NORTH ARROW MINERALS INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

JANUARY 31, 2012

(Unaudited – Prepared by Management)

These condensed interim consolidated financial statements of North Arrow Minerals Inc. ("North Arrow") for the nine months ended January 31, 2012 have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

NORTH ARROW MINERALS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited – Prepared by Management)

	January 31, 2012	April 30, 2011
ASSETS		
Current		
Cash	$ 262,059	$ 671,960
Receivables (Note 5)	66,530	132,785
Marketable securities (Note 4)	8,250	-
Advances (Note 8)	54,393	-
Prepaid expenses	23,240	32,267
	414,472	837,012
Equipment (Note 7)	1,228	1,585
Exploration and evaluation assets (Note 8)	874,555	819,895
	$ 1,290,255	$ 1,658,492
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 6)	$ 54,594	$ 59,947
Due to related parties	92,639	69,498
	147,233	129,445
Convertible note (Note 11)	788,642	-
	935,875	129,445
CAPITAL AND RESERVES		
Capital stock (Note 9)	10,965,436	10,947,436
Share-based payment reserve (Note 9)	899,880	736,389
Equity component of convertible note (Note 11)	294,178	-
Investment revaluation reserve	(7,238)	-
Deficit	(11,797,876)	(10,154,778)
	354,380	1,529,047
	$ 1,290,255	$ 1,658,492

Nature and continuance of operations (Note 1)
IFRS transition (Note 14)
Subsequent event (Note 15)

Approved and authorized on behalf of the Board on March 30, 2012:

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

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

NORTH ARROW MINERALS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Unaudited – Prepared by Management)

	Three Months Ending		Nine Months Ending	
	January 31, 2012	January 31, 2011	January 31, 2012	January 31, 2011
EXPENSES				
Accretion of convertible note	$ 32,530	$ -	$ 53,477	$ -
Advertising promotion, and travel	20,665	44,220	120,211	122,697
Consulting	61,667	-	186,667	-
Depreciation	119	169	357	509
Office, miscellaneous and rent	38,581	18,510	97,778	61,037
Professional fees	124,137	10,911	247,252	58,625
Property investigation costs	98,455	-	208,409	12,754
Regulatory and filing fees	461	1,102	13,605	9,103
Salaries and benefits	53,628	40,992	172,467	124,011
Share-based compensation (Note 9)	33,894	7,166	163,491	43,628
Loss before other items	(464,137)	(123,070)	(1,263,714)	(432,364)
OTHER ITEMS				
Interest income	113	2,179	1,234	4,937
Interest and service charges	(20,186)	-	(31,885)	-
Foreign Exchange	-	523	-	(2,085)
Recoveries from exploration and evaluation assets previously written-off (Note 8)	-	-	80,488	
Write-off of exploration and evaluation assets (Note 8)	(371,183)	(720)	(429,221)	(278,371)
	(391,256)	1,982	(379,384)	(275,519)
Loss for the period	(855,393)	(121,088)	(1,643,098)	(707,883)
Unrealized loss on available-for-sale financial assets arising during the period	(1,125)	-	(7,238)	-
Comprehensive loss for the period	$ (856,518)	$ (121,088)	$ (1,650,336)	$ (707,883)
Basic and diluted loss per share	$ (0.02)	$ (0.01)	$ (0.03)	$ (0.01)
Weighted average number of common shares	52,758,378	48,658,378	52,731,711	46,829,123

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

NORTH ARROW MINERALS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited – Prepared by Management)

	Nine Months Ending January 31	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	$ (1,643,098)	$ (707,883)
Items not involving cash:		
Depreciation	357	509
Share-based compensation	163,491	43,628
Write-off of exploration and evaluation assets	429,221	278,371
Interest on convertible note	29,343	-
Accretion on convertible note	53,477	-
Changes in non-cash working capital items:		
Change in receivables	(13,657)	(36,423)
Change in prepaid expenses	9,027	(1,358)
Change in accounts payable and accrued liabilities	(31,921)	(17,541)
Change in due to related parties	20,286	(22,536)
	(983,474)	(463,233)
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures on exploration and evaluation assets, net	(372,034)	(743,423)
Advances (Note 8)	(54,393)	-
	(426,427)	(743,423)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of convertible note	1,000,000	-
Proceeds from the exercise of warrants	-	108,150
Subscription receipts from a private placement	-	712,500
Share issue costs	-	(43,783)
	1,000,000	776,867
Change in cash during the period	(409,901)	(429,789)
Cash, beginning of period	671,960	1,126,124
Cash, end of period	$ 262,059	$ 696,335
Cash paid during the period for interest	$ -	$ -
Cash paid during the period for income taxes	$ -	$ -

Supplemental disclosure with respect to cash flows (Note 12)

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

NORTH ARROW MINERALS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
JANUARY 31, 2012
(Unaudited – Prepared by Management)

	Number of Shares	Share Capital Amount	Share-based payment reserve	Investment revaluation reserve	Equity component of convertible debt	Deficit	Total
Balance, May 1, 2010	**44,045,545**	**$ 9,734,269**	**$ 674,643**	**$ -**	**$ -**	**$ (7,294,212)**	**$ 3,114,700**
Private placement	3,958,333	712,500	-	-	-	-	712,500
Share issuance costs	-	(43,782)	-	-	-	-	(43,782)
Shares issued for exploration and evaluation assets	50,000	10,000	-	-	-	-	10,000
Shares issued for cash on exercise of options and warrants	4,604,500	534,449	(26,300)	-	-	-	508,149
Share-based compensation	-	-	88,046	-	-	-	88,046
Loss for period	-	-	-	-	-	(2,860,566)	(2,860,566)
Balance at April 30, 2011	**52,658,378**	**$ 10,947,436**	**$ 736,389**	**$ -**	**$ -**	**$ (10,154,778)**	**$ 1,529,047**
Shares issued for exploration and evaluation assets	100,000	18,000	-	-	-		18,000
Share-based compensation	-	-	163,491	-	-	-	163,491
Issuance of convertible note – equity component	-	-	-	-	294,178	-	294,178
Loss for period	-	-	-	-	-	(1,643,098)	(1,643,098)
Investment loss	-	-	-	(7,238)	-	-	(7,238)
Balance, January 31, 2012	**52,758,378**	**$ 10,965,436**	**$ 899,880**	**$ (7,238)**	**$ 294,178**	**$ (11,797,876)**	**$ 354,380**

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

The condensed interim 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 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. The recoverability of the amounts shown for exploration and evaluation assets 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 exploration and evaluation assets and upon future profitable production.

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards 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. However, the Company has sustained substantial losses from operations since inception and has 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 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.

2. BASIS OF PRESENTATION

Statement of Compliance and Conversion to International Financial Reporting Standards

The Canadian Accounting Standards Board ("ASCB") confirmed in February 2008 that International Financial Reporting Standards ("IFRS") will replace Canadian generally accepted accounting principles ("GAAP") for publicly accountable enterprises for financial periods beginning on and after January 1, 2011. The Company adopted IFRS for the period beginning May 1, 2011 with a transition date of May 1, 2010.

These condensed interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting ("IAS 34") and IFRS 1, First Time Adoption of International Financial Reporting Standards ("IFRS 1"). The impact of the transition from Canadian Generally Accepted Accounting Principles ("GAAP") to IFRS is explained in Note 14, including the nature and effect of significant changes in accounting policies from those used in the Company's consolidated financial statements for the year ended April 30, 2011.

The Company's IFRS accounting policies are set out in Note 3 of the condensed interim consolidated financial statements for the three month period ended July 31, 2011.

The policies applied in these condensed interim consolidated financial statements are based on IFRS issued and outstanding as of December 29, 2011, the date the Board of Directors approved the statements. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending April 30, 2012 could result in restatement of these condensed interim consolidated financial statements, including the transition adjustments recognized on change-over to IFRS. The condensed interim consolidated financial statements should be read in conjunction with the company's Canadian GAAP audited financial statements for the year ended April 30, 2011.

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments consist of cash, marketable securities, receivables, accounts payable, accrued liabilities, due to related parties and a convertible note. Cash is carried at fair value using a level 1 fair value measurement. The carrying value of receivables, accounts payable, 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's convertible note is measured at fair value and separated into two components: equity and liability. The carrying value of the liability portion is the residual value of principal amount; the Black-Scholes method was used to estimate the fair value assigned to the equity component. Over the term of the convertible note, the liability amount will increase to the face value of the convertible note through the accretion of interest.

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. The risk that the Company will realize a loss as a result of a decline in the fair value of any short-term investment included in cash and equivalents is limited because these investments, although readily convertible into cash, are generally held to maturity.

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 of the Company's properties. As at January 31, 2012, the Company had cash of $262,059 available to settle current liabilities of $147,233; the Company has a $1 million convertible promissory note outstanding, which is due August 31, 2013 (Note 11).

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 make it subject to foreign currency fluctuations, which may affect the Company's financial position, and cash flows. The material business expenses incurred to date in South America have been denominated in U. S. dollar and as such, 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.

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CON'TD….)

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.

4. MARKETABLE SECURITIES

During the nine months ended January 31, 2012, the Company acquired 75,000 common shares of a TSX-V listed company in exchange for exploration data.

	January 31, 2012			April 30, 2011		
	Cost	**Unrealized Loss**	**Fair Market Value**	Cost	Unrealized Loss	Fair Market Value
Common shares of a company listed on the TSX-V	**$ 15,488**	**$ (7,238)**	**$ 8,250**	$ -	$ -	$ -

5. RECEIVABLES

	January 31, 2012	April 30, 2011
HST/GST receivables	**$ 16,530**	$ 46,297
Trade and other receivables	**50,000**	80,326
Accrued interest	**-**	6,162
	$ 66,530	$ 132,785

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	January 31, 2012	April 30, 2011
Trade payables	**$ 41,070**	$ 20,374
Accrued liabilities	**13,524**	39,573
	$ 54,594	$ 59,947

7. EQUIPMENT

Cost – Computer Equipment		**Accumulated Depreciation**	**Net Book Value**
Balance at May 1, 2010	**$ 6,474**	**$ 4,210**	**$ 2,264**
Additions	-	-	-
Depreciation	-	679	(679)
Disposals	-	-	-
Balance at April 30, 2011	**$ 6,474**	**$ 4,889**	**$ 1,585**
Additions			-
Depreciation	-	357	(357)
Disposals	-	-	-
Balance at January 31, 2012	**$ 6,474**	**$ 5,246**	**$ 1,228**

8. EXPLORATION AND EVALUATION ASSETS

	April 30, 2011	Expended During the Period	Write-offs & Recoveries During the Period	January 31, 2012
Gold and Base Metal Properties, NWT, Yukon and Nunavut				
Exploration costs	$ **22,980**	$ 53,667	$ (13,330)	$ **63,317**
Acquisition costs	**136,283**	84,292	(74,567)	**146,008**
Geological and assays	**6,561**	4,327	(5,113)	**5,775**
Office and salaries	**20,489**	4,116	(1,571)	**23,034**
	186,313	146,402	(94,581)	**238,134**
Lithium Property, Nunavut and NWT				
Exploration costs	**39,708**	16,647	(16,647)	**39,708**
Acquisition costs	**14,666**	248	-	**14,914**
Geological and assays	**11,464**	211	(211)	**11,464**
Office and salaries	**9,972**	2,631	-	**12,603**
	75,810	19,737	(16,858)	**78,689**
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, NWT and Nunavut				
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	**129,657**	22,792	**(25,826)**	**126,623**
	557,772	367,646	**(367,686)**	**557,732**
TOTAL	**$ 819,895**	**$ 544,099**	**$ (489,439)**	**$ 874,555**

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. During the nine months ended January 31, 2012, Company wrote - off $429,221 (2011 - $278,371) relating to certain properties and recorded $140,704 (2011 - $Nil) in recoveries of which $80,488 is recognized as income.

Gold and Base Metal Properties, Northwest Territories, Yukon 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, 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 ‘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.

8. EXPLORATION AND EVALUATION ASSETS (CON'TD.…)

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 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. 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.

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 60% interest in the project by making a 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. ("Sennen") pursuant to a Plan of Arrangement. Sennen has assumed Chelsea's obligations pursuant to the agreement for the Hope Bay Property; the Company is operating an exploration program at Hope Bay on Sennen's behalf. As at January 31, 2012, the Company had $54,393 receivable (April 30, 2011 - $Nil) from Sennen for this work.

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 shares to Cathro and 25,000 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 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 common shares (completed). The Company must incur aggregate exploration expenditures of $300,000 within a three 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 the agreement was executed, Panarc and the Company were related by virtue of a common director.

Contwoyto, Nunavut

In June 2011, the Company acquired by staking four claims totalling 4,467 acres in the Contwoyto Lake area. In September 2011, the Company acquired, by staking, an additional 2,583 acre claim in the Contwoyto Lake area.

8. EXPLORATION AND EVALUATION ASSETS (CON'TD….)

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.

Lithium Property, Nunavut

Torp Lake Project, Nunavut

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

Diamond Properties, Northwest Territories and Nunavut

Lac de Gras, NWT

In September 2011, the Company entered into an option agreement with Harry Winston Diamond Mines Ltd. ("Harry Winston"), and Springbok Holdings Inc. ("Springbok"), to jointly explore the Company's Lac de Gras property and Harry Winston's land holdings contiguous to the Company's Lac de Gras property (collectively, the "JV Property"). Harry Winston 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 Harry Winston will hold a 55% interest and the Company and Springbok will share equally a 45% interest in the JV Property.

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 period ended January 31, 2012.

Generative Exploration – 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 may enter a Definitive Agreement with the vendor, whereby the Company will have the option to acquire a 100% interest in the project by making staged cash payments totaling US $10,000,000 over approximately five years and by completing a feasibility study. The owners will retain a 1.5% net smelter royalty. In December 2011, the Company learned that the Agua Grande vendors were taking steps to transfer title of the claims to another entity to avoid their obligations to North Arrow. The Company provided the vendors with notice of its intent to execute the Definitive Agreement and filed a legal injunction in Chilean Court to prevent the vendors' transfer of title. Subsequent to receipt of the injunction, the Company filed a lawsuit requesting an arbitrator to compel the vendors to either execute an option agreement with the Company or pay damages to the Company. In addition, during the due diligence period, the Company learned that certain mineral claims subject to the LOI were not owned by the vendors and executed a 90 day LOI with the owner of these claims, subject to the Company acquiring the remainder of the Agua Grande properties. The 90 day LOI has subsequently lapsed and the Company has been advised that the LOI may be extended. No estimate is determinable at this time as to the amount the Company may recover from the above proceedings.

9. 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

During the nine months ended January 31, 2012, the Company issued 100,000 common shares at a value of $18,000 pursuant to the Seagull property option agreement.

9. CAPITAL STOCK AND RESERVES (CON'TD….)

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 January 31, 2012, the following stock options and warrants were outstanding:

	Number of Shares	Exercise Price	Number of Shares Vested	Expiry Date
Options	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	1,410,000	June 4, 2014
	200,000	0.30	200,000	September 2, 2014
	1,000,000	0.20	500,000	March 7, 2016
	1,220,000	0.20	610,000	May 12, 2016
	170,000	0.20	170,000	November 3, 2016
Warrants**	1,979,167	0.25	1,979,167	February 20, 2012

*Subsequent to January 31, 2012 the options expired unexercised.

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

	Number of Options	Weighted Average Exercise Price
Balance, April 30, 2010	3,324,500	$ 0.28
Granted	1,000,000	0.20
Expired	(87,500)	0.25
Balance, April 30, 2011	4,237,000	0.26
Granted	1,390,000	0.20
Expired and forfeited	(354,000)	0.22
Balance, January 31, 2012	5,273,000	$ 0.25
Number of options currently exercisable	4,163,000	$ 0.26

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

	Number of Warrants	Weighted Average Exercise Price
Balance, April 30, 2010	14,497,750	$ 0.21
Issued	1,979,167	0.25
Exercised	(4,604,500)	0.11
Expired	(5,762,750)	0.22
Balance, April 30, 2011	6,109,667	0.28
Expired	(4,130,500)	0.30
Balance, January 31, 2012	1,979,167	$ 0.25

9. CAPITAL STOCK AND RESERVES (CON'TD….)

** In August 2010, the Company issued 1,979,167 warrants exercisable at $0.25 until August 20, 2011 to subscribers of a private placement. In August 2011, the Company received regulatory approval to extend the expiry date for those warrants by six months to February 20, 2012. Subsequent to January 31, 2012 the warrants expired unexercised.

Share-based compensation

During the nine months ended January 31, 2012, the Company granted 1,390,000 stock options (2011 – Nil). The estimated fair value of the options granted during the period is $141,203 (2011 - $Nil). During the nine months ended January 31, 2012 the Company recognized share-based compensation of $163,491 (2011 - $43,628) relating to options vested during the period.

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

	Nine months Ended January 31, 2012	Nine Months Ended January 31, 2011
Risk-free interest rate	0.99 - 1.94%	-
Expected life of options	3.0 years	-
Annualized volatility	79% - 100%	-
Forfeiture Rate	0.00%	-
Dividend rate	0.00%	-

10. RELATED PARTY TRANSACTIONS

a) During the nine months ended January 31, 2012, the Company paid or accrued $79,393 (2011 - $123,946) for shared technical services, accounting and rent to a related Company.

b) The Company has entered into a consulting agreement expiring March 7, 2013, requiring minimum annual payments totaling $120,000. In addition, the agreement contains clauses which could provide for payments of up to 12 months on the termination of the contract. During the nine months ended January 31, 2012, the Company paid or accrued consulting fees of $120,000 (2011 - $Nil) pursuant to this agreement to a company controlled by an officer of the Company.

c) During the nine months ended January 31, 2012 the Company paid or accrued consulting fees of $66,667 (2011-$Nil) to a company controlled by a director.

The remuneration of directors and key management personnel during the six month period ending January 31, 2012 was as follows:

	Nine Months Ended January 31, 2012	Nine Months Ended January 31, 2011
Salaries[1]	**$ 276,667**	$ 188,698
Share-based payments[2]	**136,163**	-
Total	**$ 412,830**	$ 188,698

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

11. CONVERTIBLE NOTE PAYABLE

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

11. CONVERTIBLE NOTE PAYABLE (CON'TD….)

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 in future, 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. Any shares issued pursuant to the terms of this private placement will be subject to a hold period, which expires on January 1, 2012.

The convertible note has been segregated into the respective fair values of its debt and equity components on the date of issuance. The debt component, representing the value allocated to the liability at inception, is recorded as a long-term liability. The remaining component, representing the value ascribed to the holder's option to convert the principal balance into common shares, is classified in capital and reserves as the "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.

At issuance, the Company estimated the fair value of the conversion option by using the Black-Scholes option pricing model with the following assumptions: two-year estimated life, 100% volatility and a risk-free rate of 1.08%.

	January 31, 2012	April 30, 2011
Principal amount	**$ 1,000,000**	$ -
Less equity component of convertible note	**(294,178)**	-
Accrued interest	**29,343**	-
Accretion interest	**53,477**	-
Liability component	**$ 788,642**	$ -

12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The significant non-cash transactions for the period ended January 31, 2012 were:

a) The Company incurring exploration and evaluation expenditures of $35,744 (2011-$10,815) that are included in accounts payable and accrued liabilities at January 31, 2012.

b) The Company incurring exploration and evaluation expenditures of $ 8,639 (2011-$4,999) that are included in due to related parties at January 31, 2012.

c) The Company issued 100,000 common shares valued at $18,000 pursuant to a property option agreement (2011- 50,000 common shares valued at $10,000) (Note 8) and the Company received 75,000 common shares with a fair value of $15,488 from the sale of exploration data.

d) During the nine months ended January 31, 2012, the Company issued $ nil finder's warrants (2011- 300,000 finder's warrants with a value of $30,940) and issued $ nil finder's common shares (2011- 240,000 finder's common shares with a value of $30,000).

13. CAPITAL MANAGEMENT

The capital of the Company consists of the items included in capital and reserves. 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 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.

14. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

The effect of the Company's transition to IFRS, described in Note 2, is summarized in this note. IFRS 1, First-time Adoption of International Financial Reporting Standards IFRS 1 sets forth guidance for the initial adoption of IFRS. Under IFRS 1 the standards are applied retrospectively at the transitional statement of financial position date with all adjustment to assets and liabilities taken to retained earnings unless certain exemptions are applied. The Company has applied the following exemptions to its opening statement of financial position dated May 1, 2010:

a) Business Combinations

IFRS 1 indicates that a first-time adopter may elect not to apply IFRS 3, Business Combinations retrospectively to business combinations that occurred before the date of transition to IFRS. The Company has chosen this election and will apply IFRS 3 to business combinations prospectively from the Transition Date.

b) Share-based Payment Transactions

IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2 Share-based Payment to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005. The Company has chosen to only apply IFRS 2 to equity instruments granted after November 7, 2002 which have not vested as of the Transition Date.

c) Estimates

In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of May 1, 2010 are consistent with its Canadian GAAP estimates for the same date.

Reclassification Within Equity Section

As at May 1, 2010 the GAAP "contributed surplus" account was reclassified to "share-based payment reserve" as terminologies differ under IFRS.

The January 31, 2011 Canadian GAAP statement of financial position has been reconciled to IFRS as follows:

	January 31, 2011		
	Canadian GAAP	Effect of transition to IFRS	IFRS
ASSETS			
Current assets			
Cash	$ 696,335	$ -	$ 696,335
Receivables	71,798	-	71,798
Prepaid expenses	26,372	-	26,372
	794,505	-	794,505
Equipment	1,754	-	1,754
Exploration and evaluation assets[1]	2,583,454	(56,537)	2,526,917
	$ 3,379,713	$ (56,537)	$ 3,323,176
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	$ 39,470	$ -	$ 39,470
Due to related parties	46,393	-	46,393
	85,863	-	85,863

14. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (CON'TD….)

		Canadian GAAP		Effect of transition to IFRS		IFRS
CAPITAL AND RESERVES						
Capital stock[3]		9,568,769		978,667		10,547,436
Share-based payment reserve[2]		684,411		7,561		691,972
Deficit		(6,959,330)		(1,042,765)		(8,002,095)
		3,293,850		(56,537)		3,237,313
	$	3,379,713	$	(56,537)	$	3,323,176

The January 31, 2011 Canadian GAAP Mineral Property Schedule has been reconciled to IFRS as follows:

		January 31, 2011				
		Canadian GAAP		Effect of transition to IFRS		IFRS
Gold and Base Metal Properties, NWT, Yukon and Nunavut						
Exploration costs	$	47,873	$	(26,078)	$	21,795
Acquisition costs		132,598		-		132,598
Geological and assays		6,562		-		6,562
Office and salaries		26,836		(11,924)		14,912
		213,869		(38,002)		175,867
Lithium Properties, NWT and Nunavut						
Exploration costs		712,679		-		712,679
Acquisition costs		73,577		-		73,577
Geological and assays		19,338		-		19,338
Office and salaries		71,546		-		71,546
		877,140		-		877,140
Lithium Properties, USA						
Exploration costs		485,323		(4,054)		481,269
Acquisition costs		306,071		(9,059)		297,012
Geological and assays		26,072		-		26,072
Office and salaries		124,174		(5,422)		118,752
		941,640		(18,535)		923,105
Diamond Properties, NWT and Nunavut						
Exploration costs		258,624		-		258,624
Acquisition costs		22,505		-		22,505
Geological and assays		146,928		-		146,928
Office and salaries		122,748		-		122,748
		550,805		-		550,805
TOTAL	$	2,583,454	$	(56,537)	$	2,526,917

14. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONT'D…)

The Canadian GAAP statement loss and of comprehensive loss for the three months ended January 31, 2011 has been reconciled to IFRS as follows:

	3 Months Ended January 31, 2011		
	Canadian GAAP	Effect of transition to IFRS	IFRS
Expenses			
Advertising, promotion and travel	$ 44,220	$ -	$ 44,220
Depreciation	169	-	169
Office, miscellaneous and rent	18,510	-	18,510
Professional fees	10,911	-	10,911
Property investigation costs[1]	-		-
Regulatory and filing fees	1,101	-	1,101
Salaries and benefits	40,992	-	40,992
Share-based compensation[2]	21,207	(14,040)	7,167
Loss before other items	(137,110)	(14,040)	(123,070)
Other items			
Interest income	2,179	-	2,179
Foreign exchange loss	523	-	523
Write-off of exploration and evaluation assets[1]	(720)	-	(720)
	1,982	-	1,982
Loss and comprehensive loss for the period	$ (135,128)	$ (14,040)	$ (121,088)

The Canadian GAAP statement loss and of comprehensive loss for the nine months ended January 31, 2011 has been reconciled to IFRS as follows:

	9 Months Ended January 31, 2011		
	Canadian GAAP	Effect of transition to IFRS	IFRS
Expenses			
Advertising, promotion and travel	$ 122,697	$ -	$ 122,697
Depreciation	509	-	509
Office, miscellaneous and rent	61,037	-	61,037
Professional fees	58,625	-	58,625
Property investigation costs[1]	-	12,754	12,754
Regulatory and filing fees	9,103	-	9,103
Salaries and benefits	124,011	-	124,011
Share-based compensation[2]	102,747	(59,119)	43,628
Loss before other items	(478,729)	46,365	(432,364)
Other items			
Interest income	4,937	-	4,937
Foreign Exchange Loss	(2,085)	-	(2,085)
Write-off of exploration and evaluation assets[1]	(291,125)	12,754	(278,371)
	(288,273)	12,754	(275,519)
Loss and comprehensive loss for the period	$ (767,002)	$ 59,119	$ (707,883)

14. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONT'D…)

The Canadian GAAP statement of cash flows for the nine months ending January 31, 2011 has been reconciled to IFRS as follows:

	Canadian GAAP	Effect of transition to IFRS	IFRS
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the period	$ (767,002)	$ 59,119	$ (707,883)
Items not involving cash:			
Depreciation	509	-	509
Share-based compensation	102,747	(59,119)	43,628
Write-off of exploration and evaluation assets	291,125	(12,754)	278,371
Changes in non-cash working capital items:			
Increase in receivables	(36,423)	-	(36,423)
Increase in prepaid expenses	(1,358)	-	(1,358)
Increase in accounts payable and accrued liabilities	(17,541)	-	(17,541)
Decrease in due to related parties	(22,536)	-	(22,536)
	(450,479)	(12,754)	(463,233)
CASH FLOWS FROM INVESTING ACTIVITIES			
Expenditures on exploration and evaluation assets, net	(756,177)	12,754	(743,423)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of capital stock	712,500	-	712,500
Proceeds from the exercise of warrants	108,150	-	108,150
Share issue costs	(43,783)	-	(43,783)
	776,867	-	776,867
Change in cash during the period	(429,789)	-	(429,789)
Cash, beginning of period	1,126,124	-	1,126,124
Cash, end of period	$ 696,335	$ -	$ 696,335
Cash paid during the period for interest	$ -	$ -	$ -
Cash paid during the period for income taxes	$ -	$ -	$ -

1) – IFRS 6 requires all exploration and evaluation costs, incurred before a company has obtained legal rights to explore a specific area to be expensed in the year that they are incurred. Management has determined that under IFRS the Company's accounting policy for exploration and evaluation assets is that exploration expenditures should only be capitalized after the legal rights to explore the property have been obtained.

On transition to IFRS $56,537 of capitalized mineral exploration costs existed at May 1, 2010 under GAAP which were capitalized before legal title was obtained. These costs have been derecognized and expensed in Deficit.

2) – The accounting policy under IFRS 2 has been retrospectively applied to all equity instruments granted after November 7, 2002 and that have not vested at May 1, 2010.

IFRS 2 requires share-based payments to be fair valued at the grant date and charged through the statement of comprehensive loss over the vesting period using the graded method of vesting. The straight line method of amortization, used previously by the Company in accordance with Canadian GAAP, is disallowed. The expense of performance options under Canadian GAAP is typically recognized when the performance criteria are met and is often called "cliff vesting" where all of the expense is recognized upon satisfaction of the performance criteria. However,

14. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONT'D…)

under IFRS the expense associated with performance options must be spread over the expected vesting period of the performance options.

3) – On transition to IFRS, future income tax recoveries previously recognized due to flow through share issuances need to be derecognized. Consequently on May 1, 2010, $978,667 in future income tax recoveries related to prior years were reversed.

The Company has adopted a policy under IFRS where the proceeds from the offering are to be allocated between the sale of the shares and the sale of the income tax benefit. The allocation is made based on the difference between the quoted market price of the existing shares and the amount an investor pays for the flow-through shares. This flow-through premium is recorded as a liability that is reduced when qualifying flow-through expenditures are incurred. The reduction of the flow-through liability is recognized as other income.

15. SUBSEQUENT EVENTS

Subsequent to January 31, 2012:

i) The Company announced private placements consisting of up to 2,000,000 flow-through shares at a price of $0.18 per share and 10,000,000 units at a price of $0.13 per unit. Each unit shall be comprised of one common share and one common share purchase warrant entitling the holder to acquire an additional common share at a price of $0.20 for a period of 18 months following the closing of the placement. A 6% finders' fee, payable in cash or shares, may be payable on a portion of the placement.

ii) The Company announced that it had signed a letter of intent to acquire the El Tesoro Property in Chile. Under the terms of the proposed agreement the Company can acquire a 100% interest in the property, subject to a 1% NSR, by:
- Spending US$250,000 on exploration of the property in the first year;
- Spending an additional US$750,000 on exploration of the property in the second year;
- Making a US$600,000 cash payment to the owners at the end of the second year;
- Completing a feasibility study on the project; and
- Making a cash payment to the owners equal to $0.50 per tonne of reserves as defined in the feasibility study.