000	0.10	4,000,000	February 26, 2011
	1,390,000	0.30	1,390,000	March 26, 2011
	2,740,500	0.30	2,740,500	April 20, 2011

\* Subsequent to April 30, 2010, a total of 349,500 warrants were exercised for gross proceeds of \$69,900 and 4,650,500 expired without exercise.

\*\* Subsequent to April 30, 2010, a total of 255,000 warrants were exercised for gross proceeds of \$38,250 and 9,000 expired without exercise.

A summary of the Company's stock option activity is as follows:

	Number of Options	Weighted Average Exercise Price
Balance, April 30, 2008	1,736,050	\$ 0.35
Expired	<u>(8,750)</u>	0.34
Balance, April 30, 2009	1,727,300	0.35
Granted	1,910,000	0.21
Cancelled	(57,000)	0.37
Expired	<u>(255,800)</u>	0.26
Balance, April 30, 2010	3,324,500	\$ 0.28
Number of options currently exercisable	2,294,500	\$ 0.31



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**6. CAPITAL STOCK AND CONTRIBUTED SURPLUS (CONT'D...)**

**Stock options and warrants (cont'd...)**

A summary of the Company's warrant activity is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, April 30, 2008	3,810,672	\$ 0.49
Granted	4,000,000	0.10
Expired	<u>(685,672)</u>	0.42
Balance, April 30, 2009	7,125,000	0.12
Granted	10,533,750	0.25
Expired	(733,750)	0.15
Exercised	<u>(2,427,250)</u>	0.15
Balance, April 30, 2010	14,497,750	\$ 0.21

**Stock-based compensation**

During the year ended April 30, 2010, the Company granted 1,910,000 options. The estimated fair value of the options granted is \$244,622 of which \$130,276 has been recognized as stock-based compensation during the year ended April 30, 2010. During the year ended April 30, 2009, the Company recognized stock-based compensation of \$99,398 relating to options granted in earlier years.

The following weighted average assumptions were used for the Black Scholes valuation of stock options granted:

	Year Ended April 30, 2010
Risk-free interest rate	1.58~2.57%
Expected life of options	1.5~5 years
Annualized volatility	100%
Dividend rate	0.00%

**7. RELATED PARTY TRANSACTIONS**

Related party transactions not disclosed elsewhere in these consolidated financial statements are as follows:

- a) During the year ended April 30, 2010, the Company paid or accrued \$133,982 (2009 - \$61,212) for shared technical services and rent to Strongbow. As at April 30, 2010, Strongbow owned approximately 10.94% (2009 - 18.67%) of the Company's issued and outstanding shares.
- b) During the year ended April 30, 2010, the Company paid or accrued \$31,072 (2009 - \$13,181) for administrative and accounting services to Stornoway.
- c) During the year ended April 30, 2010, the Company paid \$7,350 (2009 - \$1,512) for technical services to a private company controlled by a director.

Amounts due to related parties are as follows:

	April 30, 2010	April 30, 2009
Strongbow, a company with two common directors and a common officer	\$ 28,364	\$ 17,026
Stornoway, a company with a common officer	7,301	514
Directors	40,945	27,644
	<u>\$ 76,610</u>	<u>\$ 45,184</u>

**NORTH ARROW MINERALS INC.**  
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**7. RELATED PARTY TRANSACTIONS (CONT'D...)**

**Promissory Note Payable**

In January 2010, a private company controlled by a director loaned the Company \$100,000 for short-term working capital. In February 2010, the private company loaned the Company an additional \$100,000 bringing the total owed to \$200,000. This amount was evidenced by a promissory note and was unsecured, bearing no interest and was due on March 31, 2010 (paid).

These transactions were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed to by the related parties.

**8. INCOME TAXES**

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2010	2009
Loss before income taxes	\$ (2,902,607)	\$ (3,572,888)
Expected income tax recovery	\$ 858,119	\$ 1,089,730
Non-deductible items	(662,822)	(1,001,726)
Recognized (unrecognized) benefit of tax assets	(47,797)	388,872
Future income tax recovery	\$ 147,500	\$ 476,876

As at April 30, 2010, the Company has approximately \$1,192,000 in non-capital losses available for deduction against future year's taxable income. These losses will expire up to 2030.

Subject to certain restrictions, the Company has approximately \$5,276,000 of mineral property expenditures available to reduce taxable income of future years.

During the year ended April 30, 2010, the Company issued 5,000,000 common shares on a flow-through basis for gross proceeds of \$500,000. The flow-through agreements require the Company to renounce certain tax deductions for Canadian exploration expenses incurred on the Company's mineral properties to the flow-through participants. The Company has renounced exploration expenditures of \$500,000, which resulted in an initial future income tax liability and a charge against capital stock of \$147,500.

The significant components of the Company's future income tax assets are as follows:

	2010	2009
Future income tax assets		
Equipment	\$ 3,298	\$ 3,055
Non-capital losses	298,018	138,484
Share issuance costs and other tax assets	41,607	34,817
Mineral properties	247,424	381,631
	590,347	557,987
Less: valuation allowance	(590,347)	(557,987)
	\$ -	\$ -

**9. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

The significant non-cash transactions for the year ended April 30, 2010 were:

- a) The Company incurring mineral property expenditures of \$68,230 that are included in accounts payable and accrued liabilities at April 30, 2010.
- b) The Company incurring mineral property expenditures of \$12,680 that are included in due to related parties at April 30, 2010.
- c) The Company issuing 50,000 common shares valued at \$7,500 and 50,000 common shares valued at \$9,750 for payments pursuant to an amended property option agreement (Note 5).
- d) The Company issuing 300,000 finder's warrants with a value of \$30,940, to the finder as a financing fee for a non-brokered private placement (Note 6).
- e) The Company issuing 240,000 common shares at a value of \$24,000 as a finder's fee.

The significant non-cash transaction for the year ended April 30, 2009 consisted of the Company incurring mineral property expenditures of \$35,734 that were included in accounts payable and accrued liabilities at April 30, 2009.

**10. CAPITAL MANAGEMENT**

The capital of the Company consists of the items included in shareholders' equity. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company. The Company's objective for capital management is to plan for the capital required to support the Company's ongoing acquisition and exploration of its mineral properties and to provide sufficient funds for its corporate activities.

The Company's mineral properties are in the exploration stage. As an exploration stage company, the Company is currently unable to self-finance its operations. The Company has historically relied on equity financings to finance its operations. In order to carry out the Company's planned exploration programs and to pay for administrative costs, the Company will spend its existing working capital and raise additional funds as required. To effectively manage the Company's capital requirements, the Company's management has in place a planning and budgeting process.

**11. SEGMENTED INFORMATION**

The Company operates in one business segment being the exploration of mineral properties in Canada and the United States as follows:

	Canada	United States	Total
Mineral Properties	\$ 1,551,008	\$ 656,643	\$ 2,207,651
Equipment	<u>2,264</u>	<u>-</u>	<u>2,264</u>
	<u>\$ 1,553,272</u>	<u>\$ 656,643</u>	<u>\$ 2,209,915</u>