STRONGBOW EXPLORATION INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

OCTOBER 31, 2012

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

Reader's Note:

These condensed interim consolidated financial statements of Strongbow Exploration Inc. ("Strongbow") for the nine months ended October 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.

STRONGBOW EXPLORATION INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

	October 31, 2012	January 31, 2012
ASSETS		
Current		
Cash	$ 364,359	186,209
Short-term investments	46,000	74,750
Marketable securities (Note 3)	28,325	21,800
Receivables (Note 4)	31,958	19,443
Prepaid expenses	45,616	49,503
	516,258	351,705
Investment (Note 3)	168,686	626,549
Deposits	20,945	35,518
Property and equipment (Note 6)	27,718	23,725
Mineral properties (Note 7)	14,012,305	13,657,201
	$ 14,745,912	$ 14,694,698
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 5)	$ 70,698	$ 86,148
CAPITAL AND RESERVES		
Capital stock (Note 8)	26,415,443	25,280,132
Share-based payment reserve (Note 8)	4,095,128	3,983,741
Investment revaluation reserve	(104,968)	355,870
Deficit	(15,730,389)	(15,011,193)
	14,675,214	14,608,550
	$ 14,745,912	$ 14,694,698

Nature and continuance of operations (Note 1)
Commitments (Note 11)

Approved and authorized on behalf of the Board on December 18, 2012:

"D. Grenville Thomas" Director   *"Kenneth A. Armstrong"* Director

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

STRONGBOW EXPLORATION INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE INCOME (LOSS)
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

	Three Months Ending		Nine Months Ending	
	October 31, 2012	October 31, 2011	October 31, 2012	October 31, 2011
EXPENSES				
Advertising and promotion	$ 17,626	$ 24,612	$ 74,783	$ 100,588
Depreciation	2,210	2,511	5,492	7,534
Insurance	10,951	10,874	34,474	31,244
Office, miscellaneous and rent	24,706	18,018	71,761	56,743
Professional fees	15,333	34,399	53,311	127,902
Generative exploration costs	21,329	96,814	57,614	302,071
Regulatory and filing fees	1,276	1,296	16,236	17,574
Salaries and benefits	44,063	42,235	159,359	135,092
Share-based compensation (Note 8)	21,265	153,530	102,470	507,155
Loss before other items	(158,759)	(384,289)	(575,500)	(1,285,903)
OTHER ITEMS				
Foreign exchange gain (loss)	(2,352)	11,563	(9,949)	(976)
Interest income	206	3,165	600	16,930
Mineral exploration tax credit	-	-	-	2,395
Write-off of mineral properties (Note 7)	(20,396)	(344,097)	(134,347)	(344,097)
Loss for the period	(181,301)	(713,658)	(719,196)	(1,611,651)
Unrealized loss on marketable securities and investments	(117,515)	(78,644)	(460,838)	(255,832)
Comprehensive loss for the period	$ (298,816)	$ (792,302)	$ (1,180,034)	$ (1,867,483)
Basic and diluted loss per share	$ (0.00)	$ (0.01)	$ (0.01)	$ (0.02)
Weighted average number of common shares outstanding	91,077,163	81,995,963	89,846,377	81,885,367

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

STRONGBOW EXPLORATION INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED OCTOBER 31
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	$ (719,196)	$ (1,611,651)
Items not involving cash:		
Depreciation	5,492	7,534
Share-based compensation	102,470	507,155
Write-off of mineral properties	134,347	344,097
Changes in non-cash working capital items:		
Decrease (increase) in receivables	(14,814)	4,752
Decrease (increase) in prepaid expenses	3,887	(40,702)
Decrease in accounts payable and accrued liabilities	(16,641)	(47,513)
Net cash used in operating activities	(504,455)	(836,328)
CASH FLOWS FROM INVESTING ACTIVITIES		
Deposits	14,574	-
Short-term investments	28,750	-
Expenditures on mineral properties	(520,462)	(1,833,949)
Recoveries on mineral properties	25,000	113,585
Acquisition of property and equipment	(9,485)	-
Net cash used in investing activities	(461,623)	(1,720,364)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of capital stock	1,157,000	-
Proceeds from the exercise of options and warrants	-	288,781
Share issue costs	(12,772)	5,035
Net cash provided by financing activities	1,144,228	293,816
Change in cash during the period	178,150	(2,262,876)
Cash beginning of period	186,209	2,994,120
Cash end of period	$ 364,359	$ 731,244
Cash paid during the period for interest	$ -	$ -
Cash paid during the period for income taxes	$ -	$ -

Supplemental disclosure with respect to cash flows (Note 10)

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

STRONGBOW EXPLORATION INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
OCTOBER 31, 2012
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

	Capital Stock		Reserves			
	Number of shares	Amount	Share-based payment reserve	Investment revaluation reserve	Deficit	Total
Balance at January 31, 2012	81,995,963	$ 25,280,132	$ 3,983,741	$ 355,870	$ (15,011,193)	$ 14,608,550
Shares issued for cash – private placement	8,900,000	1,157,000	-	-	-	1,157,000
Shares issued for cash – finder's units	181,200	23,556	-	-	-	23,556
Share issue costs	-	(45,245)	8,917	-	-	(36,328)
Share-based compensation	-	-	102,470	-	-	102,470
Unrealized loss on marketable securities and investments	-	-	-	(460,838)	-	(460,838)
Net loss for the period	-	-	-	-	(719,196)	(719,196)
Balance at October 31, 2012	**91,077,163**	**$ 26,415,443**	**$ 4,095,128**	**$ (104,968)**	**$ (15,730,389)**	**$ 14,675,214**
Balance at January 31, 2011	81,223,463	$ 24,809,253	$ 3,642,543	$ 617,152	$ (13,147,416)	$ 15,921,532
Exercise of options and warrants	772,500	486,132	(197,351)	-	-	288,781
Share-based compensation	-	-	507,155	-	-	507,155
Share issuance recovery	-	5,035	-	-	-	5,035
Unrealized loss on marketable securities	-	-	-	(255,832)	-	(255,832)
Net loss for the period	-	-	-	-	(1,611,651)	(1,611,651)
Balance at October 31, 2011	**81,995,963**	**$ 25,300,420**	**$ 3,952,347**	**$ 361,320**	**$ (14,759,067)**	**$ 14,855,020**

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Strongbow Exploration Inc. or (the "Company") is incorporated federally under the laws of the Canada Business Corporations Act ("CBCA").

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 – SBW) and its head office is located at Suite 860 – 625 Howe Street, Vancouver, BC, Canada V6C 2T6.

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

These 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. These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern. 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

These condensed interim consolidated financial statements have been prepared by the Company in accordance with International Accounting Standards 34, Interim Financial Reporting ("IAS 34"), using the same accounting policies and methods of application as the audited consolidated financial statements of the Company for the year ended January 31, 2012. These condensed interim consolidated financial statements do not include all of the information and note disclosures required by IFRS for annual financial statements of the Company and should therefore be read in conjunction with the audited consolidated financial statements of the Company as at January 31, 2012.

In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements.

Certain reclassifications have been made to the prior period financial statements to conform with the presentation in the current period.

New Accounting Standards

The following new standards, amendments and interpretations have not been early adopted in these condensed interim consolidated financial statements. The Company is currently evaluating the effect of adopting the new standards, amendments and interpretation on future operations:

2. BASIS OF PRESENTATION – *Continued*

New Accounting Standards – *Continued*

IFRS 7 *Financial Instruments – Disclosures* ("IFRS 7") was amended by the Internal Accounting Standards Board in October 2010 and provides guidance on identifying transfers of financial assets and continuing involvement in transferred assets for disclosure purposes. The amendments introduce new disclosure requirements for transfers of financial assets including disclosures for financial assets that are not derecognized in their entirety, and for financial assets that are derecognized in their entirety but for which continuing involvement is retained. The Company intends to adopt IFRS 7 in its financial statements for the annual period beginning on February 1, 2013. The Company does not expect IFRS 7 to have a material impact on its financial statements.

IFRS 9 *Financial instruments*, was issued in November 2009 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in International Accounting Standard ("IAS 39"), Financial instruments – Recognition and Measurement, for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit and loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where equity instruments are measured at fair value through other comprehensive income, dividends are recognize in profit or loss to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

Requirements for financial liabilities were added to IFRS 9 in October 2010 and they largely carried forward existing requirements in IAS 39 except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income. This standard is effective for all annual periods beginning on or after January 1, 2015.

IFRS 10 *Consolidated financial statements* requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 *Consolidation—special purpose entities* and parts of IAS 27 *Consolidated and separate financial statements*. This standard is effective for all annual periods beginning on or after January 1, 2013.

IFRS 11 *Joint arrangements* requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, *Interests in joint ventures*, and SIC-13, *Jointly controlled entities—non-monetary contributions by venturers*. This standard is effective for all annual periods beginning on or after January 1, 2013.

IFRS 12 *Disclosure of interests in other entities* establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities. This standard is effective for all annual periods beginning on or after January 1, 2013.

IFRS 13 *Fair value measurement* is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. This standard is effective for all annual periods beginning on or after January 1, 2013.

(Expressed in Canadian dollars)

2. BASIS OF PRESENTATION – *Continued*

New Accounting Standards – *Continued*

IAS 1 *Presentation of financial statements*, was amended to require entities to group items within other comprehensive income that may be reclassified to profit or loss. This standard is effective for annual periods beginning on or after July 1, 2012.

IAS 19 *Post-employment benefits*, was amended to eliminate the corridor method that defers the recognition of gains and losses, to streamline the presentation of changes in assets and liabilities arising from defined benefit plans and to enhance the disclosure requirements for defined benefit plans. This amendment is effective for annual periods beginning on or after January 1, 2013.

IAS 28 *Investment in associates*, was amended to include joint ventures in its scope and to address the changes in IFRS 10 to 13. This amendment is effective for annual periods beginning on or after January 1, 2013.

IAS 32 *Financial instruments: presentation*, was amended to address inconsistencies in current practice when applying the offsetting criteria in IAS 32. Under this amendment, the meaning of "currently has a legally enforceable right of set-off" was clarified as well as providing clarification that some gross settlement systems may be considered equivalent to net settlement. This amendment is effective for annual periods beginning on or after January 1, 2014.

3. MARKETABLE SECURITIES AND INVESTMENTS

a) Marketable Securities

	October 31, 2012			January 31, 2012		
	Cost	**Unrealized Loss***	**Fair Market Value**	Cost	Unrealized Loss*	Fair Market Value
Various public companies	**$ 61,000**	**$ (32,675)**	**$ 28,325**	$ 51,500	$ (29,700)	$ 21,800

*before deferred taxes

During the period ended October 31, 2012, the Company received common shares of a TSX-V Company with a fair value of $9,500 (January 31, 2012 - $35,000) pursuant to a property option agreement (Note 7).

b) Investment in North Arrow Minerals Inc. ("North Arrow")

	October 31, 2012			January 31, 2012		
	Cost	**Unrealized Gain***	**Fair Market Value**	Cost	Unrealized Gain*	Fair Market Value
Investment in North Arrow	**$ 240,979**	**$ (72,293)**	**$ 168,686**	$ 240,979	$ 385,570	$ 626,549

*before deferred taxes

North Arrow and the Company are related by virtue of two common directors. During the year-ended January 31, 2012, the Company reclassified its marketable securities in North Arrow to investments because management intends to hold these shares until market conditions improve.

(Expressed in Canadian dollars)

4. RECEIVABLES

	October 31, 2012	January 31, 2012
HST/GST receivables	$ 1,796	$ 4,658
Trade receivables	183	220
Related party receivables	29,979	14,565
Total	$ 31,958	$ 19,443

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	October 31, 2012	January 31, 2012
Trade payables	$ 17,756	$ 17,633
Accrued liabilities	52,942	68,515
Total	$ 70,698	$ 86,148

6. PROPERTY AND EQUIPMENT

	Furniture and Equipment	Computer Equipment	Software	Leasehold Improvements	Total
Cost					
As at January 31, 2011	$ 43,041	$ 125,339	$ 42,532	$ 32,072	$ 242,984
Additions	-	-	-	1,840	1,840
Disposals	-	(16,633)	-	-	(16,633)
As at January 31, 2012	$ 43,041	$ 108,706	$ 42,532	$ 33,912	$ 228,191
Additions	-	9,485	-	-	9,485
As at October 31, 2012	**$ 43,041**	**$ 118,191**	**$ 42,532**	**$ 33,912**	**$ 237,676**
Accumulated Depreciation					
As at January 31, 2011	$ (37,207)	$ (97,843)	$ (41,903)	$ (32,072)	$ (209,025)
Charge for the period	(1,167)	(8,249)	(629)	(108)	(10,153)
Disposals	-	14,712	-	-	14,712
As at January 31, 2012	(38,374)	(91,380)	(42,532)	(32,180)	(204,466)
Charge for the period	(700)	(4,468)	-	(324)	(5,492)
As at October 31, 2012	**$ (39,074)**	**$ (95,848)**	**$ (42,532)**	**$ (32,504)**	**$ (209,958)**
Net book value					
As at January 31, 2011	$ 5,834	$ 27,496	$ 629	$ -	$ 33,959
As at January 31, 2012	$ 4,667	$ 17,326	$ -	$ 1,732	$ 23,725
As at October 31, 2012	**$ 3,967**	**$ 22,343**	**$ -**	**$ 1,408**	**$ 27,718**

(Expressed in Canadian dollars)

7. MINERAL PROPERTIES

	January 31, 2012	Expended During The Period	Write-off of Costs and Recoveries	**October 31, 2012**
Gold and Base Metal Properties, British Columbia				
Exploration costs	$ 120,576	$ 7,290	$ (76,839)	**$ 51,027**
Acquisition costs	91,175	351	(20,170)	**71,356**
Geological and assays	89,258	419	(7,088)	**82,589**
Office and salaries	522,299	40,453	(62,354)	**500,398**
	823,308	48,513	(166,451)	**705,370**
Gold and Base Metal Properties, NWT& NU				
Exploration costs	7,455,612	6,005	-	**7,461,617**
Acquisition costs	30,922	2,089	-	**33,011**
Geological and assays	273,250	-	-	**273,250**
Office and salaries	1,190,589	4,354	-	**1,194,943**
	8,950,373	12,448	-	**8,962,821**
Gold and Base Metal Properties, Saskatchewan				
Exploration costs	1,136,100	-	-	**1,136,100**
Acquisition costs	84,387	-	-	**84,387**
Geological and assays	20,161	-	-	**20,161**
Office and salaries	235,210	5,101	-	**240,311**
	1,475,858	5,101	-	**1,480,959**
Gold and Base Metal Properties, USA				
Exploration costs	839,538	139,868	(465)	**978,941**
Acquisition costs	894,224	113,634	-	**1,007,858**
Geological and assays	126,048	26,166	-	**152,214**
Office and salaries	547,852	178,221	(1,931)	**724,142**
	2,407,662	457,889	(2,396)	**2,863,155**
TOTAL	$ 13,657,201	$ 523,951	$ (168,847)	**$ 14,012,305**

During the nine months ended October 31, 2012, the Company wrote-off $134,347 relating to certain properties and recorded the receipt of a cash option payment of $25,000 and received 100,000 common shares with a fair value of $9,500 which has been recorded as a recovery in the table above. During the nine months ended October 31, 2011, the Company wrote-off $344,097 relating to certain properties and recorded recoveries for B.C. mineral exploration tax credits of $53,585 and other recoveries of $60,000.

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

Gold and Base Metal Properties, British Columbia

The Company maintains interests in various gold and base metal properties in B.C. in addition to the properties described below.

Shovelnose Properties

The Company acquired, by staking, a 100% interest in certain mineral claims comprising the Shovelnose property in October 2005. The Company expanded the Shovelnose property by staking additional mineral claims in November 2008.

7. MINERAL PROPERTIES – *Continued*

Gold and Base Metal Properties, British Columbia – *Continued*

Shovelnose Properties – Continued

In January 2011, the Company signed an option agreement with Westhaven Ventures Inc. ("Westhaven"), whereby Westhaven can earn up to a 70% interest in the Shovelnose property. A director of the Company is also a director of Westhaven. Under the terms of the option agreement, Westhaven can earn an initial 51% interest in the Shovelnose property by i) incurring $1.5 million in exploration expenditures over a three year period, including a firm commitment to spend $250,000 in the first year of the agreement (completed), and ii) issuing a total of 300,000 common shares to Strongbow (100,000 common shares with a fair value of $9,500 received in July 2012 and 100,000 common shares with a fair value of $35,000 received in July 2011). Within twelve months of having earned its 51% interest in the property, Westhaven will have the option to earn an additional 19% interest (bringing its total property interest to 70%) by i) issuing an additional 500,000 shares to the Company and ii) incurring an additional $1.5 million in exploration expenditures.

Inza Property

In September 2008 and February 2009, the Company acquired, by staking, a 100% interest in certain mineral claims comprising the Inza property. In February 2009, the Company acquired a 100% interest in five additional mineral claims prospective for copper-gold by issuing a total of 250,000 common shares with a fair value of $15,000 to two prospectors.

In April 2011, the Company and Xstrata Copper Canada ("Xstrata") entered into an agreement whereby Xstrata may earn up to a 75% interest in the Inza Properties. Under the terms of the agreement, Xstrata may earn an initial 51% interest by making staged cash payments to the Company totaling $100,000, of which $50,000 was received as at April 30, 2012, and incurring cumulative exploration expenditures totaling $1.1 million over a four year period. Upon vesting at a 51% interest in the property, a joint venture will be formed and Xstrata will retain the right to earn a further 24% interest (75% interest total) by funding the completion of a pre-feasibility study and a feasibility study or incurring $20 million in expenditures towards the completion of a prefeasibility study and a feasibility study on the property.

Piltz Mountain and Mons Creek Properties

In February 2010, the Company acquired, by staking, a 100% interest in certain mineral claims comprising the Piltz Mountain and Mons Creek exploration properties in the Chilcotin region of south British Columbia. The results of a follow up program conducted by the Company during the period ended October 31, 2012, were disappointing and further exploration of the Piltz Mountain and Mons Creek properties is not anticipated. As a result, the Company has written off accumulated expenditures of $131,951 incurred evaluating these two properties.

Gold and Base Metal Properties, Northwest Territories and Nunavut

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

Opescal Lake, NWT

The Company acquired, by staking, a 100% interest in certain mineral claims forming part of the Company's Snowbird nickel project, in December 2006.

Nickel King Project, NWT

The Company holds a 100% interest in a number of mineral claims and mining leases in the southern Northwest Territories. Certain of these mining leases are subject to a 3% NSR on base and precious metals production and an additional 2% gross overriding royalty ("GOR"). The Company may purchase the entire NSR at any time for $1,500,000 and the Company may purchase one-half (1%) of the GOR at any time for $2,500,000.

7. MINERAL PROPERTIES – *Continued*

Gold and Base Metal Properties, Saskatchewan

The Company maintains a 100% interest in a number of mineral claims in northern Saskatchewan that form part of the Company's Snowbird nickel project, including the Dumas Lake, Heel, Breynat and Opescal Lake (Saskatchewan) properties. In July 2012, the Company and North Arrow entered into an option agreement whereby North Arrow can earn up to a 50% interest in the Snowbird nickel project by incurring $4 million in expenditures prior to December 31, 2016, including a firm commitment to spend $30,000 prior to December 31, 2012. The option agreement is subject to North Arrow completing an equity financing before December 31, 2012. On October 12, 2012 North Arrow provided notice to the Company that North Arrow would not proceed with the option and terminating the option agreement.

Other Exploration and Generative Exploration, Canada

Other Properties

The Company maintains a number of mineral claims and permits in British Columbia, Saskatchewan, and the Northwest Territories, as part of the Company's ongoing generative exploration programs.

Gold Properties, USA

Midway Gold Project, South Carolina, USA

Between July 2010 and September 2011, the Company entered into thirty-one property option agreements with private land owners in South Carolina (the "Midway Gold project"). In January and June 2012, the Company allowed four of the property option agreements to lapse. The terms of the option agreements include certain annual cash payments to the landowners and the issuance of 100,000 common shares (issued at a value of $24,000 in October 2010). If the option agreement is exercised by the Company, the Company will either purchase each property or enter into a long term mining lease with the property owner. The properties will be subject to a gross overriding royalty to the current land owners.

To maintain the property option agreements in good standing, the Company must make the following payments to landowners over the next five years (all amounts in US Dollars):

2013 - $68,888
2014 - $236,275
2015 - $315,655
2016 - $294,483
2017 - $205,498
2018 - $167,260

Ridgeway, South Carolina, USA

Between June 2011 and June 2012, the Company entered into ten property option agreements with private landowners to explore eighteen properties in South Carolina, USA. In June 2012, the Company allowed one of the property option agreements to lapse. The terms of the option agreements include certain annual cash payments and, upon exercising an option, the Company may purchase each property or enter into a long-term mining lease. The properties are subject to a gross overriding royalty to the current landowners.

To maintain the property option agreements in good standing, the Company must make the following payments to landowners over the next six years (all amounts in US Dollars):

2013 - $81,059
2014 - $128,171
2015 - $110,616
2016 - $110,616
2017 - $20,491
2018 - $40,982
2019 - $40,982

(Expressed in Canadian dollars)

7. MINERAL PROPERTIES – *Continued*

Gold Properties, USA – *Continued*

Parker Gold Mine, North Carolina, USA

In March 2011, the Company entered into an option agreement to purchase the Parker Mine property in North Carolina, USA. Under the terms of this agreement, the Company was required to make payments of US $120,000 to the current owner over a 30 month period ($80,000 in the first year (paid) and $40,000 in the second year). Upon exercising the option, the Company could have purchased the property for a maximum price of USD $10.3 million, and subject to a 1.5% gross overriding royalty. Based on the results of a drill program at the property during 2011, no further exploration is planned and the option agreement was allowed to lapse. During the year ended January 31, 2012 the Company wrote off the property's carrying value of $462,583.

8. CAPITAL STOCK AND RESERVES

Share issuances

In March 2012, the Company completed a non-brokered private placement of 8,900,000 units at a price of $0.13 per unit, for gross proceeds of $1,157,000. Each unit consisted of one common share and one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company until September 9, 2013 at a price of $0.20 per common share. As part of this private placement, the Company paid finder's fees of $1,560, and issued 181,200 finder's units. Each finder's unit has the same terms as the units issued as part of this private placement. The fair value of the finder's units was estimated to be $8,918 using the Black-Scholes option pricing model, using the following weighted average assumptions:

Risk-free interest rate	1.17%
Expected life of warrants	1.5 years
Annualized volatility	117%
Dividend rate	0.00%

For the nine months ended October 31, 2011 there were 772,500 shares issued from the exercise of stock options and warrants.

Stock options and warrants

In June 2012, the Company's shareholders approved the Company's Stock Option Plan (the "Plan"), which establishes a rolling number of shares issuable under the plan in the amount of 10% of the Company's issued shares at the date of grant.

Under the terms of the Plan, the exercise price of each stock option granted cannot 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-V. Options granted can have a term up to five years with vesting provisions determined by the directors in accordance with TSX-V policies for Tier 2 Issuers. Typically, the Company has granted stock options at or above the market price on the grant date, with a vesting period of 25% at the date of grant and 25% every six months thereafter.

(Expressed in Canadian dollars)

8. CAPITAL STOCK AND RESERVES – *Continued*

Stock options and warrants – *Continued*

As at October 31, 2012, the following stock options and warrants were outstanding:

	Number of Shares		Exercise Price	Number Vested	Expiry Date
Options	845,000	$	0.4600	845,000	December 21, 2012
	1,575,000		0.1700	1,575,000	July 26, 2014
	1,760,000		0.2000	1,760,000	September 23, 2015
	70,000		0.4200	70,000	December 22, 2015
	1,710,000		0.5500	1,710,000	April 29, 2016
Warrants	8,900,000	$	0.2000	8,900,000	September 9, 2013
	181,200		0.2000	181,200	September 9, 2013

Stock option transactions are summarized as follows:

	Number of Options		Weighted Average Exercise Price
Balance, January 31, 2012	6,950,000	$	0.38
Cancelled/Expired	(990,000)		0.66
Balance, October 31, 2012	5,960,000	$	0.33
Number of options currently exercisable as at October 31, 2012	5,960,000	$	0.33

The weighted average fair value of stock options granted during the nine months ended October 31, 2012 was $Nil (October 31, 2011 - $0.30).

Warrant transactions are summarized as follows:

	Number of Warrants		Weighted Average Exercise Price
Balance, January 31, 2012	-	$	-
Granted	9,081,200		0.20
Balance, October 31, 2012	9,081,200	$	0.20

(Expressed in Canadian dollars)

8. CAPITAL STOCK AND RESERVES – *Continued*

Share-based compensation

During the nine months ended October 31, 2012, the Company granted no stock options. During the nine months ended October 31, 2011, the Company granted 1,710,000 options with a fair value of $518,859, which is being recognized over the vesting periods of the options. Total share-based compensation recognized during the nine months ended October 31, 2012 was $102,470 (October 31, 2011 – $507,155).

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

	Year Ended January 31, 2012
Risk-free interest rate	2.04%
Expected life of options	3 years
Annualized volatility	100%
Dividend rate	0.00%

9. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties not disclosed elsewhere in these financial statements:

a) Charged rent and technical services of $29,107 (October 31, 2011- $69,881) to North Arrow, a company with two common directors.

b) Charged administrative and technical services of $21,163 (October 31, 2011 - $27,956) to Stornoway Diamond Corporation (“Stornoway”), a company with a common officer and former director.

c) Paid or accrued administrative and accounting services of $22,156 (October 31, 2011 - $21,547) to Stornoway.

Included in receivables are amounts due from North Arrow totaling $29,438 (January 31, 2012 - $14,395) for reimbursement of exploration expenditures and shared administrative expenses paid by the Company on North Arrow’s behalf.

Included in receivables are amounts due from Stornoway totaling $541 (January 31, 2012 - $170) for reimbursement of exploration and administrative costs paid by the Company on Stornoway’s behalf.

Key management includes the Company’s directors and officers. Compensation awarded to key management during the nine months ended October 31, 2012 and 2011 were as follows:

	Nine Months Ended October 31, 2012	Nine Months Ended October 31, 2011
Salaries and benefits[1]	**$ 218,403**	$ 222,917
Share-based compensation[2]	**-**	386,868
Total	**$ 218,403**	$ 609,785

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.

(Expressed in Canadian dollars)

10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The significant non-cash transactions for the nine months ended October 31, 2012 were:

a) The Company incurring mineral property expenditures of $6,653 that are included in accounts payable and accrued liabilities.

b) The Company received 100,000 common shares of a TSX-V company with a fair value of $9,500 (Note 3).

The significant non-cash transactions for the nine months ended October 31, 2011were:

a) The Company incurring mineral property expenditures of $40,381 that are included in accounts payable and accrued liabilities.

b) The Company has included mineral property recoveries of $9,252 in receivables.

c) The Company received 100,000 common shares of a TSX-V company with a fair value of $35,000.

11. COMMITMENTS

The Company is committed to minimum future lease payments for office premises and leased office equipment through to May 31, 2017 as follows:

Fiscal year ending January 31, 2014	$	63,386
Fiscal year ending January 31, 2015	$	63,386
Fiscal year ending January 31, 2016	$	63,386
Fiscal year ending January 31, 2017	$	3,857
Fiscal year ending January 31, 2018	$	964

The Company's lease costs may be reduced due to recoveries through sub-leases.

12. SEGMENTED INFORMATION

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

	October 31, 2012			January 31, 2012		
	Canada	**United States**	**Total**	Canada	United States	Total
Mineral Properties	**$ 11,149,150**	**$ 2,863,155**	**$ 14,012,305**	$ 11,249,539	$ 2,407,662	$ 13,657,201
Equipment	**27,718**	**-**	**27,718**	23,725	-	23,725
	$ 11,176,868	**$ 2,863,155**	**$ 14,040,023**	$ 11,273,264	$ 2,407,662	$ 13,680,926