NORTH ARROW MINERALS INC.

CONSOLIDATED FINANCIAL STATEMENTS

APRIL 30, 2013

(Expressed in Canadian Dollars)

DAVIDSON & COMPANY LLP Chartered Accountants A Partnership of Incorporated Professionals

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
North Arrow Minerals Inc.

We have audited the accompanying consolidated financial statements of North Arrow Minerals Inc., which comprise the consolidated statements of financial position as at April 30, 2013 and 2012 and the consolidated statements of income (loss) and comprehensive income (loss), cash flows and changes in equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of North Arrow Minerals Inc. as at April 30, 2013 and 2012 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about North Arrow Minerals Inc.'s ability to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Accountants

August 15, 2013

NORTH ARROW MINERALS INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As At
(Expressed in Canadian Dollars)

		April 30, 2013		April 30, 2012
ASSETS				
Current				
Cash	$	2,893,755	$	47,318
Receivables (Note 5)		24,936		41,513
Marketable securities (Note 6)		1,050		4,500
		2,919,741		93,331
Equipment (Note 7)		692		990
Exploration and evaluation assets (Note 8)		1,068,688		797,253
	$	3,989,121	$	891,574
LIABILITIES				
Current				
Accounts payable and accrued liabilities (Note 9)	$	218,548	$	44,736
Due to related parties (Note 12)		116,262		132,008
		334,810		176,744
Convertible note (Note 10)		-		948,205
		334,810		1,124,949
SHAREHOLDERS EQUITY (DEFICIENCY)				
Capital stock (Note 11)		14,863,029		10,965,436
Share-based payment reserve (Note 11)		938,235		912,746
Investment revaluation reserve		(14,438)		(10,988)
Equity component of convertible note (Note 10)		-		137,996
Deficit		(12,132,515)		(12,238,565)
		3,654,311		(233,375)
	$	3,989,121	$	891,574

Nature and continuance of operations (Note1)
Subsequent events (Note 17)

Approved and authorized on behalf of the Board on August 15, 2013:

"D. Grenville Thomas" Director *"Blair Murdoch"* Director

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

NORTH ARROW MINERALS INC.
CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)
For the Year Ended
(Expressed in Canadian Dollars)

	April 30, 2013	April 30, 2012
EXPENSES		
Advertising, promotion and travel	$ 18,277	$ 163,204
Consulting	53,335	273,139
Depreciation	298	595
Office, miscellaneous and rent	32,136	155,751
Professional fees	49,570	325,511
Property investigation costs	3,053	214,335
Regulatory and filing fees	27,326	22,300
Salaries and benefits	51,342	219,346
Share-based compensation (Note 11)	25,489	176,357
	(260,826)	(1,550,538)
Interest income	401	1,234
Interest on convertible note (Note 10)	(35,286)	(46,667)
Accretion on convertible note (Note 10)	(35,737)	(39,534)
Recoveries from exploration and evaluation assets previously written-off (Note 8)	-	80,488
Gain on convertible note settlement (Note 10)	478,251	-
Gain on forgiveness of payables	91,250	-
Write-off of exploration and evaluation assets (Note 8)	(132,003)	(528,770)
	366,876	(533,249)
Net income (loss) for the year	106,050	(2,083,787)
Unrealized loss on available-for-sale financial assets (Note 6)	(3,450)	(10,988)
Comprehensive income (loss) for the year	$ 102,600	$ (2,094,775)
Basic and diluted earnings (loss) per share	$ 0.02	$ (0.40)
Weighted average number of common shares	5,899,762	5,273,761

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

NORTH ARROW MINERALS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Year Ended
(Expressed in Canadian Dollars)

	April 30, 2013	April 30, 2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss) for the year	$ 106,050	$ (2,083,787)
Items not involving cash:		
Depreciation	298	595
Share-based compensation	25,489	176,357
Write-off of exploration and evaluation assets	132,003	528,770
Interest on convertible note	35,286	46,667
Accretion on convertible note	35,737	39,534
Gain on convertible note settlement	(478,251)	-
Gain on forgiveness of payables	(91,250)	-
Changes in non-cash working capital items:		
Decrease in receivables	14,933	13,004
Decrease in prepaid expenses	-	32,267
Increase (decrease) in accounts payable and accrued liabilities	29,589	(16,692)
Increase in due to related parties	82,938	60,860
	(107,178)	(1,202,425)
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures on exploration and evaluation assets, net	(30,005)	(422,217)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of convertible note	-	1,000,000
Proceeds from issuance of shares	3,000,000	-
Share issuance costs	(16,380)	-
	2,983,620	1,000,000
Change in cash during the year	2,846,437	(624,642)
Cash, beginning of year	47,318	671,960
Cash, end of year	$ 2,893,755	$ 47,318
Cash paid during the year for interest	$ -	$ -
Cash paid during the year for income taxes	$ -	$ -

Supplemental disclosure with respect to cash flows (Note 14)

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

NORTH ARROW MINERALS INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
APRIL 30, 2013
(Expressed in Canadian Dollars)

	Number of Shares	Capital Stock	Share-based payment reserve	Investment revaluation reserve	Equity component of convertible note	Deficit	Total
Balance, April 30, 2011	**5,265,831**	**$ 10,947,436**	**$ 736,389**	**$ -**	**$ -**	**$(10,154,778)**	**$ 1,529,047**
Shares issued for exploration and evaluation assets	10,000	18,000	-	-	-	-	18,000
Share-based compensation	-	-	176,357	-	-	-	176,357
Issuance of convertible note – equity component	-	-	-	-	137,996	-	137,996
Loss for year	-	-	-	-	-	(2,083,787)	(2,083,787)
Investment loss	-	-	-	(10,988)	-	-	(10,988)
Balance, April 30, 2012	**5,275,831**	**$ 10,965,436**	**$ 912,746**	**$ (10,988)**	**$ 137,996**	**$(12,238,565)**	**$ (233,375)**
Share-based compensation	-	-	25,489	-	-	-	25,489
Shares for settlement of convertible debt	2,163,910	540,977	-	-	-	-	540,977
Private placement	20,000,000	2,983,620	-	-	-	-	2,983,620
Shares issued for exploration and evaluation assets	1,000,000	235,000	-	-	-	-	235,000
Settlement of convertible note – equity component	-	137,996	-	-	(137,996)	-	-
Net income	-	-	-	-	-	106,050	106,050
Investment loss	-	-	-	(3,450)	-	-	(3,450)
Balance, April 30, 2013	**28,439,741**	**$ 14,863,029**	**$ 938,235**	**$ (14,438)**	**$ -**	**$(12,132,515)**	**$ 3,654,311**

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

1. NATURE AND CONTINUANCE OF OPERATIONS

North Arrow Minerals Inc. (the "Company") is incorporated federally under the laws of the Canada Business Corporations Act ("CBCA").

The consolidated financial statements of the Company are presented in Canadian dollars, which is the functional currency of the Company.The Company trades on the TSX Venture Exchange (TSXV – NAR) and its registered office address is Ste. #860-625 Howe Street, Vancouver, BC, Canada V6C 2T6.

The Company's principal business activity is the acquisition and exploration of exploration and evaluation assets. 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 acquiring and exploring its exploration and evaluation assets and has not yet determined whether these properties contain reserves that are economically recoverable. These financial statements have been prepared on the assumption that the Company will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the normal course of operations. At April 30, 2013, the Company has a deficit of $12,132,515, no current source of revenue and will require additional funding to meet its planned activities for the upcoming fiscal year. The Company's continuation as a going concern is dependent on the successful results from its mineral property exploration activities and its ability to raise equity capital or borrowings sufficient to meet current and future obligations. There can be no assurances that management's plans for the Company will be successful. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern. These financial statements do not include any adjustments to the recoverability and classification of assets and liabilities that might be necessary, should the Company be unable to continue as a going concern.

As a result of the ten for one share consolidation completed during the year (Note 11), current and comparative share information has been retrospectively restated.

2. BASIS OF PRESENTATION

Statement of Compliance.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These financial statements are presented in Canadian dollars unless otherwise noted.

Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned inactive subsidiary Compania Minera North Arrow Chile Limitada ("Minera"). All inter-company transactions and balances have been eliminated upon consolidation.

Significant accounting judgments, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during this period.

Although management uses historical experiences and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

2. BASIS OF PRESENTATION - continued

Significant accounting judgments, estimates and assumptions - continued

The most significant accounts that require estimates as the basis for determining the stated amounts include the recoverability of mineral properties, valuation of share-based payments, and valuation of deferred tax amounts.

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

(i) *Economic recoverability and probability of future benefits of exploration and evaluation costs.*

Management has determined that exploration, evaluation and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geologic and other technical information, history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, the quality and capacity of existing infrastructure facilities, evaluation of permitting and environmental issues and local support for the project.

(ii) *Valuation of share-based payments*

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based payments. Option pricing models require the input of subjective assumptions including expected price volatility, interest rates and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and Company's earnings and equity reserves.

(iii) *Income taxes*

In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Foreign currencies

The functional currency is the currency of the primary economic environment in which the entity operates. The functional currency of both the Company and its subsidiary is the Canadian Dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates ("IAS 21").

Any transactions in currencies other than the functional currency have been translated to the Canadian dollar in accordance with IAS 21. Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at rates prevailing at the date when the fair value was determined. All gains and losses on translation of these foreign currency transactions are included in the statements of comprehensive loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

The Company's presentation currency is the Canadian dollar ("$").

3. SIGNIFICANT ACCOUNTING POLICIES - continued

b) Loss per share

Basic earnings (loss) per share is computed by dividing earnings (loss) 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 the earnings (loss) per share. The calculation proved to be anti-dilutive for fiscal 2013 and 2012.

c) Share-based compensation

The Company grants stock options to buy common shares of the Company to directors, officers, employees and service providers. The board of directors grants such options for periods of up to five years, with vesting periods determined at its sole discretion and at prices equal to or greater than the closing market price on the day preceding the date the options were granted. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value of options granted to employees is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the period during which the share purchase options vest. The fair value of the share purchase options granted is measured taking into account the terms and conditions upon which the share purchase options were granted. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instrument issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share purchase options that are expected to vest.

d) Equipment

Equipment is stated at cost less accumulated depreciation and any impairment in value.

The initial cost of an asset is comprised of its purchase price and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Expenditures incurred after the asset has been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized as expense in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have improved the condition of the asset beyond the originally assessed standard of performance, the expenditures are capitalized as an additional cost of equipment.

Assets are depreciated at the following rates:

Computer equipment	30% declining balance

The remaining useful lives, residual values and depreciation method are reviewed and adjusted, if appropriate, at financial year-end to ensure that the periods and method of depreciation are consistent with the expected pattern of economic benefits from the items of equipment.

The carrying values of equipment are reviewed for impairment at the end of each reporting period or when events or changes in circumstances indicate that the carrying value may not be recoverable.

An item of equipment is derecognized when either it has been disposed or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gains or losses arising on the retirement and disposal of an item of equipment are included in the statement of loss and comprehensive loss in the period of retirement or disposal.

3. SIGNIFICANT ACCOUNTING POLICIES- continued

e) Exploration and evaluation assets

Costs directly related to the acquisition, exploration and evaluation of mineral properties are capitalized once the legal rights to explore the properties have been obtained. When it is determined that such costs will be recouped through successful development and exploitation, expenditures are transferred to tangible assets and depreciated over the expected productive life of the asset. Costs for a producing prospect are amortized on a unit-of-production method based on the estimated life of the ore reserves, while costs for the prospects abandoned are written off.

Impairment reviews for deferred exploration and evaluation costs are carried out on a project by project basis, with each project representing a single cash generating unit. An impairment review is undertaken at the end of each reporting period or when indicators of impairment arise but typically when one or more of the following circumstances apply:

- Unexpected geological occurrences that render the resource uneconomic;
- Title to the asset is compromised;
- Fluctuations in metal prices that render the project uneconomic;
- Variation in the currency of operations; and
- Threat to political stability in the country of operation.

From time to time, the Company may acquire or dispose of properties pursuant to the terms of option agreements. Due to the fact that options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as exploration and evaluation assets or recoveries when the payments are made or received.

The recoverability of the amounts capitalized for the undeveloped resource properties is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral claims, the ability to farm out its resource properties, the ability to obtain the necessary financing to complete their development and future profitable production or proceeds from the disposition thereof.

Title to resource 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 resource properties. The Company has investigated title to all of its resource properties and, to the best of its knowledge, title to all of its properties are in good standing.

f) Impairment

At the end of each reporting period the carrying amounts of the Company’s assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm’s length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the statement of loss for the period. For an asset that does not generate independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

3. SIGNIFICANT ACCOUNTING POLICIES- continued

f) Impairment – continued

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 years. A reversal of an impairment loss is recognized immediately in profit or loss.

g) Marketable securities

Marketable securities are measured at fair value and consist of shares listed on the TSX Venture Exchange.

h) Financial instruments

Financial assets

Financial assets are classified into one of the following categories:

- fair value through profit or loss (“FVTPL”);
- available for sale (“AFS”);
- held-to-maturity (“HTM”); and,
- loans and receivables.

The classification is determined at initial recognition and depends on the nature and purpose of the financial asset.

(i) FVTPL financial assets

Financial assets are classified as FVTPL when the financial asset is held for trading or it is designated as FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future;
- it is a part of an identified portfolio of financial asset that the Company manages and has an actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets classified as FVTPL are stated at fair value with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset.

The Company has classified cash as FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

h) Financial instruments- continued

***Financial assets* - continued**

(ii) AFS financial assets

Investments held by the Company that are classified as AFS are stated at fair value. Gains and losses arising from changes in fair value are recognized directly in accumulated other comprehensive income. Interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, are recognized directly in profit or loss rather than equity. When an investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in accumulated other comprehensive income is included in the statement of loss for the period.

The fair value of AFS monetary assets denominated in a foreign currency is translated at the spot rate at the statement of financial position date. The change in fair value attributable to translation differences due to a change in amortized cost of the asset is recognized in profit or loss, while all other changes are recognized in equity.

The Company has classified marketable securities as AFS financial assets.

(iii) HTM investments

HTM investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs.

(iv) Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Loans and receivables are initially recognized at the transaction value and subsequently carried at amortized cost less impairment losses. The impairment loss of receivables is based on a review of all outstanding amounts at year end. Bad debts are written off during the year in which they are identified. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The Company has classified receivables as loans and receivables.

(v) Effective interest method

The effective interest method calculates the amortized cost of a financial asset and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial instrument, or, where appropriate, a shorter period.

3. SIGNIFICANT ACCOUNTING POLICIES- continued

h) Financial instruments - continued

Financial assets **- continued**

(vi) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each period end. Financial instruments 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 instrument, the estimated future cash flows of the investment have been impacted. Objective evidence of impairment could include the following:

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

For financial instruments carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial instrument's original effective interest rate.

The carrying amount of all financial instruments, excluding trade receivables, is directly reduced by the impairment loss. The carrying amount of trade receivables is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. On the date of impairment reversal, the carrying amount of the financial instrument cannot exceed its amortized cost had impairment not been recognized.

(vii) Derecognition of financial assets

A financial instrument is derecognized when:

- the contractual right to the asset's cash flows expire; or
- if the Company transfers the financial instrument and all risks and rewards of ownership to another entity.

Financial liabilities

Financial liabilities are classified into one of the following categories:

- fair value through profit or loss ("FVTPL"); or
- other financial liabilities;

3. SIGNIFICANT ACCOUNTING POLICIES - continued

h) Financial instruments - continued

Financial liabilities **- continued**

The classification is determined at initial recognition and depends on the nature and purpose of the financial liability.

(i) FVTPL financial liabilities

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 statements of financial position at fair value with changes in fair value recognized in the statement of loss and comprehensive loss.

(ii) Other financial liabilities

This category includes amounts due to related parties and accounts payable and accrued liabilities. These are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The Company has classified accounts payable and accrued liabilities, due to related parties and the convertible note as other financial liabilities.

(iii) Effective interest method

The effective interest method calculates the amortized cost of a financial liability and allocates interest expense over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial liability, or, where appropriate, a shorter period.

Income is recognized on an effective interest basis for debt instruments other than those financial instruments classified as FVTPL.

(iv) Derecognition of financial liabilities

Financial liabilities are derecognized when the Company's obligations are discharged, cancelled or they expire.

i) Income taxes

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in the statements of loss and comprehensive loss.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred 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.

3. SIGNIFICANT ACCOUNTING POLICIES- continued

i) Income taxes - continued

The effect on tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it will not be recognized.

The following temporary differences do not result in deferred tax assets or liabilities:

- the initial recognition of assets or liabilities that do not affect accounting or taxable profit
- goodwill
- differences relating to investment in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

j) Environmental rehabilitation

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates.

Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as mining assets. The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the period. The costs of rehabilitation projects that were included in the rehabilitation provision are recorded against the provision as incurred.

The Company has no material restoration, rehabilitation and environmental obligations as the disturbance to date is limited.

3. SIGNIFICANT ACCOUNTING POLICIES- continued

k) Flow-through shares

The Company can issue flow-through shares to finance exploration programs undertaken in Canada. Pursuant to the terms of the flow-through share subscription agreements, these shares transfer the tax deductibility of qualifying mineral expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium liability, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability and ii) share capital. Upon qualifying expenses being incurred, the Company derecognizes the liability and the premium is recognized as other income.

l) New standards not yet adopted

The following new standards, amendments to standards and interpretations have been issued but are not effective during the year ended April 30, 2013:

- IFRS 9 — New financial instruments standard that replaces IAS 39 for classification and measurement of financial assets[iii]
- IFRS 10 — New standard to establish principles for the presentation and preparation of consolidated financial statements when an entity controls multiple entities[i]
- IFRS 11 — New standard to account for the rights and obligations in accordance with a joint agreement[i]
- IFRS 12 — New standard for the disclosure of interests in other entities not within the scope of IFRS 9/IAS 39[i]
- IFRS 13 — New standard on the measurement and disclosure of fair value[i]
- IAS 1 — Amended standard on the presentation of financial statements requiring an entity to group items presented in the statement of other comprehensive income on the basis of whether they may be reclassified to profit or loss subsequent to initial recognition[ii]
- IAS 27 — Amended standard that contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements[i]
- IAS 28 — Amended standard that prescribes the accounting for investments in associates and joint ventures[i]

i) Effective for annual periods beginning on or after January 1, 2013
ii) Effective for annual periods beginning on or after July 1, 2012
iii) Effective for annual periods beginning on or after January 1, 2015

The Company anticipates that the application of these standards, amendments and interpretations will not have a material impact on the results and financial position of the Company.

4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued

The Company's financial instruments consist of cash, marketable securities, receivables, accounts payable and accrued liabilities and, due to related parties. Cash is carried at fair value using a level 1 fair value measurement. The carrying value of receivables, accounts payable and accrued liabilities and due to related parties approximate their fair values due to their immediate or short-term maturity. Marketable securities are recorded at fair value based on the quoted market prices in active markets at the balance sheet date, which is consistent with level 1 of the fair value hierarchy.

The Company is exposed to a variety of financial risks by virtue of its activities, including credit risk, interest rate risk, liquidity risks, foreign currency risk, and equity market 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.

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 manages credit risk by investing its excess cash in short-term investments with investment grade ratings, issued by a Canadian chartered bank. The Company's receivables consist primarily of sales tax receivables due from the federal government and receivables from companies with which the Company has exploration agreements or options. 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.

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 could cast significant doubt on the Company's ability to continue as a going concern. As at April 30, 2013, the Company had cash of $2,893,755 (2012 - $47,318) available to settle current liabilities of $334,810 (2012- $176,744).

4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued

Foreign currency risk

The Company has exposure to foreign currency risk through its exploration activities outside of Canada, however, the majority of its assets and liabilities are denominated in Canadian dollars. The Company's exploration activities and any related land tenure expense outside Canada could make it subject to foreign currency fluctuations, which may affect the Company's financial position and cash flows. During the year ended April 30, 2012, the Company wound up its operations in the United States and South America and is presently not subject to significant foreign currency risk.

Equity market risk

The Company is exposed to equity price risk arising from its marketable securities, which are classified as available-for-sale. The Company plans to sell its marketable securities as market conditions permit, or as is required to finance the Company's operations from time-to-time.

5. RECEIVABLES

	April 30, 2013	April 30, 2012
HST/GST receivables	**$ 22,678**	$ 19,470
Trade and other receivables	**2,258**	22,043
	$ 24,936	$ 41,513

6. MARKETABLE SECURITIES

During the year ended April 30, 2012, the Company received 15,000 (75,000 pre-consolidation) common shares of a TSX-V listed company in exchange for certain exploration data.

	April 30, 2013			April 30, 2012		
	Cost	**Unrealized Loss**	**Fair Market Value**	Cost	Unrealized Loss	Fair Market Value
Common shares of a company listed on the TSX-V	**$ 15,488**	**$(14,438)**	**$1,050**	$15,488	$(10,988)	$4,500

7. EQUIPMENT

Computer Equipment	**Cost**	**Accumulated Depreciation**	**Net Book Value**
Balance at May 1, 2011	$ 6,474	$ 4,889	$ 1,585
Depreciation	-	595	(595)
Balance at April 30, 2012	6,474	5,484	990
Depreciation	-	**298**	**(298)**
Balance at April 30, 2013	**$ 6,474**	**$ 5,782**	**$ 692**

8. EXPLORATION AND EVALUATION ASSETS

	April 30, 2012	Expended During the Year	Write-offs During the Year	**April 30, 2013**
Gold and Base Metal Properties, Canada				
Exploration costs	$ 58,381	$ 3,285	$ (37,277)	**24,389**
Acquisition costs	153,036	15,777	(87,769)	**81,044**
Geological and assays	5,796	-	(5,338)	**458**
Office and salaries	22,323	-	(1,619)	**20,704**
	239,536	19,062	(132,003)	**126,595**
Diamond Properties, Canada				
Exploration costs	234,702	123,611	-	**358,313**
Acquisition costs	42,918	260,765	-	**303,683**
Geological and assays	153,489	-	-	**153,489**
Office and salaries	126,608	-	-	**126,608**
	557,717	384,376	-	**942,093**
TOTAL	**$ 797,253**	**$ 403,438**	$ **(132,003)**	**$ 1,068,688**

8. EXPLORATION AND EVALUATION ASSETS- continued

	April 30, 2011	Expended During the Year	Write-offs During the Year	April 30, 2012
Gold and Base Metal Properties, Canada				
Exploration costs	$ 22,994	$ 48,018	$ (12,631)	$ 58,381
Acquisition costs	136,283	51,116	(34,363)	153,036
Geological and assays	6,561	4,348	(5,113)	5,796
Office and salaries	20,489	4,949	(3,115)	22,323
	186,327	108,431	(55,222)	239,536
Lithium Properties, Canada				
Exploration costs	39,708	16,647	(56,355)	-
Acquisition costs	14,666	248	(14,914)	-
Geological and assays	11,464	211	(11,675)	-
Office and salaries	9,973	2,631	(12,604)	-
	75,811	19,737	(95,548)	-
Lithium Property, USA				
Exploration costs	-	7,598	(7,598)	-
Acquisition costs	-	-	-	-
Geological and assays	-	1,548	(1,548)	-
Office and salaries	-	1,168	(1,168)	-
	-	10,314	(10,314)	-
Diamond Properties, Canada				
Exploration costs	252,487	320,162	(337,947)	234,702
Acquisition costs	22,364	24,467	(3,913)	42,918
Geological and assays	153,264	225	-	153,489
Office and salaries	129,642	22,792	(25,826)	126,608
	557,757	367,646	(367,686)	557,717
TOTAL	$ 819,895	$ 506,128	$ (528,770)	$ 797,253

8. EXPLORATION AND EVALUATION ASSETS– continued

Title to exploration and evaluation assets 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 exploration and evaluation assets. The Company has investigated title to all of its exploration and evaluation assets and, to the best of its knowledge, title to all of these assets are in good standing.

Gold and Base Metal Properties, Canada

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

Canoe Lake Property, Nunavut

The Company maintains a 100% interest in a number of contiguous mineral claims known as the "Canoe Lake Property" in the High Lake Greenstone Belt, Nunavut. The "Canoe claims" are subject to royalties ranging from 1.5% to 2% payable to two royalty holders. The Company may purchase 100% of the royalties payable to one of the royalty holders for $1,000,000.

Hay Duck Property, NWT

On May 29, 2008, the Company and Strongbow Exploration Inc. ("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 and amended April 2009 and January 2010, requires three future cash option payments totalling $450,000. These future option payments will be payable by the Company annually, following receipt of a land use permit allowing the Company to drill at the property. As partial compensation for amending the agreement, the Company issued 50,000 pre-consolidation common shares to the property vendor in May 2009 and an additional 50,000 shares in February 2010. At the date of issuance, the common shares had fair value of $6,250 and $9,750, respectively, which has been applied against the $25,000 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. The third party option holder will retain a 2.5% NSR of which 1% can be purchased at any time 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. Strongbow and the Company are related by the fact that there are common directors in Strongbow and the Company, and the President and CEO of the Company is also the President and CEO of Strongbow. At April 30, 2013, the Company wrote off the property and all related costs totalling $24,436.

Hope Bay Property, NU

On January 28, 2011 the Company entered into an agreement with Chelsea Minerals Corp. ("Chelsea"), whereby Chelsea has the option to earn a 60% interest in the Company's Hope Bay Oro gold project in Nunavut, consisting of five mining leases. Under the terms of the agreement, Chelsea may earn up to a 60% interest in the project by making an initial cash payment of $50,000 (received) and spending $5 million over a five year period. A minimum expenditure of $500,000 is required in the first year (complete). In May 2011, Chelsea was acquired by Sennen Resources Ltd. (subsequently Sennen Potash Corp.) ("Sennen") pursuant to a Plan of Arrangement. Sennen has assumed Chelsea's obligations pursuant to the agreement for the Hope Bay Property. On February 1, 2013 the Company and Sennen signed an amending agreement that extended the length of the option term from five to six years.

8. EXPLORATION AND EVALUATION ASSETS - continued

Gold and Base Metal Properties, Canada - continued

Yukon Gold Property

On July 30, 2010, the Company, Cathro Resources Corp. ("Cathro") (50%) and Cazador Resources Ltd. ("Cazador") (50%), both private companies and collectively, the "Vendors", entered into an agreement whereby the Company could earn a 100% interest in certain mineral claims situated in north-central Yukon Territory. Under the terms of the agreement, the Company could have earned a 100% interest in the property by funding a minimum $35,000 initial exploration program (completed) and by making cumulative payments totalling $150,000 and by issuing cumulative share payments totalling 750,000 shares over a period of four years. The Company issued 25,000 pre-consolidation shares to Cathro and 25,000 pre-consolidation shares to Cazador during the year ended April 30, 2011 at a total estimated fair value of $10,000. In August 2011, the Company terminated the option agreement for the Yukon Gold Property following a review of the results for the exploration program carried out in 2010. Consequently, the agreement was terminated and the Company wrote-off the entire carrying value of the property, totalling $33,309.

Seagull Property

The Company entered into an agreement in May 2011 whereby the Company can earn a 100% interest in certain mineral claims known as the "Seagull Property" from Panarc Resources Ltd ("Panarc"). Under the agreement, the Company must make an initial $15,000 cash payment (completed) and issue 100,000 pre-consolidation common shares (completed). The Company must incur aggregate exploration expenditures of $300,000 within a 3 year period. Panarc will retain a royalty equal to 2% of net smelter returns, of which the Company may purchase one percent (1.0%) for $1,000,000, such that the royalty would be reduced to 1.0%. At the time of the May 2011 agreement, Panarc and the Company were related by virtue of a common director. During the year ended April 30, 2013, the Company returned the property to Panarc and wrote off $75,524 of related costs.

Contwoyto, Nunavut

Between June and September 2011, the Company acquired, by staking, certain mineral claims in the Contwoyto Lake area, Nunavut.

In July 2012, subsequently amended, the Company announced that it had entered into an agreement with a subsidiary of Elgin Mining Inc. ("Elgin"). Under the terms of the amended agreement Elgin can earn a 60% interest in the Company's Contwoyto properties by spending $6 million over a seven year period.

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.

Other Properties

Mineral property write-offs of $32,043 (2012 - $44,130) during the year ended April 30, 2013 relate to various other properties in NWT and Nunavut, where no exploration programs of significance are planned for the foreseeable future.

8. EXPLORATION AND EVALUATION ASSETS - continued

Lithium Properties, Canada

Torp Lake Project, Nunavut

In March 2009, the Company acquired, by staking, two mineral claims in the Torp Lake area of Nunavut. During the year ended April 30, 2012, the Company wrote-off expenditures totalling $78,688 related to the property.

Diamond Properties, Canada

Lac de Gras, NWT

In August 2011, the Company entered into an option agreement with Harry Winston Diamond Mines Ltd. (subsequently Dominion Diamond Corp.) ("Dominion"), and Springbok Holdings Inc. ("Springbok"), to jointly explore the Company's Lac de Gras property and Dominion's land holdings contiguous to the Company's Lac de Gras property (collectively, the "JV Property").

Dominion must incur exploration expenditures of at least $5,000,000 over a 5 year period to allow the option to vest. Upon vesting, a joint venture will be formed whereby Dominion will hold a 55% interest and the Company and Springbok will share equally a 45% interest in the JV Property.

On October 24, 2012, the Company entered into an agreement with Springbok to acquire Springbok's 50% interest in the LDG/GT Property ("the Springbok Interests"). The Springbok Interests include the right to obtain a 22.5% interest in the JV Property, subject to the terms and conditions of the option agreement among Springbok, the Company and Dominion. Under the terms of the agreement with Springbok, the Company issued 1,000,000 post-consolidation shares at a value of $235,000 to Springbok for the 22.5% interest in the JV Property. As additional consideration, in the event that Dominion exercises its option and earns a 55% interest in the JV Property and the Company subsequently incurs $2 million in joint venture expenditures on the JV Property, the Company will issue to Springbok that number of commons shares of the Company having a value of $1 million.

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. No further work is planned and as such exploration expenditures totaling $367,686 were written off for the year ended April 30, 2012.

Timiskaming, Pikoo and Qilalugaq Diamond Projects, Canada

On March 12, 2013, the Company entered into an assignment agreement with 0954506 B.C. Ltd. ("BCCo") under which BCCo agreed to assign and transfer to the Company all of BCCo's interest and obligations in certain options to earn an 80% interest in the Timiskaming, Pikoo and Qilalugaq diamond projects. Stornoway Diamond Corporation ("Stornoway") is the holder of a 100% interest in all three projects and had granted BCCo options to acquire the 80% interests in the projects. BCCo is a private company controlled by a party related to a director of the Company. Stornoway will retain a one-time right to buy-back a 20% interest in any of the projects once the Company

8. EXPLORATION AND EVALUATION ASSETS - continued

Diamond Properties, Canada- continued

completes an option work program and provides Stornoway with notice of its intent to vest an 80% interest in a project. Under the terms of the agreement, the cost of the buy-back will be equal to three times the costs incurred in connection with the applicable option work program.

Under the terms of the assignment agreement the Company paid BCCo $20,000 and issued BCCo 500,000 transferrable share purchase warrants. Additionally, the agreement requires the Company to complete a $2,000,000 financing. Each share purchase warrant will entitle the holder to acquire one common share of the Company at a price of $0.25 for a period of five years from the date of issuance.

Subsequent to April 30, 2013, the Company issued Stornoway notice that it had completed its work requirement and of its intent to vest an 80% interest in the Timiskaming project. Stornoway subsequently notified the Company that it would not exercise its right to buy-back a 20% interest in the project.

Qilalugaq diamond project, Nunavut - the Company will have the option to earn an 80% interest in the Qilalugaq project by completing a work program that includes a 1,000 tonne mini-bulk sample within two years of receipt of the required land use permit or no later than January 2018.

Pikoo diamond project, Saskatchewan - the Company will have the option to earn an 80% interest in the Pikoo diamond project by completing an option work program consisting of a minimum 2,000 meter diamond drilling program, including a minimum of two drill holes at each of the North and South target areas. The work program must be initiated by January 2015 and completed by January 2016.

Timiskaming diamond project, Ontario/Quebec - the Company will have the option to earn an 80% interest in the Timiskaming diamond project by completing an option work program that includes testing three separate geophysical targets with at least one diamond drill hole. The work program must be initiated by January 2015 and completed by January 2016.

Property investigation costs- South America

In June 2011, the Company executed a letter of intent (“LOI”) to acquire a 100% interest in the Agua – Grande gold-copper project in Chile. Under the terms of the original LOI, the Company was to make a US $50,000 payment for the exclusive right to conduct due diligence over a 90 day period. An addendum to the LOI was signed in September 2011, extending the due diligence period for a second 90 day period and making the $50,000 payment subject to the completion of certain actions by the vendor. Upon completion of the due diligence period, the Company had the right to enter into a Definitive Agreement with the vendor, whereby the Company could acquire a 100% interest in the project by making cash payments totalling US $10,000,000 over approximately five years and completing a feasibility study. Under the terms of the agreement the owners would retain a 1.5% net smelter royalty. In December 2011, the Company commenced legal action to enforce the terms of the LOI by applying for an injunction in Chilean Court and filing a lawsuit requesting an arbitrator to compel the vendors to either execute an option agreement with the Company or pay damages to the Company. No estimate is determinable at this time as to the amount, if any, the Company may recover from the above proceeding and the Company has expensed property investigation costs incurred totalling $214,335.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	April 30, 2013	April 30, 2012
Trade payables	$ 188,548	$ 12,236
Accrued liabilities	30,000	32,500
	$ 218,548	$ 44,736

10. CONVERTIBLE NOTE

On August 31, 2011, the Company closed a $1,000,000 private placement of a convertible promissory note with Anglo-Celtic Exploration Ltd. ("Anglo Celtic"), a private company controlled by D. Grenville Thomas, who is a director of the Company. The private placement consists of a convertible note, structured as an unsecured, interest bearing loan of $1,000,000. Anglo-Celtic may convert at any time all or a portion of the principal amount outstanding into common shares of the Company at $0.25 per share, which would result in the issuance of up to 4,000,000 common shares if the entire principal amount is converted. The loan bears interest at the Royal Bank Prime Rate plus 400 basis points. The loan accrues interest to the date of repayment; interest is calculated and accrued on a monthly basis.

The term of the loan is for two years, to August 31, 2013. Anglo-Celtic did not receive any warrants upon issuance of the convertible note, however, if the Company fails to repay the loan in full by August 31, 2012 or if the Company and Anglo-Celtic amend or re-negotiate the terms of the loan, Anglo-Celtic will have the right to convert the principal amount of the note into both common shares and an equal number of warrants, such warrants being exercisable until the August 31, 2013 due date.

The convertible note has been segregated into its respective debt and equity components on the date of issuance. The debt component, representing the fair value of the liability at inception, is recorded as a long-term liability. The remaining component, representing the residual value ascribed to the holder's option to convert the principal balance into common shares, is classified in shareholders' equity as "equity component of convertible note". Over the term of the note, the debt component will be accreted to the face value of the note by the recording of additional interest expense. The liability component was estimated using a discount rate of 15%.

	April 30, 2013	April 30, 2012
Principal amount	$ 1,000,000	$ 1,000,000
Less equity component of convertible note	(137,996)	(137,996)
Accrued interest	81,953	46,667
Accretion	75,271	39,534
Liability component	1,019,228	948,205
Amount settled by issuance of shares	(1,019,228)	-
Liability component	$ -	$ 948,205

On January 24, 2013, the Company completed a debt settlement agreement with Anglo Celtic under which the Company settled its outstanding debt with Anglo Celtic in the amount of $1 million plus unpaid interest by the issuance of shares. At the time the settlement was agreed to the debt had a carrying value of $1,019,228 and was settled by the issuance of 21,639,100 pre-consolidation shares valued at a price of $0.025 per share for a total value of $540,977 resulting in a gain on settlement of $478,251.

11. CAPITAL STOCK AND RESERVES

Authorized share capital

The authorized share capital of the Company is an unlimited number of common shares without par value.

Share issuances

Effective February 28, 2013, the Company completed a consolidation of its share capital on the basis of one new share for every ten pre-consolidated shares. All share and per share amounts have been retrospectively restated to reflect this consolidation (unless otherwise noted).

Share issuances- continued

On April 29, 2013, the Company completed a non-brokered private placement of 20,000,000 common shares at a price of $0.15 per share for total gross proceeds of $3,000,000. As part of this private placement, the Company paid a finder's fee of $630 and incurred other costs of $15,750.

On April 29, 2013, pursuant to an acquisition Agreement for The Springbok interest, the Company issued 1,000,000 common shares, at a value of $235,000, to purchase a 22.5% interest in the Lac De Gras property.

During the year ended April 30, 2012, the Company issued 10,000 post consolidated-common shares at a value of $18,000 pursuant to the Seagull property option agreement.

Stock options and warrants

The Company's stock option plan (the "Plan") was approved by shareholders at an annual general and special meeting in November 2011. 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, 2013, the following stock options were outstanding:

Number of Shares	Exercise Price	Number of Shares Vested	Expiry Date
71,000 [1]	$ 2.00	71,000	June 4, 2014
20,000	$ 3.00	20,000	September 2, 2014
58,000 [2]	$ 2.00	58,000	May 12, 2016
17,000 [3]	$ 2.00	12,750	November 3, 2016
166,000		161,750	

(1) 9,000 options cancelled subsequent to April 30, 2013
(2) 5,000 options cancelled subsequent to April 30, 2013
(3) Cancelled subsequent to April 30, 2013

11. CAPITAL STOCK AND RESERVES - continued

Stock options and warrants- continued

A summary of the Company's stock option activity is as follows after giving effect to the Company's share consolidation:

	Number of Options	Weighted Average Exercise Price
Balance, April 30, 2011	423,700	$ 2.62
Granted	139,000	2.00
Expired and forfeited	(140,700)	2.43
Balance, April 30, 2012	422,000	2.47
Granted	-	-
Expired and forfeited	(256,000)	2.70
Balance, April 30, 2013	166,000	$ 2.12
Number of options currently exercisable	161,750	$ 2.12

A summary of the Company's warrant activity is as follows after giving effect to the Company's share consolidation:

	Number of Warrants	Weighted Average Exercise Price
Balance, April 30, 2011	610,967	$ 2.84
Expired	(610,967)	2.84
Balance, April 30, 2012	-	-
Granted	500,000	0.25
Balance, April 30, 2013	500,000	$ 0.25

The 500,000 warrants were issued as part of the agreement to earn interests in the Timiskaming, Pikoo and Qilalugaq projects (Note 8). Each warrant entitles the holder to acquire one common share of the Company at a price of $0.25 per share until April 29, 2018. The warrants only become exercisable when the Company exercises an option to earn an interest in at least one of the properties. Accordingly, the warrants will be valued upon receipt of earning the interest in one of the properties.

Share-based compensation

During the year ended April 30, 2013, the Company granted nil stock options (2012 – 139,000). The estimated fair value of the options granted during the year is $nil (2012 – $141,203) or $nil (2012 – $1.00) per option. During the year ended April 30, 2013 the Company recognized share-based compensation of $25,489 (2012 – $176,357) relating to options vested during the year.

11. CAPITAL STOCK AND RESERVES - continued

Share-based compensation - continued

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

	Year Ended April 30, 2013	Year Ended April 30, 2012
Risk-free interest rate	-	1.82%
Expected life of options	-	3.0 years
Annualized volatility	-	131.1%
Dividend rate	-	0.00%

12. RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of the transactions between the Company and related parties not disclosed elsewhere in the financial statements are disclosed below.

Related party transactions

Certain companies which have an officer and/or director or former officer and/or director in common and render services or are charged for certain services as follows:

	Nature of transactions
Anglo-Celtic Exploration Ltd.	Interest and consulting
Strongbow Exploration Inc.	Exploration and administration
0954506 BC Ltd.	Exploration
International Northair Mines Ltd.	Accounting and corporate services

The Company incurred the following transactions in the normal course of operations in connection with companies which have an officer and/or director in common.

a) During the year ended April 30, 2013, the Company paid or accrued $5,608 (2012 - $125,888) for technical services to a company with common directors or a former officer.

b) During the year ended April 30, 2013, the Company paid or accrued $44,076 (2012 - $12,945) for shared administrative and accounting services to a company with common officers.

c) During the year ended April 30, 2013, the Company paid or accrued consulting fees of $nil (2012 - $269,166) to a companies controlled by directors. This amount is included in salaries disclosed below.

d) During the year ended April 30, 2013 the Company paid $10,837 (2012 - $4,015) for office and rent to a company with common directors and officers and/or controlled by a director.

e) During the year ended April 30, 2013, a director of the Company forgave payables totaling $75,000 (2012 - $nil).

12. RELATED PARTY TRANSACTIONS - continued

f) Amounts due to related parties of $116,262 (2012 - $132,008) are owing to companies with officers/directors in common.

The remuneration of directors and key management personnel during the year ended April 30, 2013 was as follows:

		April 30, 2013		April 30, 2012
Salaries[1]	**$**	**20,164**	**$**	**269,166**
Share-based compensation[2]		**13,048**		**138,309**
Total	**$**	**33,212**	**$**	**407,475**

1 – When key management is working specifically on mineral properties their time is capitalized against the mineral property.
2 – Share-based compensation is the fair value of options that have been granted to directors and key management personnel.

13. INCOME TAXES

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

		2013		**2012**
Net income (loss) for the year	$	106,050	$	(2,083,787)
Expected income tax (recovery)	$	27,000	$	(541,000)
Change in statutory rates, foreign tax and other		(154,000)		130,000
Permanent differences		22,000		46,000
Share issue cost		(4,000)		-
Change in unrecognized deductible temporary differences		109,000		365,000
Total income tax expense (recovery)	**$**	**-**	**$**	**-**

The significant components of the Company's unrecognized temporary differences and tax losses are as follows:

		2013	**Expiry Date Range**		**2012**	**Expiry Date Range**
Temporary Differences						
Exploration and evaluation assets	$	4,820,000	No expiry date	$	4,451,000	No expiry date
Investment tax credit		34,000	2028 to 2033		28,000	2028 to 2032
Property and equipment		15,000	No expiry date		14,000	No expiry date
Share issue costs		48,000	2034 – 2037		60,000	2033 - 2035
Marketable securities		14,000	No expiry date		11,000	No expiry date
Convertible note		-	No expiry date		52,000	No expiry date
Non-capital losses available for future period		2,772,000	2029 – 2033		2,963,000	2027 – 2032

Tax attributes are subject to review, and potential adjustment, by tax authorities

14. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The significant non-cash transactions for the year ended April 30, 2013 were:

a) The Company incurred exploration and evaluation expenditures of $154,880 (2012 - $10,657) that are included in accounts payable and accrued liabilities at April 30, 2013.

b) The Company incurring exploration and evaluation expenditures of $nil (2012 - $7,434) that are included in due to related parties at April 30, 2013.

c) The Company incurring exploration and evaluation cost recoveries of $nil (2012 - $1,644) that are included in receivables at April 30, 2013.

d) The Company issued 1,000,000 (2012 - 10,000) common shares valued at $235,000 (2012 - $18,000) pursuant to a property option agreement (Note 8). The Company receiving nil (2012 - 75,000) common shares with a fair value of $nil (2012 - $15,488) from the sale of exploration data (Note 6).

e) The Company issued 21,639,100 pre-consolidation common shares valued at $540,977 to settle a convertible note (Note 10).

15. 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 exploration and evaluation assets 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 have to 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.

16. SEGMENTED INFORMATION

The Company operates in Canada in a single operating segment – the acquisition and exploration of mineral properties in Canada.

17. SUBSEQUENT EVENTS

Subsequent to April 30, 2013, the Company:

a) Granted directors, officers, consultants, and employees 2,220,000 incentive stock options. The stock options are exercisable to acquire one common share of the Company at a price of $0.27 per share for a period of five years.

b) Entered into an option agreement with Artic Star Exploration Corp. to earn a 55% interest in the Redemption diamond project in the Lac de Gras region of the Northwest Territories. Under the terms of the option agreement, the Company can earn a 55% interest in the project by incurring $5 million in exploration expenditures prior to July 1, 2017.

c) Subject to regulatory approval, acquired a 100% interest in the Mel and Luxx diamond project, Nunavut, from a company controlled by a director of the Company. Under the terms of the agreements, the Company will acquire a 100% interest in each property, in consideration for a 1% gross overriding royalty and a total of 500,000 share purchase warrants, entitling the holder to purchase 500,000 shares in the Company, at a price of $0.65 per share for a period of five years. The Company will have the right to buy half of each royalty for $1 million at any time.