STRONGBOW EXPLORATION INC.

CONSOLIDATED FINANCIAL STATEMENTS

JANUARY 31, 2012

(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Strongbow Exploration Inc.

We have audited the accompanying consolidated financial statements of Strongbow Exploration Inc., which comprise the consolidated statements of financial position as at January 31, 2012, January 31, 2011 and February 1, 2010 and the consolidated statements of loss and comprehensive loss, cash flows and changes in equity for the years ended January 31, 2012 and January 31, 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Strongbow Exploration Inc. as at January 31, 2012, January 31, 2011 and February 1, 2010 and its financial performance and its cash flows for the years ended January 31, 2012 and January 31, 2011 in accordance with International Financial Reporting Standards.

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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 Strongbow Exploration Inc.'s ability to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Accountants

April 26, 2012

STRONGBOW EXPLORATION INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

	January 31, 2012	January 31, 2011 (Note 17)	February 1, 2010 (Note 17)
ASSETS			
Current			
Cash	$ 186,209	$ 2,919,370	$ 720,973
Short-term investments	74,750	74,750	74,750
Marketable securities (Note 5)	21,800	874,631	1,472,985
Receivables (Note 6)	19,443	33,216	77,724
Prepaid expenses	49,503	59,918	54,297
	351,705	3,961,885	2,400,729
Investments (Note 5)	626,549	-	-
Deposits	35,518	-	-
Property and equipment (Note 8)	23,725	33,959	41,980
Mineral properties (Note 9)	13,657,201	12,096,800	11,437,427
	$ 14,694,698	$ 16,092,644	$ 13,880,136
LIABILITIES			
Current			
Accounts payable and accrued liabilities (Note 7)	$ 86,148	$ 171,112	$ 132,574
CAPITAL AND RESERVES			
Capital stock (Note 10)	25,280,132	24,809,253	21,512,543
Share-based payment reserve (Note 10)	3,983,741	3,642,543	3,355,186
Investment revaluation reserve	355,870	617,152	800,528
Deficit	(15,011,193)	(13,147,416)	(11,920,695)
	14,608,550	15,921,532	13,747,562
	$ 14,694,698	$ 16,092,644	$ 13,880,136

Nature and continuance of operations (Note 1)
Commitments (Note 14)
Transition to IFRS (Note 17)
Subsequent event (Note 18)

Approved and authorized on behalf of the Board on April 26, 2012:

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

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

STRONGBOW EXPLORATION INC.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
YEAR ENDED JANUARY 31
(Expressed in Canadian dollars)

	2012	2011 (Note 17)
EXPENSES		
Advertising and promotion	$ 137,375	$ 78,642
Depreciation	10,153	18,073
Insurance	43,110	26,069
Office, miscellaneous and rent	78,589	99,909
Professional fees	145,480	143,118
Generative exploration costs	338,016	16,335
Regulatory and filing fees	18,626	15,796
Salaries and benefits	209,207	260,696
Share-based compensation (Note 10)	523,296	185,547
Loss before other items	(1,503,852)	(844,185)
OTHER ITEMS		
Write-off of mineral properties (Note 9)	(462,600)	(477,801)
Foreign exchange gain	48,077	5,537
Interest income	17,467	8,840
Mineral exploration tax credits	39,052	-
Loss on the disposal of property and equipment	(1,921)	-
Gain on sale of marketable securities (Note 5)	-	80,888
	(359,925)	(382,536)
Loss for the year	(1,863,777)	(1,226,721)
Reversal of unrealized gain on marketable securities	-	(212,775)
Unrealized gain (loss) on marketable securities	(261,282)	29,399
Comprehensive loss for the year	$ (2,125,059)	$ (1,410,097)
Basic and diluted loss per share	$ (0.02)	$ (0.02)
Weighted average number of common shares outstanding	81,913,243	69,318,257

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

STRONGBOW EXPLORATION INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEAR ENDED JANUARY 31
(Expressed in Canadian dollars)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	$ (1,863,777)	$ (1,226,721)
Items not involving cash:		
Depreciation	10,153	18,073
Share-based compensation	523,296	185,547
Write-off of mineral properties	462,600	477,801
Gain on sale of marketable securities	-	(80,888)
Loss on the disposal of property and equipment	1,921	-
Changes in non-cash working capital items:		
Decrease in receivables	7,111	45,567
Increase in prepaid expenses	10,415	(5,621)
Increase (decrease) in accounts payable and accrued liabilities	(48,839)	36,154
Net cash used in operating activities	(897,120)	(550,088)
CASH FLOWS FROM INVESTING ACTIVITIES		
Deposits	(35,518)	-
Expenditures on mineral properties	(2,202,806)	(1,131,543)
Recoveries on mineral properties	115,342	19,694
Acquisition of property and equipment	(1,840)	(10,052)
Proceeds from sale of marketable securities	-	495,866
Net cash used in investing activities	(2,124,822)	(626,035)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of capital stock	-	3,600,000
Proceeds from the exercise of options and warrants	288,781	-
Share issue costs	-	(225,480)
Net cash provided by financing activities	288,781	3,374,520
Change in cash during the year	(2,733,161)	2,198,397
Cash beginning of year	2,919,370	720,973
Cash end of year	$ 186,209	$ 2,919,370
Cash paid during the year for interest	$ -	$ -
Cash paid during the year for income taxes	$ -	$ -

Supplemental disclosure with respect to cash flows (Note 13)

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

STRONGBOW EXPLORATION INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEAR ENDED JANUARY 31
(Expressed in Canadian dollars)

	Capital Stock		Reserves			
	Number of shares	Amount	Share-based payment reserve	Investment revaluation reserve	Deficit	Total
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	470,879	(182,098)	-	-	288,781
Share-based compensation	-	-	523,296	-	-	523,296
Unrealized loss on marketable securities and investments	-	-	-	(261,282)	-	(261,282)
Net loss for the year	-	-	-	-	(1,863,777)	(1,863,777)
Balance at January 31, 2012	**81,995,963**	**$ 25,280,132**	**$ 3,983,741**	**$ 355,870**	**$ (15,011,193)**	**$ 14,608,550**
Balance at February 1, 2010	66,123,463	$ 21,512,543	$ 3,355,186	$ 800,528	$ (11,920,695)	$13,747,562
Shares issued for cash – private placement	15,000,000	3,600,000	-	-	-	3,600,000
Shares issued for mineral properties	100,000	24,000	-	-	-	24,000
Share-based compensation	-	-	185,547	-	-	185,547
Share issuance costs	-	(327,290)	101,810	-	-	(225,480)
Reversal of unrealized gain on marketable securities	-	-		(212,775)	-	(212,775)
Unrealized gain on marketable securities	-	-		29,399	-	29,399
Net loss for the year	-	-	-	-	(1,226,721)	(1,226,721)
Balance at January 31, 2011	**81,223,463**	**$ 24,809,253**	**$ 3,642,543**	**$ 617,152**	**$ (13,147,416)**	**$ 15,921,532**

The accompanying notes are an integral part of these 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 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 address is 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 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

Statement of Compliance and Conversion to International Financial Reporting Standards

These consolidated financial statements are the Company's first annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). In 2010, the CICA Handbook was revised to incorporate IFRS, and require publicly accountable enterprises to apply such standards effective for fiscal years beginning on or after January 1, 2011. Accordingly, the Company has commenced reporting on this basis in these consolidated financial statements.

These consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of IFRS 1, First Time Adoption of International Financial Reporting Standards ("IFRS 1"). The impact of the transition from Canadian Generally Accepted Accounting Principles ("GAAP") to IFRS is explained in Note 17, including the nature and effect of significant changes in accounting policies from those used in the Company's consolidated financial statements for the year ended January 31, 2011.

These consolidated financial statements have been prepared on a historical basis except for certain financial assets measured at fair value. All dollar amounts presented are in Canadian dollars unless otherwise specified.

The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of April 26, 2012, the date the Board of Directors approved the statements.

2. BASIS OF PRESENTATION – *Continued*

New Accounting Standards

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

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.

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. SIGNIFICANT ACCOUNTING POLICIES

a) 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 for making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed by management 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 revision 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 mineral properties, which are included in the consolidated statement of financial position;
- Future site restoration costs;
- The inputs used in accounting for the valuation of warrants issued as part of a private placement;
- The inputs used in accounting for share-based compensation expense which is included in the statement of loss and comprehensive loss;
- Deferred income tax asset recognition.

b) Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary Palmetto State Gold Inc. (“Palmetto”), a South Carolina, U.S.A. corporation. All inter-company transactions and balances have been eliminated upon consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

c) Foreign currencies

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

These consolidated statements of financial position 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 ("$").

d) Share-based compensation

The Company grants share purchase 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 the options is measured at the grant date, using the Black-Scholes option pricing model. The fair value of the share purchase options considers the terms and conditions upon which the share purchase options were granted. The fair value of the options granted is recognized as a share-based payment expense with a corresponding increase in equity. The fair value is measured at the grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest. 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.

Share-based compensation arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity settled share based payment transactions and measured at the fair value of goods or services received. If the fair value of the goods or services received cannot be estimated reliably, the share based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or the services.

e) Income taxes

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in profit or loss.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the period end and, 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.

The effect on deferred 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.

3. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

e) Income taxes – *Continued*

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; and
- 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.

f) 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 period. 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 dilutive effect of outstanding options and warrants and their equivalents is reflected in the diluted loss per share by application of the treasury stock method. For the years presented this calculation proved to be anti-dilutive.

g) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value.

The initial cost of an asset is comprised of its purchase price and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Expenditures incurred after the asset has been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized as an 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 property and equipment.

Property and equipment are recorded at cost less accumulated depreciation. Depreciation is provided for annually at the following rates:

Furniture and equipment	20% declining balance
Computer equipment	30% declining balance
Software	1 year straight-line
Leasehold improvements	Term of the lease

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

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

An item of property and 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 property and equipment are included in the statement of loss in the period of retirement or disposal.

h) Mineral property costs

Exploration costs are capitalized under tangible assets on an individual prospect basis until such time as an economic ore body is defined or the prospect is abandoned. No exploration costs are capitalized until the legal right to explore the property has been obtained. When it is determined that such costs will be recouped through successful development and exploitation, the capitalized expenditure is 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.

3. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

h) Mineral property costs - *Continued*

Impairment review for deferred exploration and evaluation costs is 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 are identified that render the resource uneconomic;
- Title to the asset is compromised;
- Fluctuations in metal prices render the project uneconomic;
- Variation in the currency of operations; and
- A threat to political stability in the country of operation exists.

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

The recoverability of the amounts capitalized for the undeveloped mineral 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 mineral properties, the ability to obtain the necessary financing to complete their development and future profitable production or proceeds from the disposition thereof.

i) 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 profit or loss. 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.

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.

j) Financial Instruments

Financial instruments are classified into one of the following categories:

- financial instruments at fair value through profit or loss (“FVTPL”);
- available for sale (“AFS”) financial instruments;
- held-to-maturity investments;
- loans and receivables; and
- other financial liabilities

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

(i) Financial instruments at FVTPL

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

3. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

j) Financial Instruments – *Continued*

A financial instrument 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 instruments 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 instruments 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 instrument.

The Company has classified its cash as FVTPL.

(ii) AFS financial instruments

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 equity in the investments revaluation reserve. 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 the investments revaluation reserve is included in profit or 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 its marketable securities and investments as AFS.

(iii) Held-to-maturity investments

Investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. The Company has classified short-term investments as held-to-maturity.

(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) Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss: 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 statement of financial position at fair value with changes in fair value recognized in profit or loss.

Other financial 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 effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expenses over the corresponding period. The effective interest rate is the rate that exactly discounts estimated future cash payments over the expected life of the financial liability, or, where appropriate, a shorter period.

3. Significant Accounting Policies - *Continued*

j) Financial Instruments – *Continued*

The Company has classified accounts payable and accrued liabilities as other financial liabilities.

(vi) Effective interest method

The effective interest method calculates the amortized cost of a financial instrument 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.

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

(vii) Impairment of financial assets

Financial instruments, 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.

(viii) 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.

(ix) Derecognition of financial liabilities

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

3. Significant Accounting Policies - *Continued*

j) Financial Instruments – *Continued*

(x) Fair Value Hierarchy

The inputs used in making fair value measurements, are classified within a hierarchy that prioritizes their significance. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets and 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.

k) Environmental rehabilitation

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbances are caused by the exploration or development of a mineral property interests due to statutory, contractual, constructive or legal obligations. 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 or 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 immaterial.

l) Flow-through shares

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

Proceeds received from the issuance of flow-through shares are restricted for use on Canadian mineral property exploration expenditures within a two-year period. The Company may also be subject to a Part X11.6 tax on flow-through proceeds renounced under the "Look-back" Rule, in accordance with the Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

m) Marketable Securities and Investments

Marketable securities and investments are measured at fair value and consist of shares in public companies listed on the TSX Venture Exchange ("TSX-V").

4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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

Credit risk

Credit risk is the risk of financial loss to the Company if a counter-party to a financial instrument fails to meet its contractual obligations. The Company manages credit risk by investing its excess cash in short-term investments with investment grade ratings, issued by a Canadian chartered bank. The Company's receivables consist primarily of sales tax receivables due from the federal government and receivables from companies with which the Company has exploration agreements or options. The maximum exposure to credit risk at the reporting date is the carrying value of the Company's receivables and cash.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and liabilities with variable interest rates expose the Company to interest rate risk with respect to its cash flow. The risk that the Company will realize a loss as a result of a decline in the fair value of any short-term investment included in cash is limited because these investments, although readily convertible into cash, are generally held to maturity.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise the funds required through future equity financings, asset sales, exploration option agreements, or a combination thereof. The Company has no regular cash flow from its operating activities. The Company manages its liquidity risk by forecasting cash flow requirements for its planned exploration and corporate activities and anticipating investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of annual budgets and significant expenditures and commitments. Failure to realize additional funding, as required, could result in the delay or indefinite postponement of further exploration and development of the Company's properties. As at January 31, 2012, the Company had cash of $186,209 available to settle current liabilities of $86,148.

Foreign Currency Risk

The Company has exposure to foreign currency risk through its mineral properties in the United States however, the majority of its assets and liabilities are denominated in Canadian dollars (Note 16). The Company's exploration activities and ongoing land tenure expense in the United States make it subject to foreign currency fluctuations, which may affect the Company's statement of financial position and cash flows. The Company is affected by changes in exchange rates between the Canadian Dollar and the US dollar. The Company does not presently invest in foreign currency contracts to mitigate this risk. It is management's opinion that the Company is not exposed to significant foreign currency risk.

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.

(Expressed in Canadian dollars)

5. MARKETABLE SECURITIES AND INVESTMENTS

a) Marketable Securities

	January 31, 2012			January 31, 2011		
	Cost	**Unrealized (Loss)/Gain***	**Fair Market Value**	Cost	Unrealized Gain*	Fair Market Value
Various public companies	**$ 51,500**	**$ (29,700)**	**$ 21,800**	$ 16,500	$ 14,699	$ 31,199
North Arrow Minerals Inc.	**-**	**-**	**-**	240,979	602,453	843,432
	$ 51,500	**$ (29,700)**	**$ 21,800**	$257,479	$ 617,152	$ 874,631

	February 1, 2010		
	Cost	Unrealized (Loss)/Gain*	Fair Market Value
Various public companies	$ 431,478	$ 222,174	$ 653,652
North Arrow Minerals Inc.	240,979	578,354	819,333
	$ 672,457	$ 800,528	$1,472,985

*before deferred taxes

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

During the year ended January 31, 2011, the Company received gross proceeds of $495,866 from the sale of marketable securities and recognized an $80,888 gain from the sale.

b) Investment in North Arrow Minerals Inc.

January 31, 2012			January 31, 2011			February 1, 2010		
Cost	Unrealized (Loss)/Gain *	Fair Market Value	Cost	Unrealized (Loss)/Gain *	Fair Market Value	Cost	Unrealized (Loss)/Gain *	Fair Market Value
$ 240,979	**$ 385,570**	**$ 626,549**	$ -	$ -	$ -	$ -	$ -	$ -

*before deferred taxes

North Arrow Minerals Inc. ("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.

6. RECEIVABLES

	January 31, 2012	January 31, 2011	February 1, 2010
HST/GST receivables	**$ 4,658**	$ 3,841	$ 3,874
Trade receivables	**220**	4,248	3,848
Related party receivables	**14,565**	25,127	70,002
Total	**$ 19,443**	$ 33,216	$ 77,724

(Expressed in Canadian dollars)

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	January 31, 2012	January 31, 2011	February 1, 2010
Trade payables	**$ 17,633**	$ 78,178	$ 28,645
Accrued liabilities	**68,515**	92,934	103,929
Total	**$ 86,148**	$ 171,112	$ 132,574

8. PROPERTY AND EQUIPMENT

	Furniture and Equipment	Computer Equipment	Software	Leasehold Improvements	Total
Cost					
As at February 1, 2010	$ 43,041	$ 116,545	$ 41,274	$ 32,072	$ 232,932
Additions	-	8,794	1,258	-	10,052
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**
Accumulated Depreciation					
As at February 1, 2010	$ (35,748)	$ (87,944)	$ (41,274)	$ (25,986)	$ (190,952)
Charge for the year	(1,459)	(9,899)	(629)	(6,086)	(18,073)
As at January 31, 2011	(37,207)	(97,843)	(41,903)	(32,072)	(209,025)
Charge for the year	(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)**
Net book value					
As at February 1, 2010	$ 7,293	$ 28,601	$ -	$ 6,086	$ 41,980
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**

(Expressed in Canadian dollars)

9. MINERAL PROPERTIES

	January 31, 2011	Expended During The Year	Write-off of Costs and Recoveries	**January 31, 2012**
Gold and Base Metal Properties, British Columbia				
Exploration costs	$ 226,211	$ 44,707	$ (150,342)	**$ 120,576**
Acquisition costs	82,991	8,184	-	**91,175**
Geological and assays	83,659	5,599	-	**89,258**
Office and salaries	475,224	47,092	(17)	**522,299**
	868,085	105,582	(150,359)	**823,308**
Gold and Base Metal Properties, NWT& NU				
Exploration costs	7,412,653	42,959	-	**7,455,612**
Acquisition costs	24,814	6,108	-	**30,922**
Geological and assays	273,250	-	-	**273,250**
Office and salaries	1,166,122	24,467	-	**1,190,589**
	8,876,839	73,534	-	**8,950,373**
Gold and Base Metal Properties, Saskatchewan				
Exploration costs	1,136,089	11	-	**1,136,100**
Acquisition costs	84,387	-	-	**84,387**
Geological and assays	20,161	-	-	**20,161**
Office and salaries	234,324	886	-	**235,210**
	1,474,961	897	-	**1,475,858**
Gold and Base Metal Properties, USA				
Exploration costs	234,973	888,034	(283,469)	**839,538**
Acquisition costs	375,025	607,475	(88,276)	**894,224**
Geological and assays	52,247	103,631	(29,830)	**126,048**
Office and salaries	214,670	394,190	(61,008)	**547,852**
	876,915	1,993,330	(462,583)	**2,407,662**
TOTAL	$ 12,096,800	$ 2,173,343	$ (612,942)	**$ 13,657,201**

(Expressed in Canadian dollars)

9. MINERAL PROPERTIES – *Continued*

	February 1, 2010	Expended During The Year	Write-off of Costs and Recoveries	**January 31, 2011**
Gold and Base Metal Properties, British Columbia				
Exploration costs	$ 330,168	$ 28,588	$ (132,545)	**$ 226,211**
Acquisition costs	98,291	9,189	(24,489)	**82,991**
Geological and assays	119,851	9,996	(46,188)	**83,659**
Office and salaries	525,477	95,766	(146,019)	**475,224**
	1,073,787	143,539	(349,241)	**868,085**
Gold and Base Metal Properties, NWT& NU				
Exploration costs	7,448,950	17,353	(53,650)	**7,412,653**
Acquisition costs	19,109	5,705	-	**24,814**
Geological and assays	271,253	5,715	(3,718)	**273,250**
Office and salaries	1,172,308	39,029	(45,215)	**1,166,122**
	8,911,620	67,802	(102,583)	**8,876,839**
Gold and Base Metal Properties, Saskatchewan				
Exploration costs	1,132,540	3,549	-	**1,136,089**
Acquisition costs	84,276	111	-	**84,387**
Geological and assays	20,094	67	-	**20,161**
Office and salaries	215,110	19,214	-	**234,324**
	1,452,020	22,941	-	**1,474,961**
Gold and Base Metal Properties, USA				
Exploration costs	-	234,973	-	**234,973**
Acquisition costs	-	375,025	-	**375,025**
Geological and assays	-	52,247	-	**52,247**
Office and salaries	-	214,670	-	**214,670**
	-	876,915	-	**876,915**
Other Exploration and Generative Exploration				
Exploration costs	(8,228)	10,320	(10,320)	**(8,228)**
Acquisition costs	(34)	3,023	(3,023)	**(34)**
Geological and assays	106	1,951	(1,951)	**106**
Office and salaries	8,156	30,345	(30,345)	**8,156**
	-	45,639	(45,639)	**-**
TOTAL	$ 11,437,427	$ 1,156,836	$ (497,463)	**$ 12,096,800**

During the year ended January 31, 2012, the Company wrote-off $462,600 (2011 - $477,801) relating to certain properties, recorded recoveries for B.C. mineral exploration tax credits of $90,237 (2011 - $19,693), and recorded other recoveries of $60,105 (2011 –$18,795).

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.

9. MINERAL PROPERTIES – *Continued*

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

Shovelnose and LP Properties

The Company acquired, by staking, a 100% interest in certain mineral claims comprising the Shovelnose and LP properties in October 2005. The Company expanded the Shovelnose property by staking additional mineral claims in November 2008. The Company wrote-off $310,206 during the year ended January 31, 2011 for the LP properties, where the Company no longer holds title to the claims.

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 Company's 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, and ii) issuing a total of 300,000 common shares to Strongbow including 100,000 common shares within five business days of regulatory approval of the option agreement (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 $25,000 was received during the year ended January 31, 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.

Other Properties, BC

Mineral property write-offs of $17 (2011 - $21,274) during the year ended January 31, 2012 relate to various other properties in British Columbia, where either no exploration programs of significance are planned for the foreseeable future, or where the Company no longer holds title to the claims.

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.

9. MINERAL PROPERTIES – *Continued*

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

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.

Other Properties, NWT

During the year ended January 31, 2012, the Company wrote off $Nil (2011 - $102,583) related to various other properties in the Northwest Territories, where either no exploration programs of significance are planned for the foreseeable future, or where the Company no longer holds title to the claims.

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.

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. Mineral property write-offs of $Nil (2011 - $43,738) related to various other properties, where either no exploration programs of significance are planned for the foreseeable future, or where the Company no longer holds title to the claims.

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"). 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. One of the property option agreements was terminated during the year-ended January 31, 2012.

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 - $337,442
2014 - $345,732
2015 - $331,944
2016 - $349,424
2017 - $142,200

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 by making USD $120,000 in payments 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. The property is subject to a 1.5% gross overriding royalty. Based on the results of a drill program at the property, no further exploration is planned and the property's carrying value of $462,583 has been written off.

9. MINERAL PROPERTIES – *Continued*

Gold Properties, USA – *Continued*

Ridgeway, North Carolina, USA

In June 2011 and September 2011, the Company concluded three property option agreements with private landowners to explore eighteen properties in South Carolina, USA. 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. Initial option payments made to the land owners in fiscal 2012 total $69,566.

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

2013 - $87,153
2014 - $146,506
2015 - $118,706
2016 - $90,125

10. CAPITAL STOCK AND RESERVES

Share issuances

For the year ended January 31, 2012 there were 772,500 shares issued from the exercise of stock options and warrants.

During the year ended January 31, 2011, the Company issued 100,000 common shares valued at $24,000 pursuant to a mineral property option agreement.

In November 2010**,** the Company issued, by way of a brokered private placement, 15,000,000 common shares of the Company at a price of $0.24 per common share, for gross proceeds of $3,600,000. The Company paid the agents' a cash commission of $180,000 and issued 750,000 agent warrants. Each agent warrant is exercisable into one common share of the Company at $0.35 per share until November 15, 2011. The fair value of the agents' warrants was estimated to be $101,810 using the Black-Scholes option pricing model, using the following weighted average assumptions:

Risk-free interest rate	1.60%
Expected life of warrants	1 year
Annualized volatility	100%
Dividend rate	0.00%

Stock options and warrants

In June 2011, 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% upon grant and 25% every six months thereafter.

(Expressed in Canadian dollars)

10. CAPITAL STOCK AND RESERVES – *Continued*

Stock options and warrants – *Continued*

As at January 31, 2012, the following stock options were outstanding:

Number of Shares	Exercise Price	Number Vested	Expiry Date
990,000	$ 0.6552	990,000	March 29, 2012*
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	1,320,000	September 23, 2015
70,000	0.4200	52,500	December 22, 2015
1,710,000	0.5500	855,000	April 29, 2016

*Subsequently expired without exercise

Stock option transactions are summarized as follows:

	Number of Options		Weighted Average Exercise Price
Balance, February 1, 2010	5,432,500	$	0.39
Granted	1,830,000		0.21
Cancelled/Expired	(587,500)		0.29
Balance, January 31, 2011	6,675,000		0.35
Granted	1,710,000		0.55
Exercised	(485,000)		0.39
Cancelled/Expired	(950,000)		0.51
Balance, January 31, 2012	6,950,000	$	0.38
Number of options currently exercisable as at January 31, 2012	5,637,500	$	0.37

The weighted average fair value of stock options granted during the current fiscal year was $0.30 (2011 - $0.13).

Warrant transactions are summarized as follows:

	Number of Warrants		Weighted Average Exercise Price
Balance, February 1, 2010	-	$	-
Granted	750,000		0.35
Balance, January 31, 2011	750,000		0.35
Exercised	(287,500)		0.35
Expired	(462,500)		0.35
Balance, January 31, 2012	-	$	-

(Expressed in Canadian dollars)

10. CAPITAL STOCK AND RESERVES – *Continued*

Share-based compensation

During the year ended January 31, 2012, the Company granted 1,710,000 stock options (2011 – 1,830,000) with a fair value of $518,859 (2011 - $241,314), which is being recognized over the vesting periods of the options. Total share-based compensation recognized during the year ended January 31, 2012 was $523,296 (2011 – $185,547).

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

	Year Ended January 31, 2012	Year Ended January 31, 2011
Risk-free interest rate	2.04%	1.64%
Expected life of options	3 years	3 years
Annualized volatility	100%	100%
Dividend rate	0.00%	0.00%

11. 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 $92,432 (2011- $134,506) to North Arrow, a company with two common directors.

b) Charged administrative and technical services of $32,618 (2011 - $52,669) to Stornoway Diamond Corporation ("Stornoway"), a company with a common officer and former director.

c) Paid or accrued administrative and accounting services of $25,916 (2011 - $30,457) to Stornoway.

Included in receivables are amounts due from North Arrow totaling $14,395 (January 31, 2011 - $22,510; February 1, 2010 - $65,288) 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 $170 (January 31, 2011 - $2,617; February 1, 2010 - $4,714) 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 years ended January 31, 2012 and 2011 was as follows:

	Year Ended January 31, 2012	Year Ended January 31, 2011
Salaries and benefits[1]	**$ 297,881**	$ 357,894
Share-based compensation[2]	**386,868**	170,034
Total	**$ 684,749**	$ 527,928

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)

12. INCOME TAXES

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

	2012	2011
Loss before income taxes	$ (1,863,777)	$ (1,226,721)
Expected income tax recovery	$ 491,000	$ 348,000
Non-deductible expenditures	(138,000)	(30,000)
Impact of different tax rates and other	(53,000)	628,000
Changes in unrecognized deductible temporary differences	(300,000)	(946,000)
Income tax (expense) recovery	$ -	$ -

The deductible temporary differences, unused tax losses and unused tax credits that are not recognized as deferred tax assets are as follows:

	2012	Expiry dates	2011
Marketable securities	$ 832,000	not applicable	$ 571,000
Equipment	203,000	not applicable	193,000
Financing costs	208,000	2033 to 2036	398,000
Investment tax credit	714,000	2027 to 2032	704,000
CEL	368,000	not applicable	368,000
Mineral properties	4,427,000	not applicable	3,975,000
Losses available for future periods	2,671,000	2014 to 2032	1,945,000

(Expressed in Canadian dollars)

13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

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

a) The Company incurring mineral property expenditures of $5,463 that are included in accounts payable and accrued liabilities.

b) The Company has included mineral property recoveries of $2,299 in receivables.

c) The Company received 100,000 common shares of a TSX-V company with a fair value of $35,000 (Note 5) for mineral properties.

The significant non-cash transactions for the year ended January 31, 2011 were:

a) The Company incurred mineral property expenditures of $41,588 that was included in accounts payable and accrued liabilities.

b) The Company accrued a recovery of mineral property expenditures of $8,961 that was included in receivables.

c) The Company issued 100,000 common shares valued at $24,000 pursuant to the acquisition of mineral property claims.

d) The Company issued 750,000 agents' warrants valued at $101,810 pursuant to a private placement.

14. 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, 2013	$ 63,386
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

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

15. CAPITAL MANAGEMENT

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

The Company's mineral properties are in the exploration stage. As an exploration stage company, the Company is currently unable to self-finance its operations. The Company has historically relied on equity financings and, in recent years, asset sales or exploration option agreements to finance its operations. In order to carry out the Company's planned exploration programs and to pay for administrative costs, the Company will spend its existing working capital and raise additional funds as required. To effectively manage the Company's capital requirements, the Company's management has in place a planning and budgeting process. The Company is not subject to any externally imposed capital requirements.

(Expressed in Canadian dollars)

16. SEGMENTED INFORMATION

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

	January 31, 2012			January 31, 2011		
	Canada	**United States**	**Total**	Canada	United States	Total
Mineral Properties	**$ 11,249,539**	**$ 2,407,662**	**$ 13,657,201**	$ 11,219,885	$ 876,915	$ 12,096,800
Equipment	**23,725**	**-**	**23,725**	33,959	-	33,959
	$ 11,273,264	**$ 2,407,662**	**$ 13,680,926**	$ 11,253,844	$ 876,915	$ 12,130,759

	February 1, 2010		
	Canada	United States	Total
Mineral Properties	$ 11,437,427	$ -	$ 11,437,427
Equipment	41,980	-	41,980
	$ 11,479,407	$ -	$ 11,479,407

17. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

As stated in Note 2, these consolidated financial statements are the Company's first annual financial statements prepared in accordance with IFRS. The accounting policies in Note 3 have been applied in preparing the consolidated financial statements for the year ended January 31, 2011, and the opening IFRS consolidated statement of financial position as at February 1, 2010 (the "Transition Date").

In preparing the opening IFRS consolidated statement of financial position and the consolidated financial statements for the year ended January 31, 2011, the Company has adjusted amounts reported previously in consolidated financial statements that were prepared in accordance with GAAP. An explanation of how the transition from GAAP to IFRS has affected the Company's consolidated statement of financial position is set out below.

IFRS 1, First-time Adoption of International Financial Reporting Standards ("IFRS 1") sets forth guidance for the initial adoption of IFRS. Under IFRS 1 the standards are applied retrospectively at the transitional statement of financial position date with all adjustment to assets and liabilities taken to deficit unless certain exemptions are applied. The Company has applied the following exemptions to its opening consolidated statement of financial position dated February 1, 2010:

a) Business Combinations

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

b) Share-based Payment Transactions

IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2 Share-based Payment to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005.

c) Estimates

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

(Expressed in Canadian dollars)

17. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS – *Continued*

Reclassification Within Equity Section

As at February 1, 2010 the "contributed surplus" account was reclassified to "share-based payment reserve" and the "accumulated other comprehensive income" account was reclassified to "investment revaluation reserve" as terminologies differ under IFRS.

The February 1, 2010 Canadian GAAP consolidated balance sheet has been reconciled to IFRS as follows:

	February 1, 2010		
	Canadian GAAP	Effect of transition to IFRS	IFRS
ASSETS			
Current assets			
Cash	$ 720,973	$ -	$ 720,973
Short-term investments	74,750	-	74,750
Marketable securities	1,472,985	-	1,472,985
Receivables	77,724	-	77,724
Prepaid expenses	54,297	-	54,297
	2,400,729	-	2,400,729
Property and equipment	41,980	-	41,980
Mineral properties[1]	11,784,512	(347,085)	11,437,427
	$ 14,227,221	$ (347,085)	$ 13,880,136
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	$ 132,574	$ -	$ 132,574
CAPITAL AND RESERVES			
Capital Stock	21,512,543	-	21,512,543
Share-based payment reserve[2]	3,296,908	58,278	3,355,186
Investments revaluation reserve	800,528	-	800,528
Deficit	(11,515,332)	(405,363)	(11,920,695)
	14,094,647	(347,085)	13,747,562
	$ 14,227,221	$ (347,085)	$ 13,880,136

(Expressed in Canadian dollars)

17. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS – *Continued*

The February 1, 2010 Canadian GAAP mineral property schedule has been reconciled to IFRS as follows:

	February 1, 2010		
	Canadian GAAP	Effect of transition to IFRS	IFRS
Gold and Base Metal Properties, British Columbia			
Exploration costs	$ 331,346	$ (1,178)	$ 330,168
Acquisition costs	90,068	8,223	98,291
Geological and assays	120,051	(200)	119,851
Office and salaries	528,768	(3,291)	525,477
	1,070,233	3,554	1,073,787
Gold and Base Metal Properties, NWT& NU			
Exploration costs	7,679,474	(230,524)	7,448,950
Acquisition costs	77,194	(58,085)	19,109
Geological and assays	271,495	(242)	271,253
Office and salaries	1,184,782	(12,474)	1,172,308
	9,212,945	(301,325)	8,911,620
Gold and Base Metal Properties, Saskatchewan			
Exploration costs	1,132,540	-	1,132,540
Acquisition costs	84,276	-	84,276
Geological and assays	20,094	-	20,094
Office and salaries	215,110	-	215,110
	1,452,020	-	1,452,020
Other Exploration and Generative Exploration			
Exploration costs	(3,152)	(5,076)	(8,228)
Acquisition costs	10,121	(10,155)	(34)
Geological and assays	2,032	(1,926)	106
Office and salaries	40,313	(32,157)	8,156
	49,314	(49,314)	-
TOTAL	$ 11,784,512	$ (347,085)	$ 11,437,427

(Expressed in Canadian dollars)

17. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS – *Continued*

The January 31, 2011 Canadian GAAP consolidated balance sheet has been reconciled to IFRS as follows:

	January 31, 2011		
	Canadian GAAP	Effect of transition to IFRS	IFRS
ASSETS			
Current assets			
Cash	$ 2,919,370	$ -	$ 2,919,370
Short-term investments	74,750	-	74,750
Marketable securities	874,631	-	874,631
Receivables	33,216	-	33,216
Prepaid expenses	59,918	-	59,918
	3,961,885		3,961,885
Property and equipment	33,959	-	33,959
Mineral Properties[1]	12,414,460	(317,660)	12,096,800
	$ 16,410,304	$ (317,660)	$ 16,092,644
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	$ 171,112	$ -	$ 171,112
CAPITAL AND RESERVES			
Capital Stock	24,809,253	-	24,809,253
Share-based payment reserve [2]	3,571,488	71,055	3,642,543
Investments revaluation reserve	617,152	-	617,152
Deficit	(12,758,701)	(388,715)	(13,147,416)
	16,239,192	(317,660)	15,921,532
	$ 16,410,304	$ (317,660)	$ 16,092,644

(Expressed in Canadian dollars)

17. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS – *Continued*

The January 31, 2011 Canadian GAAP mineral property schedule has been reconciled to IFRS as follows:

	January 31, 2011		
	Canadian GAAP	Effect of transition to IFRS[1]	IFRS
Gold and Base Metal Properties, British Columbia			
Exploration costs	$ 50,693	$ 175,518	$ 226,211
Acquisition costs	83,090	(99)	82,991
Geological and assays	128,106	(44,447)	83,659
Office and salaries	606,195	(130,971)	475,224
	868,084	1	868,085
Gold and Base Metal Properties, NWT& NU			
Exploration costs	7,643,108	(230,455)	7,412,653
Acquisition costs	82,899	(58,085)	24,814
Geological and assays	273,492	(242)	273,250
Office and salaries	1,178,666	(12,544)	1,166,122
	9,178,165	(301,326)	8,876,839
Gold and Base Metal Properties, Saskatchewan			
Exploration costs	1,136,089	-	1,136,089
Acquisition costs	84,387	-	84,387
Geological and assays	20,161	-	20,161
Office and salaries	234,324	-	234,324
	1,474,961	-	1,474,961
Gold and Base Metal Properties, USA			
Exploration costs	242,921	(7,948)	234,973
Acquisition costs	375,025	-	375,025
Geological and assays	53,587	(1,340)	52,247
Office and salaries	221,717	(7,047)	214,670
	893,250	(16,335)	876,915
TOTAL	$ 12,414,460	$ (317,660)	$ 12,096,800

(Expressed in Canadian dollars)

17. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS – *Continued*

The Canadian GAAP statement of operations and statement of comprehensive loss for the year ending January 31, 2011 has been reconciled to IFRS as follows:

	Year Ended January 31, 2011		
	Canadian GAAP	Effect of transition to IFRS	IFRS
Expenses			
Administration and promotion	$ 78,642	$ -	$ 78,642
Depreciation	18,073	-	18,073
Insurance	26,069	-	26,069
Office, miscellaneous and rent	99,909	-	99,909
Professional fees	143,118	-	143,118
Generative exploration costs[1]	-	16,335	16,335
Regulatory and filing fees	15,796	-	15,796
Salaries and benefits	260,696	-	260,696
Share-based compensation[2]	172,770	12,777	185,547
Loss before other items	(815,073)	(29,112)	(844,185)
Other Items			
Write-off of mineral properties[1]	(523,561)	45,760	(477,801)
Foreign exchange gain	5,537	-	5,537
Interest income	8,840	-	8,840
Gain on sale of marketable securities	80,888	-	80,888
	(428,296)	45,760	(382,536)
Loss for the year	(1,243,369)	16,648	(1,226,721)
Reversal of unrealized gain on marketable securities	(212,775)	-	(212,775)
Unrealized gain on marketable securities	29,399	-	29,399
Comprehensive loss for the year	$ (1,426,745)	$ 16,648	$ (1,410,097)

17. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS – *Continued*

Reconciliation of Cash Flows

The adoption of IFRS has had no material impact on the net cash flows of the Company for the year ended January 31, 2011. The changes made to the consolidated statement of loss and comprehensive loss for the year ended January 31, 2011 and to the consolidated statement of financial position as at January 31, 2011 have resulted in reclassification of various amounts on the statement of cash flows, however as there have been no material changes to the net cash flows, and accordingly no reconciliation has been prepared.

Notes to the IFRS Reconciliations

(1) *Mineral Properties* – IFRS 6 requires all exploration costs that are 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 be expensed and only capitalized to mineral properties after the legal rights have been obtained.

On transition to IFRS $347,085 of capitalized mineral exploration costs existed at February 1, 2010 and these costs were capitalized before legal title was obtained and have been derecognized and expensed in deficit. Certain comparative figures have been reclassified to conform to the current year's presentation.

(2) *Share-based payment reserve* – 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 February 1, 2010.

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

18. SUBSEQUENT EVENT

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 consists 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.