NORTH ARROW MINERALS INC.

CONSOLIDATED FINANCIAL STATEMENTS

APRIL 30, 2012

(Expressed in Canadian Dollars)

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, 2012, April 30, 2011 and May 1, 2010 and the consolidated statements of loss and comprehensive loss, cash flows and changes in equity for the years ended April 30, 2012 and April 30, 2011, 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 auditors consider 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.

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, 2012, 2012, April 30, 2011 and May 1, 2010 and its financial performance and its cash flows for the years ended April 30, 2012 and April 30, 2011 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 the ability of North Arrow Minerals Inc.to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada Chartered Accountants

August 24, 2012

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

	April 30, 2012	April 30, 2011	May 1, 2010
ASSETS			
Current			
Cash	$ 47,318	$ 671,960	$1,126,124
Receivables (Note 5)	41,513	132,785	2,021
Marketable securities (Note 6)	4,500	-	-
Prepaid expenses	-	32,267	25,014
	93,331	837,012	1,153,159
Equipment (Note 7)	990	1,585	2,264
Exploration and evaluation assets (Note 8)	797,253	819,895	2,151,114
	$ 891,574	$ 1,658,492	$3,306,537
LIABILITIES			
Current			
Accounts payable and accrued liabilities (Note 9)	$ 44,736	$ 59,947	$ 115,227
Due to related parties (Note 12)	132,008	69,498	76,610
	176,744	129,445	191,837
Convertible note (Note 10)	948,205	-	-
	1,124,949	129,445	191,837
SHAREHOLDERS EQUITY (DEFICIENCY)			
Capital stock (Note 11)	10,965,436	10,947,436	9,734,269
Share-based payment reserve (Note 11)	912,746	736,389	674,643
Investment revaluation reserve	(10,988)	-	-
Equity component of convertible note (Note 10)	137,996	-	-
Deficit	(12,238,565)	(10,154,778)	(7,294,212)
	(233,375)	1,529,047	3,114,700
	$ 891,574	$ 1,658,492	$ 3,306,537

Nature and continuance of operations (Note 1)
IFRS transition (Note 17)
Subsequent events (Note 18)
Approved and authorized on behalf of the Board on August 24, 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.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
For the Year Ended
(Expressed in Canadian Dollars)

	April 30, 2012	April 30, 2011
EXPENSES		
Advertising, promotion and travel	$ 163,204	$ 172,638
Consulting	273,139	176,333
Depreciation	595	679
Office, miscellaneous and rent	155,751	86,052
Professional fees	325,511	79,968
Property investigation costs (Note 8)	214,335	20,784
Regulatory and filing fees	22,300	17,736
Salaries and benefits	219,346	177,166
Share-based compensation (Note 11)	176,357	88,046
Loss from operations	(1,550,538)	(819,402)
Interest income	1,234	6,810
Interest on convertible note (Note 10)	(46,667)	-
Accretion on convertible note (Note 10)	(39,534)	-
Recoveries from exploration and evaluation assets previously written-off (Note 8)	80,488	-
Write-off of exploration and evaluation assets (Note 8)	(528,770)	(2,047,974)
	(533,249)	(2,041,164)
Loss for the year	(2,083,787)	(2,860,566)
Unrealized loss on available-for-sale financial assets (Note 6)	(10,988)	-
Comprehensive loss for the year	$ (2,094,775)	$ (2,860,566)
Basic and diluted loss per share	$ (0.04)	$ (0.05)
Weighted average number of common shares	52,737,612	52,675,769

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, 2012	April 30, 2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	$ (2,083,787)	$(2,860,566)
Items not involving cash:		
Depreciation	595	679
Share-based compensation	176,357	88,046
Write-off of exploration and evaluation assets	528,770	2,047,974
Interest on convertible note	46,667	-
Accretion on convertible note	39,534	-
Changes in non-cash working capital items:		
(Increase) decrease in receivables	13,004	(50,852)
(Increase)decrease in prepaid expenses	32,267	(7,253)
Increase (decrease) in accounts payable and accrued liabilities	(16,692)	3,774
Increase/(decrease) in due to related parties	60,860	(216)
	(1,202,425)	(778,414)
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures on exploration and evaluation assets, net	(422,217)	(852,617)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of convertiblenote	1,000,000	-
Proceeds from the exercise of warrants	-	1,220,650
Share issue costs	-	(43,783)
	1,000,000	1,176,867
Change in cash during the year	(624,642)	(454,164)
Cash, beginning of year	671,960	1,126,124
Cash, end of year	$ 47,318	$ 671,960
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.

	Number of Shares	Capital Stock	Share-based payment reserve	Investment revaluation reserve	Equity component of convertible note	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 year	-	-	-	-	-	(2,860,566)	(2,860,566)
Balance, 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	-	-	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	**52,758,378**	**$ 10,965,436**	**$ 912,746**	**$ (10,988)**	**$ 137,996**	**$(12,238,565)**	**$ (233,375)**

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 consolidatedfinancial 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 isSte. #850-625 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, 2012, the Company has a deficit of $12,238,565, a $233,375 shareholders' deficiency and no current source of revenue. The Company's continuation as a going concern is dependent on it's ability to raise funds sufficient to meet current and future obligations. Management plans to raise additional funds through private placement financings. 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.

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 with a transition date of May 1, 2010.

These consolidated financial statements have been prepared in accordance with IFRS. The impact of the transition from Canadian Generally Accepted Accounting Principles ("GAAP") to IFRS is explained in Note 17.

Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries Carolina Lithium Inc., ("Carolina Lithium") up to its dissolution in August 2011 and Compania Minera North Arrow Chile Limitada ("Minera"). All inter-company transactions and balances have been eliminated upon consolidation.

Significant accounting estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, profit and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

2. BASIS OF PRESENTATION- continued

***Significant accounting estimates and judgments*- continued**

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revisionand future periods if the revision affects both current and further periods if the review affects both current and future periods.

Critical accounting estimates

Significant assumptions relate to, but are not limited to, the following:

- The carrying value and the recoverability of exploration and evaluation assets, which are included in the statements of financial position;
- Environmental rehabilitation is calculated using available market factors;
- The inputs used in accounting for share-based payment expense which is included in the statement of comprehensive loss. These estimates are derived using the Black-Scholes option pricing model or are based on the value of comparable goods and services. Inputs are determined using readily available market data.
- The inputs used in determining the liability and equity components of convertible notes.
- The recognition of deferred tax assets is determined on whether it is more probable than not that these assets will be recovered.

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 subsidiaries 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 (“$”).

b) Loss per share

Basic loss per share is computed by dividing loss available to common shareholders by the weighted average number of common shares outstanding during the year. The computation of diluted 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 loss per share. The calculation proved to be anti-dilutive for fiscal 2012 and 2011.

3. SIGNIFICANT ACCOUNTING POLICIES- continued

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 amortization 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 depreciationmethod are reviewed and adjusted, if appropriate, at financial year-end to ensure that the periods and method of depreciationare consistent with the expected pattern of economic benefits from the items of equipment.

The carrying values of equipment are reviewed for impairment 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 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 torelated 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 taxes are recorded using the statement of financial position liability method. Under the statement of financial position liability method, 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 does not recognize the asset.

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

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, 2012:

- 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 (Amendment) — Presentation of other comprehensive income(ii)
- IAS 28 (Amendment) — New standard issued that supersedes IAS 28 (2003) to prescribe 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, 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 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's convertible note is a compound financial instrument that contains a liability component and an equity component, being the conversion feature on the note. The fair value of the liability component is determined first with any residual value allocated to the equity component. The fair value of the liability component was determined using a level 3 fair value measurement.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 acounter-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, 2012, the Company had cash of $47,318available to settle current liabilities of $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, however, its material business expenses in South America have been denominated in U.S. dollar and as such, the Company has been affected by changes in exchange rates between the Canadian Dollar and the U.S. 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.At April 30, 2012, the Company had ceased operations in the United States

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, 2012	April 30, 2011	May 1, 2010
HST/GST receivables	**$ 19,470**	$ 46,297	$ 2,021
Trade and other receivables	**22,043**	80,326	-
Accrued interest	**-**	6,162	-
	$ 41,513	$ 132,785	$ 2,021

6. MARKETABLE SECURITIES

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

	April 30, 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**	**$(10,988)**	**$4,500**	$ -	$ -	$ -

7. EQUIPMENT

Computer Equipment	Cost	Accumulated Depreciation	Net Book Value
Balance at May 1, 2010	**$ 6,474**	**$ 4,210**	**$ 2,264**
Depreciation	-	679	(679)
Balance at April 30, 2011	**$ 6,474**	**$ 4,889**	**$ 1,585**
Depreciation	-	595	(595)
Balance at April 30, 2012	**$ 6,474**	**$ 5,484**	**$ 990**

8. EXPLORATION AND EVALUATION ASSETS

	April 30, 2011	Expended During the Year	Write-offs & Recoveries During the Year	**April 30, 2012**
Gold and Base Metal Properties, NWT, Yukon and Nunavut				
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, Nunavut and NWT				
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, 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	**129,642**	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

	April 30, 2010	Expended During the Year	Write-offs & Recoveries During the Year	April 30, 2011
Gold and Base Metal Properties, NWT, Yukon and Nunavut				
Exploration costs	**$ 5,445**	$ 17,596	$ (47)	**$ 22,994**
Acquisition costs	**352,982**	57,469	(274,168)	**136,283**
Geological and assays	**1,449**	5,112	-	**6,561**
Office and salaries	**9,024**	13,114	(1,649)	**20,489**
	368,900	93,291	(275,864)	**186,327**
Lithium Properties, Nunavut and NWT				
Exploration costs	**702,769**	44,316	(707,377)	**39,708**
Acquisition costs	**71,888**	1,689	(58,911)	**14,666**
Geological and assays	**18,909**	10,284	(17,729)	**11,464**
Office and salaries	**62,402**	10,358	(62,787)	**9,973**
	855,968	66,647	(846,804)	**75,811**
Lithium Property, USA				
Exploration costs	**332,846**	149,810	(482,656)	**-**
Acquisition costs	**203,446**	93,567	(297,013)	**-**
Geological and assays	**13,015**	13,821	(26,836)	**-**
Office and salaries	**88,801**	30,000	(118,801)	**-**
	638,108	287,198	(925,306)	**-**
Diamond Properties, NWT and Nunavut				
Exploration costs	**39,238**	213,249	-	**252,487**
Acquisition costs	**14,326**	8,038	-	**22,364**
Geological and assays	**146,928**	6,336	-	**153,264**
Office and salaries	**87,646**	41,996	-	**129,642**
	288,138	296,619	-	**557,757**
TOTAL	**$ 2,151,114**	**$ 716,755**	$ **(2,047,974)**	**$ 819,895**

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 assetsare in good standing.

8. EXPLORATION AND EVALUATION ASSETS - continued

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.

The Company also had an agreement with Canadian Natural Resources Ltd. ("CNR") to earn an interest in two mining leases. In December 2010, the Company informed CNR that it would not exercise its option to earn a 100% interest in the two mining leases and accordingly, wrote-off capitalized acquisition and exploration expenditures of $275,169 for the year ended April 30, 2011.

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 third party option holder 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 a 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 and Sennen has assumed Chelsea's obligations pursuant to the option agreement.

8. EXPLORATION AND EVALUATION ASSETS - continued

Gold and Base Metal Properties, Northwest Territories, Yukon and Nunavut - 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 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 agreement was terminated and the Company wrote-off the entire carrying value of the property, totalling $33,309.

Seagull Property

The Company entered into anoption 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 terms of the agreement, the Company must make an initial $15,000 cash payment (paid) and issue 100,000 common shares (issued at a value of $18,000). To earn its interest, 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

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

Nunavut Tunngavik Incorporated (“NTI”) Properties, Nunavut

The Company has a 100% interest in the Nunavut Tunngavik Incorporated (“NTI”) properties located in the West Kitikmeot region of Nunavut. If a feasibility study is completed on any area within the NTI properties, NTI has the option of taking either a 20% participating interest or a 7.5% net profits royalty in the specific area subject to study.

Other Properties

Mineral property write-offs of $44,136(2011 -$21,480) during the year ended April 30, 2011 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, Nunavut and NWT

Phoenix Lithium Project, NWT

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

The Company wrote-off $846,804 in capitalized acquisition and exploration expenses related to this property for the year ended April 30, 2011.

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.

Lithium Properties, USA

Lithium Projects, North Carolina, USA

Between July and September 2009,the Company entered into seven option agreements with landowners in North Carolina. Under the terms of these agreements, the Company must make cash payments upon execution (US $84,706 paid) and various annual option payments ranging from US $9,024 to US $84,706 (US $84,706 paid in 2010 and US $84,706 paid in 2011) between 2010 and 2018.

The Company has decided that it will stop development on the property and consequently wrote off all acquisition and exploration costs totalling $943,841 on the property for the year ended April 30, 2011.

Lithium Projects, Generative

In July 2009, the Company and Strongbow entered into a generative exploration agreement, which establishes an area of interest (“AOI”) for the acquisition of lithium exploration properties, mineral rights or other interests (collectively, the “Rights”). Upon notice from Strongbow, the Company may exercise a back-in right to acquire an undivided 40% interest in the AOI and any Rights acquired by Strongbow within the AOI, after Strongbow incurs $2 million in acquisition and exploration expenditures. If the Company elects to exercise the back-in right, it must spend $2 million within thirty-six months from the date of notice, including minimum expenditures of $500,000 within each twelve-month period. As of April 30, 2011, the Company and Strongbow agreed to terminate this agreement.

Diamond Properties, Northwest Territories and Nunavut

Lac de Gras, NWT

In August 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.

8. EXPLORATION AND EVALUATION ASSETS - continued

Diamond Properties, Northwest Territories and Nunavut - continued

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.

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, 2012	April 30, 2011	May 1, 2010
Trade payables	**$ 12,236**	$ 28,707	$ 52,462
Accrued liabilities	**32,500**	31,240	62,765
	$ 44,736	$ 59,947	$ 115,227

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.

10. CONVERTIBLE NOTE - continued

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, 2012	April 30, 2011
Principal amount	**$ 1,000,000**	$ -
Less equity component of convertible note	**(137,996)**	-
Accrued interest	**46,667**	-
Accretion	**39,534**	-
Liability component	**$ 948,205**	$ -

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

During the year ended April 30, 2012, the Company issued 100,000 common shares at a value of $18,000 pursuant to the Seagull property option agreement.

In August 2010, the Company completed a non-brokered private placement of 3,958,333 flow-through units (the "FT Units") at a price of $0.18 per FT Unit, for total gross proceeds of $712,500. Each FT Unit consisted of one flow-through common share and one-half of one non-flow-through common share purchase warrant. Each full warrant entitles the holder to purchase one additional common share until August 20, 2011 at a price of $0.25 per share. As part of this private placement, the Company paid finder's fees of $38,220.

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.

11. CAPITAL STOCK AND RESERVES- continued

Stock options and warrants - continued

As at April 30, 2012, the following stock options were outstanding:

Number of Shares		Exercise Price	Number of Shares Vested	Expiry Date
900,000	$	0.40	900,000	August 7, 2012 *
1,180,000		0.20	1,180,000	June 4, 2014
200,000		0.30	200,000	September 2, 2014
1,000,000		0.20	750,000	March 7, 2016
770,000		0.20	385,000	May 12, 2016
170,000		0.20	85,000	November 3, 2016
4,220,000			3,500,000	

* 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	3,324,5000	$ 0.28
Granted	1,000,0000	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	(1,407,000)	0.24
Balance, April 30, 2012	4,220,000	$ 0.25
Number of options currently exercisable	3,500,000	$ 0.25

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	(6,109,667)	0.28
Balance, April 30, 2012	-	$ -

11. CAPITAL STOCK AND RESERVES- continued

Share-based compensation

During the year ended April 30, 2012, the Company granted 1,390,000 stock options (2011 – 1,000,000). The estimated fair value of the options granted during the year is $141,203 (2011–$109,058) or $0.10 (2011 - $0.11) per option. During the year ended April 30, 2012 the Company recognized share-based compensation of $176,357 (2011 - $88,046) relating to options vested during the year.

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

	Year Ended April 30, 2012	Year Ended April 30, 2011
Risk-free interest rate	1.82%	2.21%
Expected life of options	3.0 years	3.0 years
Annualized volatility	131%	100%
Dividend rate	0.00%	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 other related parties are disclosed below.

a) *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
StrongbowExploration Inc.	Exploration and administration
Stornaway Diamond Corp.	Administration
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 or with a company in which an officer of the Company is a partner.

a) During the year ended April 30, 2012, the Company paid or accrued $125,888 (2011 - $129,210) for shared technical services and rent to a company with common directors.

b) During the year ended April 30, 2012, the Company paid or accrued $12,945 (2011 - $23, 451) for shared administrative and accounting services to a company with common directors.

c) During the year ended April 30, 2012, the Company paid or accrued consulting fees of $269,166 (2011- $150,833) to a company controlled by a director. This amount is included in salaries disclosed below.

12. RELATED PARTY TRANSACTIONS - continued

d) Included in prepaid expenses as at April 30, 2012 is $Nil (2011- $10,000) paid to the former president of the Company for future services.

e) During the year ended April 30, 2012 the Company paid $4,015 (2011- $1,338) for office rent to a company controlled by a director.

f) Amounts due to related parties of $132,008 (2011 - $69,498) are owing to companies with an officer/director in common, officers and a former officer.

The remuneration of directors and key management personnel during the year ended April 30, 2012 was as follows:

		April 30, 2012		April 30, 2011
Salaries[1]	**$**	**269,166**	$	150,833
Share-based compensation[2]		**138,309**		62,013
Total	**$**	**407,475**	$	212,846

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:

		2012		**2011**
Loss for the year	$	(2,083,787)	$	(2,860,566)
Expected income tax (recovery)	$	(541,000)	$	(796,000)
Change in statutory rates, foreign tax and other		130,000		3,000
Non-deductible expenditures		46,000		34,000
Change in unrecognized deductible temporary differences		365,000		759,000
Total income tax expense (recovery)	**$**	**-**	**$**	**-**

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

		2012		**2011**	**Expiry Date Range**
Temporary Differences					
Exploration and evaluation assets	**$**	4,451,000	$	4,013,082	No expiry date
Equipment		14,000		14,000	No expiry date
Share issue costs		60,000		132,000	2013 - 2015
Marketable securities		11,000		-	No expiry date
Non-capital losses available for future period		2,963,000		1,958,000	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, 2012 were:

a) The Company incurring exploration and evaluation expenditures of $10,657 (2011-$9,176) that are included in accounts payable and accrued liabilities at April 30, 2012.

b) The Company incurring exploration and evaluation expenditures of $ 7,434 (2011-$5,784) that are included in due to related parties at April 30, 2012.

c) The Company incurring exploration and evaluation cost recoveries of $1,644 (2011- $79,912) that are included in receivables at April 30, 2012

d) The Company issuing 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). The Company receiving 75,000 common shares with a fair value of $15,488 from the sale of exploration data (Note 5).

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

During the year the Company's business consisted of mineral exploration and evaluation. Details of geographic segments are as follows:

	Canada	United States	Total
April 30, 2012			
- Exploration and evaluation assets	$ 797,253	$ -	$ 797,253
- Equipment	$ 990	-	$ 990
	$ 798,243	$ -	$ 798,243
April 30, 2011			
- Exploration and evaluation assets	$ 819,895	$ -	$ 819,895
- Equipment	$ 1,585	$ -	$ 1,585
	$ 821,480		$ 821,480
May 1, 2010			
- Exploration and evaluation assets	$ 1,513,006	$ 638,108	$ 2,151,114
- Equipment	$ 2,264	$ -	$ 2,264
	$ 1,515,270	$ 638,108	$ 2,153,378

17. 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 guidancefor the initial adoption of IFRS. Under IFRS 1 the standards are applied retrospectively at thetransitional statement of financial position date with all adjustments to assets and liabilitiestaken to shareholders equity unless certain exemptions are applied. The Company has appliedthe 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-basedPayment to equity instruments that were granted on or before November 7,2002, or equity instruments that were granted subsequent to November 7, 2002 andvested 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 transitionto IFRS must be consistent with estimates made for the same date under previousGAAP, 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 CanadianGAAP estimates for the same date.

d) 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.

17. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS - continued

d) Reclassification within Equity Section – continued

The May 1, 2010 Canadian GAAP statement of financial position has been reconciled to IFRS as follows:

	May 1, 2010		
	Canadian GAAP	Effect of transition to IFRS	IFRS
ASSETS			
Current assets			
Cash	$ 1,126,124	$ -	$ 1,126,124
Receivables	2,021	-	2,021
Prepaid expenses	25,014	-	25,014
	1,153,159		1,153,159
Equipment	2,264	-	2,264
Exploration and evaluation assets[1]	2,207,651	(56,537)	2,151,114
	$ 3,363,074	$ (56,537)	$ 3,306,537
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	$ 115,227	$ -	$ 115,227
Due to related parties	76,610	-	76,610
	191,837	-	191,837
SHAREHOLDERS EQUITY			
Capital stock[3]	8,755,602	978,667	9,734,269
Share-based payment reserve[2]	607,963	66,680	674,643
Deficit	(6,192,328)	(1,101,884)	(7,294,212)
	3,171,237	(56,537)	3,114,700
	$ 3,363,074	$ (56,537)	$ 3,306,537

17. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS - continued

The May 1, 2010 Canadian GAAP Mineral Property Schedule has been reconciled to IFRS as follows:

	May 1, 2010		
	Canadian GAAP	Effect of transition to IFRS	IFRS
Gold and Base Metal Properties, NWT, Yukon and Nunavut			
Exploration costs	$ 31,523	$ (26,078)	$ 5,445
Acquisition costs	352,982	-	352,982
Geological and assays	1,449	-	1,449
Office and salaries	20,948	(11,924)	9,024
	406,902	(38,002)	368,900
Lithium Properties, NWT and Nunavut			
Exploration costs	702,769	-	702,769
Acquisition costs	71,888	-	71,888
Geological and assays	18,909	-	18,909
Office and salaries	62,402	-	62,402
	855,968	-	855,968
Lithium Properties, USA			
Exploration costs	336,900	(4,054)	332,846
Acquisition costs	212,505	(9,059)	203,446
Geological and assays	13,015	-	13,015
Office and salaries	94,223	(5,422)	88,801
	656,643	(18,535)	638,108
Diamond Properties, NWT and Nunavut			
Exploration costs	39,238	-	39,238
Acquisition costs	14,326	-	14,326
Geological and assays	146,928	-	146,928
Office and salaries	87,646	-	87,646
	288,138	-	288,138
TOTAL	$ 2,207,651	$ (56,537)	$ 2,151,114

17. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS - continued

The April 30, 2011 Canadian GAAP statement of financial position has been reconciled to IFRS as follows:

	April 30, 2011		
	Canadian GAAP	Effect of transition to IFRS	IFRS
ASSETS			
Current assets			
Cash	$ 671,960	$ -	$ 671,960
Receivables	132,785	-	132,785
Prepaid expenses	32,267	-	32,267
	837,012	-	837,012
Equipment	1,585	-	1,585
Exploration and evaluation assets [1]	857,897	(38,002)	819,895
	$ 1,696,494	$ (38,002)	$ 1,658,492
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	$ 59,947	$ -	$ 59,947
Due to related parties	69,498	-	69,498
	129,445	-	129,445
SHAREHOLDERS EQUITY			
Capital stock [3]	9,765,706	1,181,730	10,947,436
Share-based payment reserve [2]	702,933	33,456	736,389
Deficit	(8,901,590)	(1,253,188)	(10,154,778)
	1,567,049	(38,002)	1,529,047
	$ 1,696,494	$ (38,002)	$ 1,658,492

17. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS - continued

The April30, 2011 Canadian GAAP Mineral Property Schedule has been reconciled to IFRS as follows:

		April30, 2011				
		Canadian GAAP		Effect of transition to IFRS		IFRS
Gold and Base Metal Properties, NWT, Yukon and Nunavut						
Exploration costs	$	49,072	$	(26,078)	$	22,994
Acquisition costs		136,283		-		136,283
Geological and assays		6,561		-		6,561
Office and salaries		32,413		(11,924)		20,489
		224,329		(38,002)		186,327
Lithium Property, Nunavut						
Exploration costs		39,708		-		39,708
Acquisition costs		14,666		-		14,666
Geological and assays		11,464		-		11,464
Office and salaries		9,973		-		9,973
		75,811		-		75,811
Diamond Properties, NWT and Nunavut						
Exploration costs		252,487		-		252,487
Acquisition costs		22,364		-		22,364
Geological and assays		153,264		-		153,264
Office and salaries		129,642		-		129,642
		557,757		-		557,757
TOTAL	$	857,897	$	(38,002)	$	819,895

17. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS - continued

The Canadian GAAP statement of loss and comprehensive loss for the year ending April 30, 2011 has been reconciled to IFRS as follows:

	Year Ended April 30, 2011		
	Canadian GAAP	Effect of transition to IFRS	IFRS
Expenses			
Advertising, promotion and travel	$ 172,638	$ -	$ 172,638
Consulting	176,333	-	176,333
Depreciation	679	-	679
Office, miscellaneous and rent	86,052	-	86,052
Professional fees	79,968	-	79,968
Property investigation costs[1]	-	20,784	20,784
Regulatory and filing fees	17,736	-	17,736
Salaries and benefits	177,166	-	177,166
Share-based compensation[2]	121,270	(33,224)	88,046
Loss before other items	(831,842)	12,440	(819,402)
Other items			
Interest income	6,810	-	6,810
Write-off of exploration and evaluation assets[1]	(2,087,293)	39,319	(2,047,974)
Future income tax recovery[3]	203,063	(203,063)	-
Loss and comprehensive loss for the year	$ (2,709,262)	$ (151,304)	$ (2,860,566)

17. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS - continued

The Canadian GAAP statement of cash flows for the year ending April 30, 2011 has been reconciled to IFRS as follows:

	Canadian GAAP	Effect of transition to IFRS	IFRS
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the year	$ (2,709,262)	$ (151,304)	$(2,860,566)
Items not involving cash:			
Depreciation	679	-	679
Share-based compensation	121,270	(33,224)	88,046
Future income tax recovery	(203,063)	203,063	-
Write-off of exploration and evaluation assets	2,087,293	(39,319)	2,047,974
Changes in non-cash working capital items:			
Increase in receivables	(50,852)	-	(50,852)
Increase in prepaid expenses	(7,253)		(7,253)
Increase in accounts payable and accrued liabilities	3,774	-	3,774
Decrease in due to related parties	(216)	-	(216)
Net cash used in operating activities	(757,630)	(20,784)	(778,414)
CASH FLOWS FROM INVESTING ACTIVITIES			
Expenditures on exploration and evaluation assets, net	(873,401)	20,784	(852,617)
Net cash used in investing activities	(873,401)	20,784	(852,617)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of capital stock	1,220,650	-	1,220,650
Share issue costs	(43,783)	-	(43,783)
Net cash provided by financing activities	1,176,867	-	1,176,867
Change in cash during the year	(454,164)	-	(454,164)
Cash, beginning of year	1,126,124	-	1,126,124
Cash, end of year	$ 671,960	$ -	$ 671,960
Cash paid during the year for interest	$ -	$ -	$ -
Cash paid during the year for income taxes	$ -	$ -	$ -

17. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS - continued

(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 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, 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 thedifference between the quoted market price of the existing shares and the amount an investor pays for theflow-through shares. This flow-through premium is recorded as a liability that is reduced whenqualifying flow-through expenditures are incurred. The reduction of the flow-through liability is recognized as other income.

18. SUBSEQUENT EVENTS

a) Subsequent to April 30, 2012, the Company announced that, subject to regulatory approval, it had entered into an agreement with Strongbow Exploration Inc. to earn a 50% interest in the Snowbird nickel project in Northern Saskatchewan, Canada. Under the terms of the agreement the Company can earn its interest by incurring $4 million in exploration expenditures by December 31, 2016 including a firm commitment to spend $30,000 prior to December 31, 2012. Strongbow Exploration Inc. has two directors in common with the Company.

b) In June 2012, the Company entered into an agreement with a subsidiary of Elgin Mining Inc. ("Elgin"). Under the terms of the agreement Elgin can earn a 60% interest in the Company's Contwoyto properties by spending $6 million over a six year period.