STRONGBOW EXPLORATION INC.

CONSOLIDATED FINANCIAL STATEMENTS

JANUARY 31, 2011

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 balance sheets as at January 31, 2011 and 2010 and the consolidated statements of operations and deficit, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, 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 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, 2011 and 2010 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

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

May 19, 2011

STRONGBOW EXPLORATION INC.
CONSOLIDATED BALANCE SHEETS
AS AT JANUARY 31

		2011		2010
ASSETS				
Current				
Cash and equivalents	$	2,994,120	$	795,723
Marketable securities (Note 4)		874,631		1,472,985
Receivables (Note 8)		33,216		77,724
Prepaid expenses		59,918		54,297
		3,961,885		2,400,729
Property and equipment (Note 5)		33,959		41,980
Mineral properties (Note 6)		12,414,460		11,784,512
	$	16,410,304	$	14,227,221
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities	$	171,112	$	132,574
Shareholders' equity				
Capital stock (Note 7)		24,809,253		21,512,543
Contributed surplus (Note 7)		3,571,488		3,296,908
Deficit		(12,758,701)		(11,515,332)
Accumulated other comprehensive income (Note 10)		617,152		800,528
		16,239,192		14,094,647
	$	16,410,304	$	14,227,221

Nature and continuance of operations (Note 1)
Commitments (Note 12)
Subsequent Events (Note 14)

On behalf of the Board:

"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 OPERATIONS AND DEFICIT
YEAR ENDED JANUARY 31

	2011	2010
EXPENSES		
Advertising and promotion	$ 78,642	$ 68,558
Amortization	18,073	24,338
Insurance	26,069	24,792
Office, miscellaneous and rent	94,372	119,524
Professional fees	143,118	71,307
Regulatory and filing fees	15,796	12,173
Salaries and benefits	260,696	175,214
Stock-based compensation (Note 7)	172,770	128,256
Loss before other items	(809,536)	(624,162)
OTHER ITEMS		
Write-off of mineral properties (Note 6)	(523,561)	(201,272)
Interest income	8,840	65,379
Gain on sale of marketable securities (Note 4)	80,888	22,570
Write-off and loss on sale of property and equipment (Note 5)	-	(34,654)
Gain on sale of mineral property (Note 6)	-	285,000
	(433,833)	137,023
Loss before income taxes	(1,243,369)	(487,139)
Future income tax recovery (Note 9)	-	945,513
Net income (loss) for the year	(1,243,369)	458,374
Deficit, beginning of year	(11,515,332)	(11,973,706)
Deficit, end of year	$ (12,758,701)	$ (11,515,332)
Basic and diluted income (loss) per share	$ (0.02)	$ 0.01
Weighted average number of common shares outstanding	69,318,257	66,123,463

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
AS AT JANUARY 31

	2011	2010
Net income (loss) for the year	$ (1,243,369)	$ 458,374
Reversal of previous unrealized losses on available-for-sale investments sold or written down	(212,775)	-
Unrealized gains on available-for-sale financial assets arising during the year	29,399	800,528
Comprehensive income (loss) for the year	$ (1,426,745)	$ 1,258,902

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

STRONGBOW EXPLORATION INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEAR ENDED JANUARY 31

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss) for the year	$ (1,243,369)	$ 458,374
Items not involving cash:		
Amortization	18,073	24,338
Stock-based compensation	172,770	128,256
Write-off of mineral properties	523,561	201,272
Gain on sale of marketable securities	(80,888)	(22,570)
Gain on sale of mineral property	-	(285,000)
Write-off and loss on sale of property and equipment	-	34,654
Future income tax recovery	-	(945,513)
Changes in non-cash working capital items:		
Decrease in receivables	45,567	166,032
Increase in prepaid expenses	(5,621)	(20,717)
Increase (decrease) in accounts payable and accrued liabilities	36,154	(13,680)
Net cash used in operating activities	(533,753)	(274,554)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of capital stock	3,600,000	-
Share issue costs	(225,480)	-
Net cash provided by financing activities	3,374,520	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures on mineral properties	(1,147,878)	(604,121)
Recoveries on mineral properties	19,694	562,361
Acquisition of property and equipment	(10,052)	(9,730)
Proceeds from the sale of property and equipment	-	500
Proceeds from sale of marketable securities	495,866	41,570
Net cash used in investing activities	(642,370)	(9,420)
Change in cash and equivalents during the year	2,198,397	(283,974)
Cash and equivalents, beginning of year	795,723	1,079,697
Cash and equivalents, end of year	$ 2,994,120	$ 795,723
Cash paid during the year for interest	$ -	$ -
Cash paid during the year for income taxes	$ -	$ -

Supplemental disclosure with respect to cash flows (Note 11)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

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.

Basis of Presentation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. However, the Company has sustained substantial losses from operations since inception and has no current source of revenue. Continued operations of the Company are dependent on the Company's ability to complete equity financings or generate profitable operations in the future. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

	January 31, 2011	January 31, 2010
Deficit	**$ (12,758,701)**	$ (11,515,332)
Working capital	**$ 3,790,773**	$ 2,268,155

2. SIGNIFICANT ACCOUNTING POLICIES

Changes in accounting policies

Business Combinations

In January 2009, the CICA issued Handbook section 1582, "Business Combinations", which establishes new standards for accounting for business combinations. This is effective for business combinations for which the acquisition date is on or after January 1, 2011. Early adoption is permitted. The Company has elected to early adopt this standard effective on February 1, 2010. The adoption of this standard did not have any impact on the Company's financial statements.

Non-controlling Interest

In January 2009, the CICA issued Handbook section 1602, "Non-controlling Interests", to provide guidance on accounting for non-controlling interests subsequent to a business combination. The section is effective for fiscal years beginning on or after January 1, 2011. Early adoption is permitted. The Company has elected to early adopt this standard effective on February 1, 2010. The adoption of this standard did not have any impact on the Company's financial statements.

Consolidated Financial Statements

In January 2009, the CICA issued Handbook section 1601, "Consolidated Financial Statements", to provide guidance on the preparation of consolidated financial statements. The section is effective for fiscal years beginning on or after January 1, 2011. Early adoption is permitted. The Company has elected to early adopt this standard effective on February 1, 2010. The adoption of this standard did not have any impact on the Company's financial statements.

Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary Palmetto State Gold Inc., a South Carolina corporation, ("Palmetto"). These consolidated financial statements are presented in accordance with generally accepted accounting principles ("GAAP") applicable in Canada. All inter-company transactions and balances have been eliminated upon consolidation.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D…)

Use of estimates

The preparation of the consolidated financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. Significant areas where management applies judgment include the assessment of possible impairment of the carrying value of assets, decisions as to when exploration costs should be capitalized or expensed, determination of the rate at which amortization is charged to operations, valuation allowances applied against future tax assets and factors affecting valuations of stock-based compensation. The Company regularly reviews its estimates and assumptions, however, actual results could differ from these estimates and these differences could be material.

Cash and equivalents

Cash and equivalents include highly liquid investments with original maturities of three months or less.

Marketable securities

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

Property and equipment

Equipment is recorded at cost less accumulated amortization. Amortization 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

Investments

Long-term investments are classified as available-for-sale. If it is determined that the value of the investments are permanently impaired, they are written down to net realizable value.

Investments in companies over which the Company has significant influence are accounted for by the equity method, by which the original cost of the investment is adjusted for the Company's share of earnings or losses and dividends or distributions since significant influence was acquired.

Mineral properties

All costs related to the acquisition and exploration of mineral properties are capitalized by property. If economically recoverable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of a mineral property is impaired, that property is written down to its estimated net realizable value. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development and future profitable production or proceeds from the disposition thereof.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D…)

Asset retirement obligations

The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability.

Changes in the liability for an asset retirement obligation due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in the statement of operations. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease to the carrying amount of the liability and the related long-lived asset. The Company does not have any asset retirement obligations.

Earnings (loss) per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings (loss) per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year.

Basic earnings (loss) per share is calculated using the weighted average number of common shares outstanding during the year.

There are no instruments that are dilutive to earnings (loss) per share. For fiscal 2011, 6,675,000 (2010 – 5,432,500) stock options and 750,000 (2010 – Nil) warrants that were anti-dilutive have been excluded from the calculation of earnings (loss) per share.

Stock-based compensation

The Company uses the fair value method for stock-based compensation whereby all awards to employees and nonemployees will be recorded at fair value on the date of the grant and expensed over the period of vesting. The Company uses the Black-Scholes option-pricing model to estimate the fair value of each stock option at the date of grant. Any consideration paid by the option holders to purchase shares is credited to capital stock.

Financial instruments

All financial instruments should be measured at fair value on initial recognition except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables or other liabilities.

Financial assets and financial liabilities held-for-trading are measured at fair value with gains and losses recognized in the Company's loss for the period. Financial assets held-to-maturity, loans and receivables and financial liabilities, other than those held-for-trading, are measured at amortized cost using the effective interest method of amortization. Available-for-sale financial assets are measured at fair value with unrealized gains and losses including changes in foreign exchange rates being recognized in other comprehensive income ("OCI") upon adoption.

Derivative instruments must be recorded on the balance sheet at fair value including those derivatives that are embedded in financial instruments or other contracts but are not closely related to the host financial instrument or contract, respectively. Changes in the fair values of derivative instruments are recognized in the Company's loss for the period, except for derivatives that are designated as a cash flow hedge, the fair value change for which is recognized in OCI. The Company has elected to recognize all transaction costs to the carrying amount (for non-trading instruments) that are directly attributable to the acquisition or issue of a financial asset or financial liability to the financial instrument on initial recognition.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D…)

Financial instruments (cont'd…)

The Company's financial instruments consist of cash and equivalents, receivables, marketable securities, and accounts payable and accrued liabilities.

The Company has classified each of its significant categories of financial instruments as follows:

Cash and equivalents	Held-for-trading
Marketable securities	Available for sale
Receivables	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities

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.

Income taxes

Future income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future 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 future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Flow-through shares

Canadian tax legislation permits a company to issue flow-through shares whereby the deduction for tax purposes relating to qualified resource expenditures is claimed by the investors rather than the company. The Company records a future income tax liability and a reduction in capital stock for the estimated tax benefit transferred to shareholders.

When flow-through expenditures are renounced, a portion of future income tax assets not recognized in previous years, due to the recording of a valuation allowance, will be applied against the future income tax liability and be recognized as a recovery of future income taxes in the statement of operations.

Comprehensive income

Comprehensive income is defined as the change in equity (net assets) from transactions and other events from non-owner sources. Other comprehensive income is defined as revenues, expenses, gains and losses that, in accordance with primary sources of GAAP, are recognized in comprehensive income, but excluded from net income. This would include holding gains and losses from financial instruments classified as available-for-sale.

Recent Accounting Pronouncements

International financial reporting standards

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canadian GAAP. This date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company's transition date of February 1, 2010 requires the restatement for comparative purposes of amounts reported by the Company for the year ended January 31, 2011.

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments consist of cash and equivalents, marketable securities, receivables, and accounts payable and accrued liabilities. Cash and equivalents 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 are recorded at fair value based on the quoted market prices in active markets at the balance sheet date, which is consistent with level 1 of the fair value hierarchy.

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

Credit risk

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

Interest rate risk

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

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise the funds required through future equity financings, asset sales or exploration option agreements, or a combination thereof. The Company has no regular cash flow from its operating activities. The Company manages its liquidity risk by forecasting cash flow requirements for its planned exploration and corporate activities and anticipating investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of annual budgets and significant expenditures and commitments. Failure to realize additional funding, as required, could result in the delay or indefinite postponement of further exploration and development of the Company's properties. As at January 31, 2011, the Company had cash and equivalents of $2,994,120 (2010 - $795,723) available to settle current liabilities of $171,112 (2010 - $132,574).

Foreign Currency Risk

The Company has some exposure to foreign currency risk with its acquisition of mineral properties in the United States however; the majority of its assets and liabilities are denominated in Canadian dollars. 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 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 arising from these financial instruments.

Equity market risk

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

4. MARKETABLE SECURITIES

	January 31, 2011			January 31, 2010		
	Cost	**Unrealized Gain***	**Fair Market Value**	Cost	Unrealized Gain	Fair Market Value
Various public companies	**$ 16,500**	**$ 14,699**	**$ 31,199**	$ 431,478	$ 222,174	$ 653,652
North Arrow Minerals Inc.	**240,979**	**602,453**	**843,432**	240,979	578,354	819,333
	$ 257,479	**$ 617,152**	**$ 874,631**	$ 672,457	$ 800,528	$ 1,472,985

Effective for the year ended January 31, 2010, the Company determined that it no longer had significant influence over its investment in North Arrow Minerals Inc. ("North Arrow") and accordingly, reclassified its investment to marketable securities. North Arrow and the Company are related by virtue of two common directors.

During the year ended January 31, 2011, the Company received gross proceeds of $495,866 (2010 - $41,570) from the sale of marketable securities and recognized a $80,888 gain (2010 - $22,570 gain) from the sale.

5. PROPERTY AND EQUIPMENT

	As at January 31, 2011			As at January 31, 2010		
	Cost	**Accumulated Amortization**	**Net Book Value**	Cost	Accumulated Amortization	Net Book Value
Furniture and Equipment	**$ 43,041**	**$ 37,207**	**$ 5,834**	$ 43,041	$ 35,748	$ 7,293
Computer Equipment	**125,339**	**97,843**	**27,496**	116,545	87,944	28,601
Software	**42,532**	**41,903**	**629**	41,274	41,274	-
Leasehold Improvements	**32,072**	**32,072**	**-**	32,072	25,986	6,086
	$ 242,984	**$ 209,025**	**$ 33,959**	$ 232,932	$ 190,952	$ 41,980

During the year ended January 31, 2010, the Company reduced its leased office space and wrote-off capitalized leasehold improvements of $19,859, and recognized a loss on the sale of property and equipment of $14,795.

6. MINERAL PROPERTIES

	January 31, 2010	Expended During The Period	Write-off of Costs and Recoveries	**January 31, 2011**
Gold and Base Metal Properties, British Columbia				
Exploration costs	$ 331,346	$ 28,588	$ (309,241)	**$ 50,693**
Acquisition costs	90,068	17,412	(24,390)	**83,090**
Geological and assays	120,051	9,996	(1,941)	**128,106**
Office and salaries	528,768	95,765	(18,338)	**606,195**
	1,070,233	151,761	(353,910)	**868,084**
Gold and Base Metal Properties, NWT& NU				
Exploration costs	7,679,405	36,148	(72,445)	**7,643,108**
Acquisition costs	77,194	5,705	-	**82,899**
Geological and assays	271,495	5,715	(3,718)	**273,492**
Office and salaries	1,184,782	39,099	(45,215)	**1,178,666**
	9,212,876	86,667	(121,378)	**9,178,165**
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	-	242,921	-	**242,921**
Acquisition costs	-	375,025	-	**375,025**
Geological and assays	-	53,587	-	**53,587**
Office and salaries	-	221,717	-	**221,717**
	-	893,250	-	**893,250**
Other Exploration and Generative Exploration				
Exploration costs	(3,152)	10,320	(7,168)	-
Acquisition costs	10,190	(5,200)	(4,990)	-
Geological and assays	2,032	1,951	(3,983)	-
Office and salaries	40,313	30,307	(70,620)	-
	49,383	37,378	(86,761)	-
TOTAL	$ 11,784,512	$ 1,191,997	$ (562,049)	**$ 12,414,460**

During the year ended January 31, 2011, the Company wrote-off $523,561 (2010 - $201,272) relating to certain properties, recorded recoveries for B.C. mineral exploration tax credits of $19,693 (2010 - $510,008), and recorded other recoveries of $18,795 (2010 –$76,500).

6. MINERAL PROPERTIES (CONT'D…)

	January 31, 2009	Expended During The Period	Write-off of Costs and Recoveries	**January 31, 2010**
Gold and Base Metal Properties, British Columbia				
Exploration costs	$ 798,542	$ 67,203	$ (534,399)	**$ 331,346**
Acquisition costs	70,389	29,796	(10,117)	**90,068**
Geological and assays	123,407	8,008	(11,364)	**120,051**
Office and salaries	447,733	111,038	(30,003)	**528,768**
	1,440,071	216,045	(585,883)	**1,070,233**
Gold and Base Metal Properties, NWT& NU				
Exploration costs	7,558,072	156,791	(35,458)	**7,679,405**
Acquisition costs	126,593	3,813	(53,212)	**77,194**
Geological and assays	228,931	44,631	(2,067)	**271,495**
Office and salaries	1,113,643	109,867	(38,728)	**1,184,782**
	9,027,239	315,102	(129,465)	**9,212,876**
Gold and Base Metal Properties, Saskatchewan				
Exploration costs	1,112,223	20,317	-	**1,132,540**
Acquisition costs	143,757	519	(60,000)	**84,276**
Geological and assays	17,630	2,464	-	**20,094**
Office and salaries	163,042	52,068	-	**215,110**
	1,436,652	75,368	(60,000)	**1,452,020**
Other Exploration and Generative Exploration				
Exploration costs	(4,878)	1,983	(257)	**(3,152)**
Acquisition costs	69	18,838	(8,717)	**10,190**
Geological and assays	1,970	62	-	**2,032**
Office and salaries	15,927	27,844	(3,458)	**40,313**
	13,088	48,727	(12,432)	**49,383**
TOTAL	$ 11,917,050	$ 655,242	$ (787,780)	**$ 11,784,512**

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 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 gold property located in southwestern British Columbia. D. Grenville Thomas, the Company's Chairman and a director, is also a director of Westhaven. Under terms of the 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 5 business days of regulatory approval of the option agreement. Within 12 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.

6. MINERAL PROPERTIES (CONT'D…)

Gold and Base Metal Properties, British Columbia (cont'd…)

Bitterroot Agreement

In June 2006, the Company concluded an option agreement with a prospector and Bitterroot Resources Ltd. ("Bitterroot") whereby Bitterroot may earn a 100% interest in certain claims known as the "Big Southeaster" property on Vancouver Island. Under the terms of this agreement, Bitterroot must issue $50,000 worth of common shares to the Company (the Company's share being 33%) and the prospector, prior to the third anniversary of the agreement. The Company received 108,553 Bitterroot common shares with a value of $16,500 during the year-ended January 31, 2010. The Company retains a 0.66% net smelter return royalty ("NSR") on the property, one-half of which (0.33%) may be purchased by Bitterroot for $330,000.

Chu Chua Property

In July 2009, the Company re-acquired ownership of the Chu Chua mineral claims in exchange for returning 4,000,000 common shares of Anglo-Columbia valued at $40,000.

In August 2009, the Company signed an agreement with a private company providing an option to purchase the Company's 100% interest in the Chu Chua mineral claims. To exercise the option, the private company paid $25,000 (received) and agreed to issue up to 2,000,000 shares of a publicly traded company. In December 2009, the transaction closed, with the Company having received 2,000,000 shares of Reva Resources Corporation at a value of $300,000 resulting in a gain of $285,000, and transferred ownership of the Chu Chua mineral claims to the purchaser. The Company retains a 1% net smelter returns royalty on any future mineral production from the deposit.

Inza Property

In February 2009, the Company acquired a 100% interest in five 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 September 2008 and February 2009, the Company acquired, by staking, a 100% interest in 12 adjacent mineral claims.

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 totalling $100,000 and incurring cumulative exploration expenditures totalling $1.1 million over a 4 year period. Upon vesting at a 51% interest in the property, a joint venture will be formed and Xstrata will maintain 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.

Mons Creek, Piltz Mountain and Raven Properties

In February 2010, the Company acquired, by staking, a 100% interest in three exploration properties in the Chilcotin region of south central British Columbia.

Other Properties, BC

Mineral property write-offs of $25,911 (2010- $59,375) during the year ended January 31, 2011 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.

6. MINERAL PROPERTIES (CONT'D…)

Gold and Base Metal Properties, Northwest Territories and Nunavut (cont'd…)

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 mineral claims 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, 2011, the Company wrote off $102,583 (2010 - $129,465) 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 $84,861 (2010-$12,432) 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 January 2011, the Company entered into twenty property option agreements with private land owners in South Carolina (the "Midway gold project"). Subsequent to January 31, 2011, the Company signed a further nine property option agreements with private land owners in South Carolina. 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). 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 six years (all amounts in US Dollars):

2012 - $319,294
2013 - $282,062
2014 - $287,062
2015 - $259,984
2016 - $231,824
2017 - $24,600

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 $120,000 in payments to the current owner over a 30 month period, ($80,000 in the first year, $40,000 in the second year). Upon exercising the option, Palmetto can purchase the property for a maximum price of $10.3 million. The property is subject to a 1.5% gross overriding royalty.

7. CAPITAL STOCK AND CONTRIBUTED SURPLUS

	Number of Shares	Amount	Contributed Surplus
Authorized			
Unlimited common shares without par value			
Issued			
As at January 31, 2009	65,873,463	$ 22,447,793	$ 3,168,652
Property option agreement	250,000	15,000	-
Tax benefits renounced to flow-through share subscribers (Note 9)	-	(950,250)	-
Stock-based compensation	-	-	128,256
As at January 31, 2010	66,123,463	21,512,543	3,296,908
Private placement	15,000,000	3,600,000	-
Share issue costs	-	(327,290)	101,810
Property option agreement	100,000	24,000	-
Stock-based compensation	-	-	172,770
As at January 31, 2011	81,223,463	$ 24,809,253	$ 3,571,488

Share issuances

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 (Note 6).

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, with this amount being recorded in contributed surplus.

The following weighted average assumptions were used for the Black Scholes valuation of the agents' warrants issued as part of the November 2010 financing:

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 2010, 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 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 5 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.

7. CAPITAL STOCK AND CONTRIBUTED SURPLUS (CONT'D…)

Stock options and warrants (cont'd…)

As at January 31, 2011, the following stock options and warrants were outstanding:

	Number of Shares		Exercise Price	Number Vested	Expiry Date
Options	640,000	$	0.6636	640,000	March 16, 2011 (Subsequently Expired)
	545,000		0.3696	545,000	September 15, 2011
	990,000		0.6552	990,000	March 29, 2012
	845,000		0.4600	845,000	December 21, 2012
	1,825,000		0.1700	1,825,500	July 26, 2014
	1,760,000		0.2000	440,000	September 23, 2015
	70,000		0.4200	17,500	December 22, 2015
Warrants	750,000	$	0.3500	750,000	November 15, 2011

Stock option transactions are summarized as follows:

	Number of Options		Weighted Average Exercise Price
Balance, January 31, 2009	5,051,250	$	0.54
Granted	1,825,000		0.17
Cancelled/Expired	(1,443,750)		0.63
Balance, January 31, 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
Number of options currently exercisable	5,302,500	$	0.39

The weighted average fair value of stock options granted during the current fiscal period was $0.13 (2010 - $0.10).

Warrant transactions are summarized as follows:

	Number of Warrants		Weighted Average Exercise Price
Balance, January 31, 2009	5,426,425	$	0.44
Expired	(5,426,425)		0.44
Balance, January 31, 2010	-		-
Granted	750,000		0.35
Balance, January 31, 2011	750,000	$	0.35

7. CAPITAL STOCK AND CONTRIBUTED SURPLUS (CONT'D…)

Stock-based compensation

During the year ended January 31, 2011, the Company granted 1,830,000 stock options (2010 – 1,825,000) with a fair value of $241,314 (2010 - $179,047), which is being recognized over the vesting periods of the options. Total stock-based compensation recognized during the year ended January 31, 2011 was $172,770 (2010 – $128,256).

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

	Year Ended January 31, 2011	Year Ended January 31, 2010
Risk-free interest rate	1.62~2.24%	1.97%
Expected life of options	3~5 years	3 years
Annualized volatility	100%	100%
Dividend rate	0.00%	0.00%

8. RELATED PARTY TRANSACTIONS

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

a. Charged administrative and technical services of $52,669 (2010 - $50,782) to Stornoway Diamond Corporation ("Stornoway"), a company with a common director.

b. Paid or accrued administrative and accounting services of $30,457 (2010 - $30,135) to Stornoway.

c. Charged rent and technical services of $134,506 (2010 - $105,002) to North Arrow, a company with two common directors.

Included in receivables are amounts due from Stornoway totaling $2,617 (2010 - $4,714) for reimbursement of exploration and administrative costs paid by the Company on Stornoway's behalf.

Included in receivables are amounts due from North Arrow totaling $22,510 (2010 - $65,288) for reimbursement of exploration and administrative costs paid by the Company on North Arrow's behalf.

These transactions were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed to by the related parties.

9. INCOME TAXES

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

	2011	2010
Loss before income taxes	$ (1,243,369)	$ (487,139)
Expected income tax recovery	$ 358,001	$ 145,533
Non-deductible items	(174,373)	(28,920)
Recognized benefit of other tax assets	49,270	45,964
Unrecognized benefit of non-capital losses	(232,898)	782,936
Future income tax recovery	$ -	$ 945,513

As at January 31, 2011, the Company has approximately $2,900,000 in non-capital losses available for deduction against future year's taxable income. These losses will expire through 2031.

Subject to certain restrictions, the Company has approximately $14,800,000 of mineral property expenditures in Canada and $890,000 of mineral property expenditures in the U.S.A available to reduce taxable income in future years. In addition, the Company has $705,000 in non-refundable tax credits available to reduce taxable income of future years.

During the year ended January 31, 2010 the Company renounced exploration expenditures of $3,801,000, which resulted in a future income tax recovery and a charge against capital stock of $950,250 (Note 7).

The significant components of the Company's future income tax assets are as follows:

	2011	2010
Future income tax assets (liabilities):		
Non-capital losses	$ 722,569	$ 324,352
Mineral properties	816,941	717,203
Marketable securities	142,676	367,488
Property and equipment	48,183	24,819
Share issuance costs and other tax assets	191,683	213,997
	1,922,052	1,647,859
Less: valuation allowance	(1,922,052)	(1,647,859)
	$ -	$ -

10. ACCUMULATED OTHER COMPREHENSIVE INCOME

Balance, January 31, 2009	$ 31,694
Reversal of previous unrealized losses on available-for-sale investments	(31,694)
Unrealized gains on available-for-sale investments	800,528
As at January 31, 2010	800,528
Reversal of previous unrealized losses on available-for-sale investments sold	(212,775)
Unrealized gains on available-for-sale investments	29,399
As at January 31, 2011	$ 617,152

11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

At January 31, 2011, cash and equivalents of $2,994,120 (2010 - $795,723), which consisted of cash on deposit of $151,895 (2010 - $795,723) and short-term investments of $2,842,225 (2010 - $Nil).

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

a) The Company incurring mineral property expenditures of $41,588 that are included in accounts payable and accrued liabilities.
b) The Company accruing a recovery of mineral property expenditures of $8,961 that is included in receivables.
c) The Company issued 100,000 common shares valued at $24,000 pursuant to the acquisition of mineral property claims (Note 6).
d) The Company issued 750,000 agents' warrants valued at $101,810 pursuant to a private placement (Note7).

The significant non-cash transactions for the year ended January 31, 2010 were:

a) The Company incurring mineral property expenditures of $39,204 that are included in accounts payable and accrued liabilities.
b) The Company accruing a recovery of mineral property expenditures of $7,902 that is included in receivables.
c) The Company issued 250,000 common shares valued at $15,000 pursuant to the purchase of mineral property claims (Note 6).
d) The Company receiving 108,553 common shares of Bitterroot valued at $16,500 pursuant to a mineral property option agreement (Note 6).
e) The Company receiving 2,000,000 common shares of Reva valued at $300,000 pursuant to the sale of the Chu Chua mineral claims (Note 6).

12. COMMITMENTS

The Company is committed to minimum future lease payments for office premises through to January 31, 2016 and exploration equipment through to January 31, 2013 as follows:

Fiscal year ending January 31, 2012	$ 64,484
Fiscal year ending January 31, 2013	$ 63,124
Fiscal year ending January 31, 2014	$ 59,047
Fiscal year ending January 31, 2015	$ 59,047
Fiscal year ending January 31, 2016	$ 59,047

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

13. CAPITAL MANAGEMENT

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

The Company's 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, more recently, 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.

14. SUBSEQUENT EVENTS

a) Subsequent to January 31, 2011, a total of 485,000 stock options with prices between \$0.17 and \$0.6636 were exercised for gross proceeds of \$188,156.

b) In March 2011, the Company entered into an option agreement to purchase the Parker mine property in North Carolina, USA (Note 6).

c) In April 2011, the Company entered into an agreement with Xstrata with respect to the Inza property (Note 6).

d) On April 29, 2011, the Company granted 1,710,000 incentive stock options to directors, officers, employees, and consultants pursuant to the terms of its Stock Option Plan. These options are exercisable to acquire one common share at \$0.55 and can be exercised until April 29, 2016.

e) Subsequent to January 31, 2011, a total of 287,500 warrants were exercised at a price of \$0.35 for gross proceeds of \$100,625

f) Subsequent to January 31, 2011, an additional nine property option agreements were signed for the Midway Gold Project (Note 6).