CURLEW LAKE RESOURCES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FORM 51-102F1

FOR THE THREE MONTHS ENDED APRIL 30, 2012

JUNE 29, 2012

Management's discussion and analysis ("MD&A") of the financial condition and results of operations of Curlew Lake Resources Inc. (the "Company" or "Curlew"), should be read in conjunction with the financial statements for the three months ending April 30, 2012.

FORWARD LOOKING STATEMENTS

Certain statements contained in this Management's Discussion and Analysis may constitute forward looking statements. These statements relate to future events or the Corporation's future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Corporation believes that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this annual Management's Discussion and Analysis should not be unduly relied upon by investors. These statements speak only as of the date of this Management's Discussion and Analysis and are expressly qualified, in their entirety, by this cautionary statement.

In particular, this Management's Discussion and Analysis contains forward-looking statements, pertaining to the following:

- capital expenditure programs;
- treatment under governmental regulatory and taxation regimes; and
- expectations regarding the Corporation's ability to raise capital and to continually add to reserves through acquisitions and development.

With respect to forward-looking statements contained in this Management's Discussion and Analysis, the Corporation has made assumptions regarding, among other things:

- the Corporation's ability to obtain additional financing on satisfactory terms.

The Corporation's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this management discussion and analysis:

- geological, technical, drilling and processing problems;
- liabilities and risks, including environmental liabilities and risks, inherent in oil and natural gas operations;
- incorrect assessments of the value of acquisitions;
- competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel; and
- the other factors referred to under "Risk Factors".

The forward-looking statements or information contained in this Management's Discussion and Analysis are made as of April 30, 2012 and June 29, 2012.

Success in the junior oil and gas and mineral exploration sectors is measured by a corporation's ability to raise funds and the ability to secure properties of merit. Not all of these factors are within management's control. The ability to raise funds is in part dependent on the state of the junior resource stock market, which in turn is dependent on the economic climate, oil and gas and minerals prices and perceptions as to which way the market is headed. The ability to secure properties of merit is in large part dependent on management's contacts and the vitality of the sector.

Description of Business

The Company is an oil and natural gas, and precious metals, exploration, development and production company with operations in Canada. The Company was incorporated on January 15, 1987, in British Columbia, Canada. The Company is a reporting issuer in British Columbia and Alberta and trades on the TSX Venture Exchange under the symbol CWQ as well as the US Pink Sheets under the symbol CWLXF.

Selected Annual Information Discussion

In the three months ending April 30, 2012 the Company focused on several projects related to oil, gas and minerals.

2012 Highlights

The Company established a presence in Calgary with the engagement of technical staff.

Selected Annual Information

	2012 (IFRS)	2011 (IFRS)	2010 (CDN GAAP)
Total revenue	$132,667	$143,160	$148,946
Loss before other items, in total	(104,852)	(624,467)	(624,270)
Loss before discontinued operations and extraordinary items, on a basic & diluted per share basis	(0.00)	(0.01)	(0.01)
Net income (loss) total	(104,852)	(624,467)	(644,252)
Net loss per share (basic & diluted basis)	(0.00)	(0.01)	(0.01)
Total Assets	1,012,990	1,287,697	528,701
Total long-term financial liabilities	-	-	-
Cash dividends declared per-share	-	-	-

1.4 Results of Operations

Oil and gas sales for the quarter ended April 30, 2012 amounted to $3,369 compared to $43,201 for the quarter ended April 30, 2011.

General and administrative expenses affecting cash during the quarter ended April 30, 2012 totaled $10,184 as compared to $26,812 during the quarter ended April 30, 2011. The Company continues to focus on cost control in the current year.

During the period, the Company sold its interest in the Fosterton wells for $30,000.

Operations

Fairydell - Alberta

Curlew Lake Resources Inc. has acquired freehold and Alberta Crown Petroleum and Natural Gas rights in the Fairydell-Bon Accord area of central Alberta. The Company has interest in nine and three-quarter sections (6,240 acres) in the Fairydell area.

Curlew Lake Resources has acquired and interpreted seismic data in the Redwater-Fairydell area that has identified numerous drilling targets with multi-zone potential. The area is situated between the long-standing Redwater oil field and the smaller but prolific Fairydell-Bon Accord oil field, 50 miles north of the City of Edmonton. The Redwater field is a Devonian Leduc formation reef play that has produced oil since the 1950s and holds upwards of a 850 million barrels of oil recoverable. Prospective lands between the Redwater atoll reef complex and the Fairydell-Bon Accord reef were identified by Curlew Lake using seismic and well control. This effort has resulted in the acquisition of key freehold and Crown lands. The multi-formation prospects include Devonian Nisku and Leduc formations, as well as productive units in the overlying Mannville Group.

The Fairydell area was identified by Curlew Lake as a potential high-impact project with numerous area wells on the main reefs producing from the Leduc and Nisku formations in the order of one and one-half to two million barrels of oil per well on 40 acre spacing. The area is less than 50 miles from oil and gas related services at Edmonton and Fort Saskatchewan. Fifty years of infrastructure-building in the area provides adequate battery, pipeline and facilities. Alberta Crown royalties on new wells, drilling credits on Crown lands, make drilling prospects at Fairydell very attractive and economic. Expected netbacks would result with payout in less than one year.

Exploration Program

Curlew Lake Resources has identified a number of drilling locations based on seismic and geological interpretation, and has developed an updated model for reef development in the Fairydell area. Exploration and development drilling have defined the Fairydell area to be a multi-formation project. Optimal field exploitation may be accomplished by excellent pipeline infrastructure, horizontal drilling and down-spacing. The first Company well encountered reef structure and porosity more or less at the anticipated depth at Fairydell 2-16-57-24 W4M. Curlew had also determined that since there were no oil shows in the Leduc and Nisku formations, and because of drilling difficulties and a washout in a lower Leduc section, the company abandoned the well in favour of evaluating other potential targets in the Fairydell area. Two wells have been drilled on the lands by the Company and partners, the first well was D&A (drilled and abandoned), and the second is currently suspended pending a proposed deepening program. Further drilling is planned.

Reconciliation of Proposed & Actual Expenditures

The Company is currently proposing a deepening program for the second Fairydell well.

Exploration Results

The Company is currently proposing a deepening program for the second Fairydell well.

Future Developments

The Company hopes to remain committed to the long-term exploration of the Fairydell project.

Leduc Project - Alberta

The Company has acquired 2 sections (1,280 acres) of freehold and Petroleum and Natural Gas rights in the prolific Leduc area of central Alberta. Curlew Lake Resources has as part of its on-going geological review of the Leduc oil field identified a number of prospects related to the Leduc Reef. Leduc is a long-standing oil field discovered in the late 40's and a number of wells are still producing. Curlew Lake has mapped parts of the Leduc field and carried out core work that indicates there are a number of in-fill and step out drilling opportunities. Some of these may present new reservoirs and overlying formations amenable to horizontal drilling. The Company has acquired a number of leases and options in the Leduc South field and plans to pursue a number of re-completions and development optimizations as the lease acquisition stage is completed and licenses are obtained.

Exploration Program

The Company strategy is to in-fill drill and optimize production in areas where infrastructure and proximity to services reduces costs and increases efficiencies.

Reconciliation of Proposed & Actual Expenditures

Budgeting and planning for this program has commenced.

Exploration Results

The Company hopes to have a drilling program initiated in 2012.

Future Developments

The Company hopes to remain committed to the long-term exploration of the Leduc project.

Chin Coulee Project - Alberta

Curlew Lake Resources has acquired 2 sections (1,280 acres) Alberta Crown Petroleum and Natural Gas Leases in the Chin Coulee area of Southern Alberta. A seismic acquisition and interpretation program has been carried out that identified a number of anomalies supporting the initiation of an exploration program in the Chin area southeast of Taber. Taber oil and gas fields have been heavily exploited over past decades and many of the large operators have been successful in establishing large-scale programs in the productive Lower Cretaceous formations as well as underlying Jurassic formations. Of particular interest are the Glauconite channels and Sawtooth oil producing formations. Some of the structural control of fields in southern Alberta likely comes from faulting and from underlying meteorite impact craters. Curlew Lake has identified anomalies at Chin that qualify as exploration targets, including the prolific Glauconite channels and Sawtooth sands that have proven to be important producing formations in southern Alberta over the past 30 years, with some potential in upper gas containing sands. Technical advances in horizontal drilling have made discoveries in these formations more efficient producers and targeted drillpoints allow for more complete exploitation of the oil bearing reservoirs. Alberta Crown Leases now qualify for the revised royalty rate and drilling incentives which greatly improve the attractiveness of exploring for known oil producing formations in the areas where infrastructure is good and open Alberta Crown mineral lands are available for lease.

Exploration Program

A drill target and proposed well at Chin Coulee on recently acquired Crown Petroleum and Natural Gas Leases is in the planning stages. Curlew plans to drill at least one of the two acquired Alberta Crown sections 6 miles east of the Chin Coulee oil field. Curlew has identified a number of potential channels and a seismic shot point drill target has been selected and is planned to be licensed this summer. An AFE and Recommendation to Drill have been prepared for Chin and management has proposed licensing a New Pool Wildcat. Subject to the availability of financial resources, the Curlew Chin program is planned for exploration in 640 acre Section 33 and if successful, a follow-up hole in Curlew Section 29-7-13 W4M. Many similar prospects in Southern Alberta are eventually drilled on 40 acre spacing. Many of these wells in the Glauconite channels have been producing for 30 years. Long-life reserves in easily accessible areas are also enhanced by improved technologies that include sweeping the reservoir, using flood programs and polymer agents that are recovering upwards of 50% of the original oil in place as opposed to older technologies that recover 8 to 15 percent of OOIP. Production rates vary in the channel plays and IPs (Initial Production) are up to 400 barrels per day, depending upon size and thickness of reservoir and porosity and permeability. Typical reserves estimates in section-sized channels run in the millions of barrels per section.

Reconciliation of Proposed & Actual Expenditures

Budgeting and planning for this program has commenced.

Exploration Results

The Company hopes to have a drilling program initiated in 2012.

Future Developments

The Company hopes to remain committed to the long-term exploration of the Chin Coulee project.

Minard Project - Saskatchewan

On November 21st, 2007 Curlew Lake Resources Inc. announced that it has signed Participation and Joint Operating Agreement with Propel Energy Corp. of Calgary; Curlew Lake agreed to pay 30 percent of the cost of drilling and completing the well for production to earn a 25 percent working interest in any subsequent production, and any future wells on the project.

Exploration Program

The Company has successfully drilled and completed two wells on the Minard project. These wells have been shut-in due to pump issues.

Reconciliation of Proposed & Actual Expenditures

Curlew Lake Resources paid for the initial Minard well in full. To provide funding for the second well and another 3 wells proposed for this project, the Company entered into an agreement with a private Ontario company. The agreement provides for 100% funding by the private company for the second well and for loans to Curlew to cover its share of funding of the following proposed 3 wells. In return the private company will be granted 50% of Curlew's interest in all 5 wells on the prospect. This arrangement will allow Curlew to participate with a 12.5% working interest in 5 horizontal wells in the Frobisher zone on the Minard project with no requirement for further equity financing.

Exploration Results

Two wells are currently shut-in due to pump issues.

Future Developments

The Company has no plans for further exploration of this property in the near future.

Turner Valley Oil Project - Calgary, Alberta

The Company holds various interests in certain petroleum and natural gas leases. During the 2002 fiscal year, the Company signed farm out agreements on portions of the leases with three separate parties whereby the Company has retained royalty and/or working interests. The Company is in a non-operator position on all leases in this area. Income continues to be received from two of four Company interest wells.

Exploration Program

The Company has no plans for further exploration of these properties in the near future.

Reconciliation of Proposed & Actual Expenditures

The Company has no plans for further exploration of these properties in the near future.

Exploration Results

Four wells have been successfully drilled and tested on Company interest lands in this area. Currently production revenue is being received from one of the wells. Two of the wells are awaiting facility upgrades and the 4th well has been successfully tested and will be readied for production as soon as an adjoining well has been deepened and the required pipeline constructed.

Future Developments

The Company has no plans for further exploration of these properties in the near future.

Clear Creek Mineral Project, Yukon

The Company controls a 100% interest in the Typhoon mineral claims located in the Clear Creek District of the Yukon. There are a total of 117 claims covering over 5,000 acres. The property acquired is in an area where geochemical surveys and placer mining had shown interesting values in gold and silver. The property is readily accessible via a good road connecting to the Klondike Highway some 85 kilometers southeast of Dawson City.

The 100% working interest on 98 claims is subject to a 4% Net Smelter Royalty, of which 1% may be purchased by the Company at any time in the future for the price of $600,000, in cash or shares and an additional 2% which may be purchased at any time for $1,000,000 in cash.

The 100% working interest on the remaining 19 claims is subject to a 2% NSR Royalty, which may be purchased at any time by Curlew Lake for $1 million for each 1% to the Vendor, Xennex Development Corporation.

Exploration Program

During 2007, the Company completed an exploration program consisting of line cutting, geophysics (both IP and HLEM surveys), and geologic mapping; followed by about 1000 metres of diamond drilling.

Reconciliation of Proposed & Actual Expenditures

During 2008, the Company negotiated a settlement to pay part of the outstanding payables for the Yukon exploration process through a shares for debt agreement.

Exploration Results

During 2007, the Company completed an exploration program consisting of line cutting, geophysics (both IP and HLEM surveys), and geologic mapping; followed by an approx. 1000 metres of diamond drilling operation. Although no definitive results were obtained in the 2007 program, we have now established that gold occurs “in place” in the geological system, as anomalous gold, along with significant sulphide mineralization, was encountered in several drill holes.

Future Developments

The Company will review the project and identify areas for possible follow up exploration.

<u>Peace River Claims, Clear Hills District, Alberta</u>

Curlew Lake holds a 50% interest in Metallic & Industrial Minerals rights on 37 Townships, an area of approximately 850,000 acres (351,675 hectares), of land in the Peace River area in north western Alberta. The lands will be operated as a joint venture, with Curlew and 2 private partners, and Curlew will be the initial operator of the exploration project. The lands lie north and west of the Clear Hills area and cover a structure known as Halverson Ridge and surrounding areas. Additional financing will be required to hold and/or explore the subject property.

Exploration Program

The project is in the early planning stages.

Reconciliation of Proposed & Actual Expenditures

The project is in the early planning stages.

Exploration Results

No formal exploration activity has commenced

Future Developments

The project is in the early planning stages.

Summary of Quarterly Results
Curlew Lake Resources Inc.
Statement of Loss and Deficit
(Unaudited – prepared by management)

Fiscal Year Ending	2011 IFRS			2012 IFRS				2013 IFRS	13 vs. 12
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q1 Comp
INCOME									
Petroleum and natural gas sales, net	32,827	34,911	56,860	45,827	35,552	24,488	26,810	3,369	42,458
Operating expense	22,473	2,042	8,325	2,626	6,890	5,665	29,728	-	(2,626)
OPERATING INCOME	10,354	32,869	48,535	43,201	28,662	18,823	(2,918)	3,369	(39,832)
EXPENSES									
Amortization & depletion	-	-	-	-	-	-	-	-	-
Interest and bank charges	521	480	375	435	482	350	341	329	(106)
Management fees	7,500	7,500	7,500	7,500	7,500	2,500	12,500	-	(7,500)
Office and miscellaneous	1,386	481	645	1,694	982	2,508	(1)	4,535	2,841
Professional fees & consulting	41,077	9,400	42,847	4,000	7,457	8,930	34,075	-	(4,000)
Regulatory and transfer agent fees	15,427	212	2,362	3,596	8,620	7,972	4,168	5,200	1,604
Rent	80	120	80	150	120	120	120	120	(30)
Stock-based compensation	-	-	120,953	-	-	-	-	-	-
Telephone	173	-	2,440	747	-	1,953	-	-	(747)
Travel and promotion	1,716	435	6,958	1,868	-	1,831	-	-	(1,868)
Wages and benefits	7,500	7,262	6,974	6,637	6,637	2,212	11,063	-	(6,637)
Write-down/recovery of oil and gas properties	67	-	360,669	185	-	-	43,368	-	(185)
Total Operating Expense	75,447	25,890	551,803	26,812	31,798	28,376	105,634	10,184	(16,628)
Income (loss) before other items	(65,093)	6,979	(503,268)	16,389	(3,136)	(9,553)	(108,552)	(6,815)	(23,204)
Other income	-	-	-	-	-	-	-	30,000	30,000
Write-off of investment	-	-	-	-	-	-	-	-	-
Income (loss) before income taxes	(65,093)	6,979	(503,268)	16,389	(3,136)	(9,553)	(108,552)	23,185	6,796
Future income taxes (recovery)	-	-	-	-	-	-	-	-	-
Income (loss) for the period	(65,093)	6,979	(503,268)	16,389	(3,136)	(9,553)	(108,552)	23,185	6,796

1.6 Liquidity and Solvency

At April 30, 2012, the Company had working capital deficit of $(39,525). The Company is currently relying on net production revenue and private placement funding to progress future programs. There is no guarantee the Company will be able to raise further funds and there is uncertainty regarding future net cash flow from production.

1.9 Related Party Transactions

The Company entered into the following transactions with related parties:

a) Paid management fees of $0 (2011 - $7,500) to a company controlled by a director.
b) Paid wages and benefits of $0 (2011 – $6,637) to a company controlled by a director.

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.

General and Administrative

The Company has focused on lowering expenses on routine items. Management of the Company does not foresee any significant change to the yearly administrative expenditures during the coming year. However, should the Company not receive the required funding to continue operations management will review all on-going expenditures and take appropriate action (See liquidity and solvency above).

Investor Relations

The Company has no current investor relation agreements.

SHARE CAPITAL AND CONTRIBUTED SURPLUS

	Number Of Shares	Capital Stock	Contributed Surplus
Authorized			
Common shares without par value	Unlimited		
Issued			
As at February 1, 2010	71,769,526	$14,162,393	$433,912
Issued for cash under private placements	27,700,000	1,385,000	-
Allocation to warrants		(112,000)	112,000
Share-based compensation	-	-	120,953
As at January 31, 2011 and January 31, 2012	99,469,526	$15,435,393	$666,865
As at April 30, 2012	99,469,526	$15,435,393	$666,865

During the quarter ended April 30, 2012, the Company did not complete any share transactions.

During the year ended January 31, 2012, the Company did not complete any share transactions.

The Company obtained shareholder approval at its Annual General Meeting held on June 22, 2012 to authorize the directors of the Company in their sole discretion to implement a consolidation of the Company's share capital on a ten (10) old shares for one (1) new share basis, subject to completion by May 18, 2013. The Company currently has 99,469,526 shares outstanding, which, if no further shares are issued, would be reduced to 9,946,953 post-consolidated common shares. There will be no name change with this consolidation. The consolidation is subject to receipt of shareholder and regulatory approval.

Warrants

Warrant transactions for the respective years and the number of warrants outstanding are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, January 31, 2011	37,160,000	0.10
Warrants expired	(9,460,000)	(0.05)
Balance, January 31, 2012	27,700,000	$ 0.10
Balance, April 30, 2012	27,700,000	$ 0.10

The following warrants to acquire common shares were outstanding at April 30, 2012

Number of Shares	Exercise Price	Expiry Date
11,200,000	$ 0.10	May 22, 2012*
10,500,000	$ 0.10	August 26, 2012
6,000,000	$ 0.10	December 17, 2012

* subsequent to quarter end these warrants expired unexercised.

SHARE CAPITAL AND CONTRIBUTED SURPLUS (cont'd)

Stock options

The Company follows the policies of the TSX Venture Exchange ("TSX-V") under which it is authorized to grant options to executive officers and directors, employees and consultants, enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. The exercise price of each option equals the market price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of 10 years.

Stock option transactions for the respective years and the number of share options outstanding are summarized as follows:

	Number Of Shares	Weighted Average Exercise Price
Balance, January 31, 2011	6,700,000	$ 0.10
Options cancelled	(3,700,000)	0.10
Options granted	-	0.10
Balance, January 31, 2012	3,000,000	$ 0.10
Options cancelled	-	0.10
Options granted	-	0.10
Balance, April 20, 2012	3,000,000	$ 0.10

The Company uses the fair value method for determining stock-based compensation expense for all options granted during the fiscal periods. The fair value of options granted and vested was $Nil (2011 - $Nil).

Stock options outstanding and exercisable at April 30, 2012 are as follows:

Number Of Shares	Exercise Price	Expiry Date
3,000,000	$ 0.10	May 27, 2013

Future accounting pronouncements:

International Financial Reporting Standards ("IFRS"):

In February 2008, the CICA Accounting Standards Board ("AcSB") confirmed the changeover to IFRS from Canadian GAAP will be required for publicly accountable enterprises for interim and annual financial statements effective for fiscal years beginning on or after January 1, 2011, including comparatives for 2010.

The Corporation's IFRS conversion project has been broken down into the following phases:

- Phase 1 Diagnostic – identification of potential accounting and reporting differences between Canadian GAAP and IFRS.
- Phase 2 Planning – establishment of project governance, processes, resources, budget and timeline.
- Phase 3 Policy Delivery and Documentation – establishment of accounting policies under IFRS.
- Phase 4 Policy Implementation – establishment of processes for accounting and reporting, IT change requirements, and education.
- Phase 5 Sustainment –on going compliance with IFRS after implementation.

Summary of Identified IFRS Accounting Policy Differences

Petroleum and natural gas properties and equipment

For Canadian GAAP purposes, the Corporation follows the full cost method of accounting for its conventional crude oil and natural gas properties and equipment as prescribed by Accounting Guideline 16 ("AcG16"). Application of the full cost method of accounting is discussed in the "Significant Accounting Policies" section of the 2011 annual financial statements. Significant differences in accounting for P&NG under IFRS include:

- Pre-exploration costs must be expensed. Under full cost accounting.
- Exploration and evaluation costs will be initially capitalized as exploration and evaluation assets. Once technical feasibility and commercial viability of reserves is established for an area, the costs will be transferred to developed and producing assets ("D&P"). If technically feasible and commercially viable reserves are not established for a new area, the costs must be expensed. Under full cost accounting, exploration and evaluation costs are currently disclosed as P&NG but withheld from depletion. Costs are transferred to the depletable assets when proved reserves are assigned or when it is determined that the costs are impaired.
- D&P for producing properties will be depreciated at an asset level. Under full cost accounting, P&NG is depleted on a cost centre basis.
- Impairment of D&P will be tested at a cash generating unit level (the lowest level at which cash inflows can be separately identified). Under full cost accounting, impairment is tested at the cost centre level.

Asset Retirement Obligations

Canadian GAAP accounting requirements for asset retirement obligations ("ARO") are discussed in the "Significant Accounting Policies" section of the 2011 annual financial statements. A significant difference in accounting for ARO under IFRS is that the liability must be re-measured at each balance sheet date using the current discount rates, whereas under Canadian GAAP the discount rates do not change once the liability is recorded. On transition to IFRS, the change in ARO liability on P&NG for which the full cost exemption above is applied must be recorded in retained earnings. In future periods, the impact of changes in discount rates on the ARO liability for all D&P is adjusted to D&P.

Flow Through Shares

IFRS does not specifically address the accounting for flow-through shares or the related tax consequences arising from such transactions. In the absence of an IFRS that specifically applies to the transaction, IAS 8 allows the Corporation to consider the most recent pronouncements of other accounting standard-setting bodies that use a similar conceptual framework.

Under Canadian GAAP the accounting treatment would credit share capital with the full proceeds received from the flow through issuance, and on the date of renouncement, a future income tax liability would be recognized and the stated value of the share capital would be reduced accordingly. Whereas under IFRS the proceeds of the issuance would be allocated between the offering of the shares and the sale of the tax benefits. The allocation is based on the difference between the quoted price of the existing shares and the amount the investor pays for the flow through shares. A liability is recognized for this difference. The liability is reversed when the tax benefits are renounced and a deferred tax liability is recognized. Income tax expense is the difference between the amount of the deferred tax liability and the liability recognized on issuance.

IFRS 1 Exemptions

First time adoption of IFRS - The Company's financial statements for the year ending January 31, 2012 are the first annual financial statements prepared in accordance with IFRS. IFRS 1, First Time Adoption of International Financial Reporting Standards, requires that comparative financial information be provided. As a result, the first date at which the Company has applied IFRS was February 1, 2010 (the "Transition Date"). IFRS 1 requires first-time adopters to retrospectively apply all IFRS standards as of the transition date, which for the Company is February 1, 2010. However, it also provides for certain optional exemptions and certain mandatory exceptions for the first time IFRS adoption. Prior to transition to IFRS, the Company prepared its financial statements in accordance with pre-changeover Canadian Generally Accepted Accounting Principles ("pre-changeover Canadian GAAP").

In preparing the Company's opening IFRS financial statements, the Company has adjusted amounts reported previously in the financial statements prepared in accordance with pre-changeover Canadian GAAP.

The IFRS applicable exemptions and exceptions applied in the conversion to IFRS are as follows:

Share-based payments – IFRS 2, Share-based Payments, encourages application of its provisions to equity instruments granted on or before November 7, 2002, but permits the application only to equity instruments granted after November 7, 2002 that had not vested by the Transition Date. The Company elected and applied IFRS 2 for all equity instruments granted after November 7, 2002 that had not vested by its Transition Date.

IFRS 2 requires stock option payments to employees be measured based on fair values of the awards. For share options granted to employees, in many cases market prices are not available, because the options granted are subject to terms and conditions that do not apply to traded options. As a result, the fair value of the options granted shall be estimated by applying an option pricing model.

The Company issues stock-based awards in the form of stock options that vest over a one to five year period. Under IFRS 2 the fair value of each tranche of the award is considered a separate grant based on the vesting period with the fair value of each tranche determined separately and recognized as compensation expense over the term of its respective vesting period.

Exploration and Evaluation Expenditures - Under IFRS 6: Exploration and Evaluation of Mineral Resources, mining companies are allowed to retain their existing policies for the capitalization of exploration and evaluation costs until guidance that is more definitive is developed in this area. The Company has in the past capitalized exploration and evaluation costs prior to the establishment of ore reserves which would support the economic viability of the project and will continue this policy.

RISKS

No History of Operation

The Company is in its exploration stage, has very limited operating history, and is subject to all the risks inherent in a new business enterprise. For example, to date we have had no revenues and have relied upon equity financing to fund our operations. The likelihood of success of the Company must be considered in light of the problems, expenses, difficulties, complication, and delays frequently encountered in connection with a new business, and the competitive and regulatory environment in which the Company will operate, such as under-capitalization, personnel limitations, and limited revenue sources.

Due to Our History of Operating Losses, We are Uncertain That We Will Be Able to Maintain Sufficient Cash to Accomplish Our Business Objectives

The Company had an accumulated deficit of $15,173,126 at April 30, 2012. There is no assurance that we can generate net income, generate revenues or successfully explore and exploit our properties.

Significant amounts of capital will be required to continue to explore and then develop our exploration projects. The Company is not engaged in any material revenue producing activities and does not expect to do so in the near future. Currently the Company's sources of funding consist of the sale of additional equity securities, borrowing funds, or selling a portion of our interests in our assets. There is no assurance that any additional capital that the Company will require will be obtainable on terms acceptable to us, if at all. Failure to obtain such additional financing could result in delays or indefinite postponement of further exploration and development of our projects. Additionally financing, if available, will likely result in substantial dilution to existing stockholders.

Capital Requirements and Liquidity; Need for Subsequent Funding

Company management and our board of directors monitor our overall costs and expenses and, if necessary, adjust Company programs and planned expenditures in an attempt to ensure we have sufficient operating capital. We continue to evaluate our costs and planned expenditures for our on-going exploration projects. The continued exploration and development of its projects will require significant amounts of additional capital. As a result, the Company will need to explore raising additional capital during fiscal 2013 so that it can continue to fully fund its planned operations. The weak US and global economies combined with instability in global financial and capital markets have impacted the availability of funding. If the disruptions in the global financial and capital markets continue, debt or equity financing may not be available to us on acceptable terms, if at all. Equity financing, if available, may result in substantial dilution to existing stockholders. If we are unable to fund future operations by way of financing, including public or private offerings of equity or debt securities, our business, financial condition and results of operations will be adversely impacted.

Disruptions in the Global Financial and Capital Markets May Impact Our Ability to Obtain Financing.

The global financial and capital markets have experienced on-going volatility and disruption. Although we expect to meet our near term liquidity needs with our working capital on hand, we will continue to need further funding to achieve our business objectives. In the past, the issuance of equity securities has been the major source of capital and liquidity for us. The extraordinary conditions in the global financial and capital markets have currently limited the availability of this funding. If the disruptions in the global financial and capital markets continue, debt or equity financing may not be available to us on acceptable terms, if at all. If we are unable to fund future operations by way of financing, including public or private offerings of equity or debt securities, our business, financial condition and results of operations will be adversely impacted.

Our Exploration Activities Require Significant Amounts of Capital that May Not Be Recovered.

Mineral exploration activities are subject to many risks, including the risk that no commercially productive or extractable resources will be encountered. There can be no assurance that our activities will ultimately lead to an economically feasible project or that we will recover all or any portion of our investment. Mineral exploration often involves unprofitable efforts, including drilling operations that ultimately do not further our exploration efforts, as well as operating and other costs. The cost of minerals exploration is often uncertain and cost overruns are common. Our drilling and exploration operations may be curtailed, delayed or canceled as a result of numerous factors, many of which are beyond our control, including title problems, weather conditions, compliance with governmental requirements and shortages or delays in the delivery of equipment and services.

Risks Inherent in the Mining Industry

The Company is subject to all of the risks inherent in the minerals exploration and mining industry and including, without limitation, the following: competition from a large number of companies, many of which are significantly larger than the Company, in the acquisition, exploration, and development of mining properties; the Company might not be able raise enough money to pay the fees, taxes and perform labor necessary to maintain its concessions in good force; exploration for minerals is highly speculative and involves substantial risks, even when conducted on properties known to contain significant quantities of mineralization, our exploration projects may not result in the discovery of commercially mineable deposits of ore; the probability of an individual prospect ever having reserves that meet regulatory requirements is extremely remote, or the properties may not contain any reserves, and any funds spent on exploration may be lost; our operations are subject to a variety of existing laws and regulations relating to exploration and development, permitting procedures, safety precautions, property reclamation, employee health and safety, air quality standards, pollution and other environmental protection controls and the Company may not be able to comply with these regulations and controls; and a large number of factors beyond the control of the Company, including fluctuations in metal prices, inflation, and other economic conditions, will affect the economic feasibility of mining.

Environmental Controls

Compliance with statutory environmental quality requirements may necessitate significant capital outlays, may materially affect the earning power of the Company, or may cause material changes in the Company's intended activities. Our exploration operations require compliance with local and federal regulations. No assurance can be given that environmental standards imposed by either federal or provincial governments will not be changed or become more stringent, thereby possibly materially adversely affecting the proposed activities of the Company. In addition, if we are unable to fund fully the cost of remediation of any environmental condition, we may be required to suspend operations or enter into interim compliance measures pending completion of the required remediation.

Operational Hazards; Uninsured Risks

The Company is subject to risks and hazards, including environmental hazards, industrial accidents, the encountering of unusual or unexpected geological formations, cave-ins, flooding, earthquakes and periodic interruptions due to inclement or hazardous weather conditions. These occurrences could result in damage to, or destruction of, properties or facilities, personal injury or death, environmental damage, reduced productivity and delays in exploration, asset write-downs, monetary losses and possible legal liability. The Company may not be insured against all losses or liabilities, which may arise from operations, either because such insurance is unavailable or because the Company has elected not to purchase such insurance due to high premium costs or other reasons. The realization of any significant liabilities in connection with our exploration activities as described above could negatively affect our results of operations and the price of our common stock.

Need for Additional Key Personnel; Reliance on Officers and Directors

The Company relies in large part on the personal efforts of its officers and directors. The success of the Company's proposed business will depend, in part, upon the ability to attract and retain qualified employees. The Company believes that it will be able to attract competent employees, but no assurance can be given that the Company will be successful in this regard. If the Company is unable to engage and retain the necessary personnel, its business would be materially and adversely affected.

RISKS RELATING TO OUR COMMON STOCK:

Our Stock Price Can Be Extremely Volatile

The trading price of our common stock has been and could continue to be subject to wide fluctuations in response to announcements of our business developments and drill results, progress reports, the resource markets in general, and other events or factors. In addition, stock markets have experienced extreme price volatility in recent years. This volatility has had a substantial effect on the market prices of companies, at times for reasons unrelated to their operating performance. Such broad market fluctuations may adversely affect the price of our common stock.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this document or incorporated herein by reference may constitute "forward-looking statements". These forward-looking statements can generally be identified as such because of the context of the statements including words such as the Company "believes", "anticipates", "expects", "plans", "estimates" or words of a similar nature. The forward-looking statements are based on current expectations and are subject to known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others: the general economic and business conditions which will, among other things, impact demand for and market prices of the Company's products; the foreign currency exchange rates; the economic conditions in the countries and regions in which the Company conducts business; the ability of the Company to implement its business strategy, including exploration and development activities; the ability of the Company to complete its capital programs; the ability of the Company to transport its products to market; potential delays or changes in plans with respect to exploration or development projects or capital expenditures; the availability and cost of financing; the success of exploration and development activities; the production levels; the uncertainty of reserve estimates; the actions by governmental authorities; the government regulations and the expenditures required to comply with them (especially safety and environmental laws and regulations); the site restoration costs; and other circumstances affecting revenues and expenses. The impact of any one factor on a particular forward-looking statement is not determinable with certainty as such factors are interdependent upon other factors, and management's course of action would depend upon its assessment of the future considering all information then available. Statements relating to "reserves" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that the reserves described can be profitably produced in the future. Readers are cautioned that the foregoing list of important factors is not exhaustive. Although the Company believes that the expectations conveyed by the forward-looking statements are reasonable based on information available to it on the date such forward-looking statements are made, no assurances can be given as to future results, levels of activity and achievements. All subsequent forward-looking statements, whether written or oral, attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements. The Company assumes no obligation to update forward-looking statements should circumstances or management's estimates or opinions change.