STORNOWAY DIAMOND CORPORATION

(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED APRIL 30, 2011 AND 2010

Canadian Funds

June 30, 2011

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of the Company have been prepared by, and are the responsibility of the management of the Company. The consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles, and reflect management's best estimates and judgment based on currently available information.

The Audit Committee of the Board of Directors, consisting of three independent directors, meets periodically with management and the Company's independent auditors to review the scope and results of the annual audit and to review the consolidated financial statements and related financial reporting matters prior to submitting the consolidated financial statements to the Board for approval.

The Company's independent auditors, PricewaterhouseCoopers LLP, who are appointed by the shareholders, conduct an audit in accordance with Canadian generally accepted auditing standards. Their report outlines the scope of their audit and gives their opinion on the consolidated financial statements.

Management has developed and maintains a system of internal control to provide reasonable assurance that the Company's transactions are authorized, assets safeguarded and proper records maintained.

/s/ "Matthew Manson"
Matthew Manson
Chief Executive Officer and Director

/s/ "Zara Boldt"
Zara Boldt
Vice-President, Finance and Chief Financial Officer

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Independent Auditor's Report

To the Shareholders of Stornoway Diamond Corporation:

We have audited the accompanying consolidated financial statements of Stornoway Diamond Corporation and its subsidiaries, which comprise the consolidated balance sheets as at April 30, 2011 and April 30, 2010 and the consolidated statements of loss and deficit, comprehensive loss, and cash flows for the years then ended, and the related notes including a summary of significant accounting policies.

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.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's 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, the consolidated financial statements present fairly, in all material respects, the financial position of Stornoway Diamond Corporation and its subsidiaries as at April 30, 2011 and April 30, 2010 and the results of their operations and their cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

signed "PricewaterhouseCoopers LLP"

Chartered Accountants

June 30, 2011
Vancouver, BC

Stornoway Diamond Corporation

(An Exploration Stage Company)

Consolidated Balance Sheets

As at April 30

(expressed in thousands of Canadian dollars)

ASSETS		2011		2010
Current				
Cash and cash equivalents	**$**	**22,745**	$	9,212
Short-term deposits		**11,777**		1,641
Other receivables		**955**		1,582
Investments *(Note 6)*		**242**		147
Prepaid expenses		**772**		136
		36,491		12,718
Prepaid Fuel		**206**		170
Rough Diamond Inventory *(Note 8a)*		**1,004**		330
Property, Plant and Equipment *(Note 7)*		**2,869**		2,366
Resource Property Costs *(Note 8h)*		**223,932**		93,854
	$	**264,502**	$	109,438

LIABILITIES				
Current				
Accounts payable and accrued liabilities				
- Trade and due to related parties *(Note 10)*	**$**	**4,790**	$	3,184
Future Income Tax Liabilities *(Note 11)*		**5,960**		7,806
Asset Retirement Obligations *(Note 12)*		**1,590**		710
		12,340		11,700
SHAREHOLDERS' EQUITY				
Share Capital *(Note 9)*		**334,762**		224,883
Convertible Shares *(Note 9)*		**56,182**		-
Contributed Surplus (*Note 9*)		**13,630**		11,807
Accumulated Other Comprehensive Loss		**(30)**		(72)
Deficit		**(152,382)**		(138,880)
		252,162		97,738
	$	**264,502**	$	109,438

Nature and continuance of operations *(Note 1)*
Commitments (*Note 14*)

ON BEHALF OF THE BOARD:

"Eira Thomas", Director

"Catherine McLeod-Seltzer", Director

– See Accompanying Notes –

Stornoway Diamond Corporation

(An Exploration Stage Company)

Consolidated Statements of Loss and Deficit
For the years ended

(expressed in thousands of Canadian dollars except for loss per share and weighted average number of shares outstanding)

		April 30, 2011		April 30, 2010
Expenses				
Accretion	**$**	**106**	$	76
Amortization		**714**		933
Exploration costs *(Note 8i)*		**8,495**		4,217
Office and sundry		**575**		374
Professional fees		**426**		184
Regulatory and shareholder communication expense		**489**		398
Rent and facility fees		**478**		455
Salaries, benefits and director's fees		**1,729**		1,008
Stock-based compensation *(Note 9i)*		**1,876**		573
Loss Before the Following		**(14,888)**		(8,218)
Other Income (Expenses)				
Bad debt expense		**(277)**		(132)
Cost recovery		**544**		-
Gain on the sale of investments		**-**		15
Interest expense		**-**		(68)
Interest income		**204**		47
Commitment fee *(Note 3)*		**(146)**		-
Write-off of resource property costs *(Note 8g)*		**(2,148)**		(20,992)
		(1,823)		(21,130)
Loss Before Income Taxes		**(16,711)**		(29,348)
Current income tax recovery (expense) *(Note 11)*		**13**		(22)
Future income tax recovery *(Note 11)*		**3,196**		5,807
Loss for the Year		**(13,502)**		(23,563)
Deficit - Beginning of year		**(138,880)**		(115,317)
Deficit - End of Year	**$**	**(152,382)**	$	(138,880)
Loss per Share - Basic and Diluted	**$**	**(0.16)**	$	(0.35)
Weighted Average Number of Shares Outstanding*		**82,661,020**		66,684,344

* Post-share consolidation *(Note 9a)*

Consolidated Statements of Comprehensive Loss
For the years ended

(expressed in thousands of Canadian dollars)

		April 30, 2011		April 30, 2010
Loss for the Year	**$**	**(13,502)**	$	(23,563)
Unrealized gain (loss) on available for sale investments, net of taxes *(Note 6)*		**36**		(341)
Comprehensive Loss	**$**	**(13,466)**	$	(23,904)

Stornoway Diamond Corporation
(An Exploration Stage Company)
Consolidated Statements of Cash Flows
For the years ended
(expressed in thousands of Canadian dollars)

Cash Resources Provided By (Used In)	**April 30, 2011**	April 30, 2010
Operating Activities		
Loss for the year	**$ (13,502)**	$ (23,563)
Items not affecting cash		
Accretion	**106**	76
Amortization	**714**	933
Bad debt expense	**377**	132
Exploration recoveries	**(53)**	-
Future income tax recovery	**(3,196)**	(5,807)
Gain on the sale of property, plant and equipment	**-**	(4)
Gain on the sale of investments	**-**	(15)
Stock-based compensation	**1,876**	573
Write-off of resource property costs	**2,148**	20,992
Changes in non-cash working capital		
Decrease in other receivables	**721**	264
Decrease (increase) in prepaid expenses	**(581)**	246
Increase in accounts payable and accrued liabilities	**849**	1,242
Prepaid fuel	**(15)**	2
	(10,556)	(4,929)
Investing Activities		
Increase in short-term deposits	**(10,136)**	(297)
Resource property costs	**(389)**	(42)
Acquisition of property, plant and equipment	**(108)**	(9)
Acquistion costs	**(2,715)**	-
Proceeds from the sale of investments	**-**	22
Proceeds on the disposal of property, plant and equipment	**-**	19
	(13,348)	(307)
Financing Activities		
Share capital issued for cash	**40,016**	14,117
Share issue costs	**(2,993)**	(1,309)
Warrants and options exercised	**414**	90
	37,437	12,898
Net Increase in Cash and Cash Equivalents	**13,533**	7,662
Cash and Cash Equivalents – Beginning of year	**9,212**	1,550
Cash and Cash Equivalents – End of Year	**$ 22,745**	$ 9,212

Cash and Cash Equivalents consist of:

	April 30, 2011	April 30, 2010
Cash	**$ 1,306**	$ 184
Cash Equivalents	**21,439**	9,028
Total	**$ 22,745**	$ 9,212

Supplemental Schedule of Non-Cash Investing and Financing Transactions *(Note 13)*

- See Accompanying Notes -

1. Nature and continuance of operations

Stornoway Diamond Corporation (the "Company") is an exploration stage company that engages principally in the acquisition, exploration and development of resource properties. As an exploration stage company, it is currently unable to self-finance its operations. The recovery of the Company's investment in its resource properties and attainment of profitable operations, and its ability to continue as a going concern is dependent upon the discovery, development and sale of mineral resources, the ability to joint venture or sell its resource properties and the ability to raise sufficient capital to finance its operations. Management plans to seek additional financing, through equity financings, the sale of non-core assets or through other means to further the exploration and development of the Company's resource properties and to provide sufficient working capital. There is no assurance the Company's management will be successful in these endeavours.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and on the basis of accounting principles applicable to a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

2. Significant Accounting Policies

a) Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned Canadian subsidiaries Ashton Mining of Canada Inc. ("Ashton") and Contact Diamond Corporation ("Contact").

All inter-company balances and transactions have been eliminated upon consolidation.

b) Cash and Cash Equivalents

For purposes of reporting cash flows, the Company considers cash and cash equivalents to include amounts held in banks and highly liquid debt investments with remaining maturities at point of purchase of 90 days or less. The Company places its cash and cash investments with institutions of high credit worthiness. At times, such investments may be in excess of federal insurance limits. Cash and cash equivalents are classified as loans and receivables.

c) Short-term Deposits

For purposes of reporting cash flows, the Company considers short-term deposits to include amounts held with remaining maturities at the point of purchase of more than 90 days and less than one year. Short-term deposits are classified as held-for-trading.

d) Investments

Investments, in which the Company has less than a 20% interest and where the Company has no significant influence, have been classified as available-for-sale and are measured at fair value with changes in fair value reported in Other Comprehensive Income (Loss). If a decline in value is deemed to be permanent, the investment is written-down to its estimated fair value and the realized loss is recognized on the Statement of Loss and Deficit.

2. Significant Accounting Policies – *Continued*

e) Asset Retirement Obligations

The Company's asset retirement obligation ("ARO") relates to expected reclamation and closure activities due to statutory, contractual or legal obligations. An ARO is recognized initially at fair value with a corresponding increase in related assets, in the period in which the related environmental disturbance occurs if a reasonable estimate of fair value can be made. The ARO is accreted to full value over time through periodic accretion charges recorded to operations using the Company's credit adjusted risk free rate. In subsequent periods, the Company adjusts the carrying amounts of the ARO and the related asset for changes in estimates of the amount or timing of underlying future cash flows.

f) Resource Properties

The Company expenses exploration expenditures and financing and interest costs and capitalizes acquisition costs when incurred.

When it has been established that a mineral deposit is commercially mineable and an economic analysis has been completed, the costs subsequently incurred to develop a mine on the property prior to the start of mining operations are capitalized and will be amortized against production following commencement of commercial production, or written off if the property is sold, allowed to lapse or abandoned. Mineral acquisition costs are capitalized on an individual project basis until such time as the economics of an ore body are defined.

Although the Company has taken steps to verify title to long-lived assets in which it has an interest, according to industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Such properties may be subject to prior undetected agreements or transfers and title may be affected by such defects.

g) Impairment of Long-Lived Assets

The Company's management reviews the carrying value of the Company's long-lived assets when there are events or circumstances that may indicate impairment. Estimated future net cash flows relating to an asset or an asset group are calculated using estimated future prices, proven and probable reserves, and operating and capital costs on an undiscounted basis. An impairment charge is recorded if the undiscounted future net cash flows are less than the carrying amount. Reductions in the carrying value of an asset or asset group, with a corresponding charge to operations, are recorded to the extent that the estimated future net cash flows on a discounted basis are less than the long-lived assets carrying value in accordance with Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3063, "Impairment of Long-lived Assets".

In making an assessment of the potential impairment of the Company's long-lived assets, management has used estimates of future mineral prices, mineral resource quantities, and operating, capital and reclamation costs, as well as making judgements on the potential of certain projects based on the available information at the balance sheet date. These estimates are subject to certain risks and uncertainties that may affect the determination of the recoverability of the Company's long-lived assets. Although management has made its best estimates of potential impairment, the interpretation of these factors is subjective and will not necessarily result in precise determinations. Should an underlying assumption change, the resulting estimates could change by a material amount.

h) Investment Tax Credits ("ITC")

The Company is eligible to receive investment tax credits ("ITCs") related to certain of its resource property expenditures. The amount of the ITC reduces the Company's exploration expense. If the properties in question have been written off, the ITC is brought into income. Due to the uncertainty around the timing and amount of the ITC, it is recorded only when a notice of assessment is received.

2. Significant Accounting Policies – *Continued*

i) **Property Option Agreements**

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

j) **Jointly Controlled Properties**

Certain of the Company's properties were the subject of agreements which specify proportionate interests. Accordingly, the Company's proportionate share of assets, liabilities, costs and expenditures relating to these agreements have been recorded in the accounts.

k) **Property, Plant and Equipment**

Property, plant and equipment are valued at cost less accumulated amortization. The Company provides for amortization for all property, plant and equipment classes using the declining balance method at rates between 20% and 100%. Leasehold improvements are amortized on a straight-line basis over the term of the lease.

During the year ended April 30, 2011, the Company prospectively changed its accounting estimate for the useful lives of several items of property, plant and equipment. Prior to the year ended April 30, 2011, the Company provided for amortization for all property, plant and equipment classes using the declining balance method at rates between 20% and 100%. Amortization for all property, plant and equipment classes is now estimated using declining balance method rates between 12% and 100%.

l) **Income Taxes**

The asset and liability method is used for determining future income taxes. Under the asset and liability method, the change in the net future tax asset or liability is included in income. The income tax effects of temporary differences in the time when income and expenses are recognized in accordance with Company accounting practices and the time they are recognized for income tax purposes are reflected as future income tax assets or liabilities. Future income tax assets and liabilities are measured using enacted, or substantially enacted statutory rates that are expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. Future income tax assets are recognized only to the extent that, in the opinion of management, it is more likely than not that the assets will be realized.

m) **Stock-Based Compensation**

All stock-based awards made to employees and non-employees are measured and recognized using the Black-Scholes fair valuation method. For employees, the fair value of the options at the date of the grant is accrued and charged to operations, with the offsetting credit to contributed surplus, on a straight-line basis over the vesting period. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is complete or the date the performance commitment is reached or the date which the equity instrument is vested and non-forfeitable.

n) **Loss per Share**

Basic earnings (loss) per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding during the year. The computation of diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings (loss) per share. Since the Company has losses, the exercise of outstanding stock options and warrants has not been included in this calculation as it would be anti-dilutive.

2. Significant Accounting Policies – *Continued*

o) **Use of Estimates**

The preparation of consolidated financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenues and expenses during the reported periods. Significant areas requiring the use of management estimates relate to impairment of resource property interests, rough diamond inventory, determination of reclamation obligations, assumptions used determining the fair value of non-cash stock-based compensation and warrants and determination of valuation allowances for future income tax assets and liabilities. Actual results could differ from those estimates.

p) **Flow-Through Shares**

Under the terms of Canadian flow-through share legislation, the tax attributes of qualifying expenditures are renounced to subscribers. To recognize the foregone tax benefits, share capital is reduced and a future income tax liability is recognized as the related expenditures are renounced, when it is likely that the expenses will be incurred. This future income tax liability may then be reduced by the recognition of previously unrecorded future income tax assets on unused tax losses and deductions.

q) **Financial Instruments**

Financial instruments are measured at fair value on initial recognition of the instrument. 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 financial liabilities” as defined by the CICA 3855, “Financial Instruments – Recognition and Measurement”.

Financial assets and financial liabilities designated as “held-for-trading” are measured at fair value with changes in those fair values recognized in net earnings (loss). Financial assets designated as “available-for-sale” are measured at fair value, with changes in those fair values recognized in other “comprehensive income” until it is appropriate to recognize them in net earnings (loss). Financial assets designated as “held-to-maturity”, “loans and receivables” and “other financial liabilities” are measured at amortized cost using the effective interest method of amortization. Derivative financial instruments that do not qualify as hedges or are not designated as hedges are classified as “held-for-trading” and are measured at fair value with changes in those fair values recognized in net earnings (loss).

Short-term deposits are designated as “held-for-trading” and are measured at fair value. Cash and cash equivalents and other receivables are designated as “loans and receivables”. Investments are designated as “available-for-sale”. Accounts payable, accrued liabilities and due to related parties are designated as “other financial liabilities”.

The Company discloses quantitative and qualitative information that enable users to evaluate (a) the significance of financial instruments for the Company’s financial performance, and (b) the nature and extent of risks arising from financial instruments to which the Company is exposed during the period and at the balance sheet date, and management’s objectives, policies and procedures for managing such risks. The Company also discloses information about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quotes prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

See Note 4 for the relevant disclosures.

2. Significant Accounting Policies – *Continued*

r) Rough Diamond Inventory

Rough diamond inventory is recorded at its estimated fair value at the time of acquisition based on market prices for rough diamonds and taking into account anticipated costs of disposal. It is not the Company's intention to dispose of these rough diamonds in the near term.

s) Future Accounting and Reporting Changes

Canadian GAAP for publicly listed companies will be replaced by International Financial Reporting Standards ("IFRS"), effective for interim and annual periods beginning May 1, 2011. The Company's annual and interim consolidated financial statements for the year ended April 30, 2012 will include an IFRS opening consolidated balance sheet as at May 1, 2010, fiscal 2011 comparatives, related transitional reconciliation and note disclosures.

3. Acquisition of the Renard Diamond Project

On April 1, 2011, the Company, acquired the remaining 50% interest in the Renard Diamond Project and related assets from Diaquem, Inc. ("Diaquem"). Diaquem is a wholly-owned subsidiary of SOQUEM INC., itself a wholly-owned subsidiary of Investissement Québec (formerly Société générale de financement du Québec) ("IQ"). This acquisition brings the Company's interest in the Renard Diamond Project to 100%. The Renard Diamond Project, located within the Foxtrot Property, consists of approximately 54,550 hectares around the Otish Mountains region. Exploration on the property resulted in the discovery of a field of kimberlite intrusions, all of which are diamondiferous and are currently being assessed for possible mining.

Under the terms of the acquisition, Diaquem received 29,588,892 common shares and 22,543,918 non-voting, convertible shares of the Company, and retained a 2% direct royalty interest on future diamond production. IQ also agreed to enter into a credit support agreement with the Company for a minimum of $100 million to fund a portion of future construction and development costs at the Renard Diamond Project. A commitment fee equal to 1.75% per annum on the $100 million facility is payable quarterly, in arrears, beginning on April 1, 2011. There are no restrictions and no expiry date on the convertible shares except that Diqem cannot hold more than 25% of Stornoway's voting, common shares.

Total consideration of $132.6 million, includes the fair value of 29,588,892 common shares and 22,543,918 convertible common shares issued at $2.49 per share (based on the five-day volume weighted average price of the Company's shares calculated before the April 1, 2011 closing date), plus transaction costs of $2.7 million.

This transaction has been accounted for as an asset acquisition under Canadian GAAP. The consideration paid has been allocated to the acquired assets based on their fair value at the date of acquisition. The purchase price of the acquisition has been primarily allocated as follows:

Purchase Price		
Common shares issued (29,588,892 shares)	$	73,739
Convertible shares issued (22,543,918 shares)		56,182
Transaction costs		2,715
	$	132,636
Net Assets Acquired		
Current assets	$	548
Rough diamond inventory		674
Property, plant and equipment		1,108
Resource property costs		131,837
Current liabilities		(757)
Asset retirement obligations		(774)
	$	132,636

4. Financial Instruments and Risk Management

Fair value

The Company's financial instruments consist of cash and cash equivalents, short-term deposits, other receivables, investments, accounts payable, accrued liabilities and amounts due to related parties. The carrying value of cash and cash equivalents, short-term deposits, other receivables, accounts payable, accrued liabilities and amounts due to related parties approximate their fair values due to their immediate or short-term maturity. Investments 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. Short-term deposits are recorded consistent with Level 2 of the hierarchy.

The fair values of financial instruments at April 30, 2011 and April 30, 2010 are summarized as follows *(expressed in thousands of Canadian dollars):*

	April 30, 2011		April 30, 2010	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Financial Assets	**$**	**$**	**$**	**$**
Held-for-trading				
Short-term deposits	**11,777**	**11,777**	1,641	1,641
Loans and Receivables				
Cash and cash equivalents	**22,745**	**22,745**	9,212	9,212
Other receivables	**955**	**955**	1,582	1,582
Available for sale				
Investments	**242**	**242**	147	147
Financial Liabilities				
Accounts payable, accrued liabilities and due to related parties	**4,790**	**4,790**	3,184	3,184

Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, foreign currency or credit risks arising from these financial instruments.

The Company is exposed to a variety of financial risks by virtue of its activities, including credit risk, interest rate risk and liquidity risk. The Company has limited exposure to foreign currency risk as greater than 99% of its assets and liabilities are denominated in Canadian dollars. The Company's objective with respect to risk management is to minimize potential adverse effects on the Company's financial performance. The Company's 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 an investment grade rating of "AAA" (R-1 high for money market securities) or better, issued by a Canadian chartered bank. The Company is exposed to credit risk by virtue of its receivables from companies with which it has exploration agreements or options (approximately 1% of receivables). Other miscellaneous receivables total approximately 12% of the Company's receivables while the remainder of the Company's receivables at the balance sheet date (87% of receivables totalling $832,600 as at April 30, 2011) consist of federal and provincial sales tax refunds where management believes the risk of loss to be remote. The maximum exposure to credit risk at the reporting date is the carrying value of the Company's financial assets.

4. Financial Instruments and Risk Management – *Continued*

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to 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 cash equivalents is limited because these investments, although readily convertible into cash, are generally held-to-maturity. As of April 30, 2011, management estimates that if interest rates had changed by 1% for those funds invested in guaranteed investment certificates ("GICs"), and 0.2% for the other cash equivalents assuming all other variables remained constant, the impact on the Company's loss for the year ended April 30, 2011 would have been approximately $83,000.

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. 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 April 30, 2011, the Company had cash and cash equivalents, and short-term deposits of $34.5 million (2010 - $10.9 million) as well as other receivables of $955,000 (2010 - $1.6 million) to settle current liabilities of $6.4 million (2010 - $3.2 million). See Note 14 for details on other commitments.

5. Capital Management

The Company's objectives when managing capital are to:

a) Safeguard the Company's ability to continue as a going concern,
b) Have sufficient capital to continue to acquire, explore and develop the Company's resource properties, and
c) Provide sufficient funds for the Company's corporate activities.

The capital of the Company consists of the items included in shareholders' equity. During the year ended April 30, 2011, a new class of non-voting, common shares (the "Convertible Shares") was created to facilitate the Renard Diamond Project acquisition from Diaquem *(Note 3)*. The Company's resource 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 the monetization of non-core assets, a convertible debenture and, more recently, equity financings to finance its operations. In order to carry out the Company's planned exploration programs and to pay for administrative costs, the Company will spend its existing working capital and raise additional funds as required. To effectively manage the Company's capital requirements, the Company's management has in place a planning and budgeting process. The Company is not subject to any externally imposed capital requirements.

6. Investments

The Company's investments consist of common shares in two public companies. The Company acquired these common shares in July 2007 and January 2011 pursuant to the sale of a property interest and in October 2008 pursuant to a property option agreement. These investments represent less than a 5% interest in these companies. As at April 30, 2011, the fair value of these investments was $242,000 (April 30, 2010 - $147,000). During the year ended April 30, 2011, the Company recognized an unrealized gain of $36,000, net of taxes (April 30, 2010 – unrealized loss $341,000) in accumulated other comprehensive income (loss).

7. Property, Plant and Equipment

(Expressed in thousands of Canadian dollars)

Details are as follows:

	As at April 30, 2011			As at April 30, 2010		
	Cost	**Accumulated Amortization**	**Net Book Value**	Cost	Accumulated Amortization	Net Book Value
Office equipment	**$ 855**	**$ (678)**	**$ 177**	$ 743	$ (667)	$ 76
Buildings	**91**	**(26)**	**65**	91	(22)	69
Leasehold improvements	**800**	**(544)**	**256**	800	(451)	349
Exploration equipment	**1,470**	**(1,281)**	**189**	826	(681)	145
Vehicles	**1,170**	**(995)**	**175**	610	(497)	113
Laboratory equipment	**9,858**	**(7,851)**	**2,007**	6,154	(4,540)	1,614
	$ 14,244	**$ (11,375)**	**$ 2,869**	$ 9,224	$ (6,858)	$ 2,366

8. Resource Property Costs

a) Renard Project, located on the Foxtrot Property, Quebec (Eastern Canada)

The Company has a 100% interest in the Eastern Ungava property interest located in north-central Quebec, including the Foxtrot Property. On April 1, 2011, the Company acquired Diaquem's 50% interest in the Renard Diamond Project and related assets *(Note 3).* Rough diamonds weighing approximately 7,500 carats have been derived from exploration activities at Renard. The Company has estimated their value based on market prices for rough diamonds and taking into account anticipated costs of disposal. It is not the Company's intention to dispose of these rough diamonds in the near term.

b) Aviat One Property, Melville Peninsula, Nunavut (Eastern Arctic)

The Company has a 90% interest in certain mineral claims and leases, known as the Aviat One properties and 100% of the diamond marketing rights for the Aviat properties. Hunter Exploration Group ("Hunter") holds a 10% interest in the properties, carried up to the development of a mine on the properties.

The Aviat One property is subject to a 2% net smelter return royalty ("NSR") on products other than diamonds and a 2% gross over-riding royalty ("GOR") on diamond production. In addition, advance royalty payments of $50,000 annually commenced October 1, 2006 for the Aviat One property. As at April 30, 2011, the capitalized acquisition costs for this property totaled $1,924,000.

c) Churchill, Melville Peninsula, Nunavut (Eastern Arctic)

The Company has a 38% interest (approximately) in the Churchill property. The remaining 62% interest is held by Shear Minerals Ltd. ("Shear"). Shear is the operator of the Churchill Project. The Churchill property is subject to a 2% GOR/NSR. As at April 30, 2011, the Company wrote-off $2.1 million of capitalized property interests, resulting in a carrying value of $Nil. A portion of the Churchill property (the "Chesterfield Inlet" project) is subject to an option out agreement between the Company, Shear and Kennecott Canada Exploration (optionee) as of August 2009. The Company has received a termination notice from the optionee.

d) Qilalugaq Property ("Area 8"), Melville Pensiula, Nunavut (Eastern Arctic)

The Company has a 100% interest in the Qilalugaq property, subject to a 3% NSR and 3% GOR.

8. Resource Property Costs – *Continued*

e) Generative Projects

The Company has signed agreements with several individuals or companies as part of its generative exploration program. Under the terms of these non-material agreements, the Company may be required to make cash payments, issue shares or fund an exploration program to earn its interest under the terms of the specific agreement. Properties acquired as part of the Company's generative exploration program may be subject to GORs ranging from 0% to 3% and NSRs ranging from 0% to 3%.

No cash payments or shares were paid or issued pursuant to the Company's generative agreements during the years ended April 30, 2011 or April 30, 2010.

f) Other Property Interests

The Company acquired, by staking, a 100% interest in the Pikoo property in February and March 2011.

The Company and its subsidiaries continue to hold a number of property interests in other parts of Canada, either as 100% ownership or as part of a property option agreement.

The Company made a $17,500 cash payment pursuant to a property option agreement in June 2010. During the year ended April 30, 2011, the Company received consideration in the form of common shares with a fair value of $53,000 pursuant to a purchase and sale property agreement entered into during the year. The Company also received a cash payment of $80,000 related to this agreement.

g) Write-offs

During the year ended April 30, 2011, the Company wrote-off $2.15 million of capitalized acquisition costs where no future exploration programs are planned for the foreseeable future (April 30, 2010 –$21.0 million). The majority of this write-off ($2.1 million) relates to the Churchill Project where no future exploration programs are planned for the foreseeable future. The majority of the comparative year's write-off related to properties in Ontario ($13.7 million), Nunavut ($5.3 million) and for the Churchill Project ($2.0 million) where no future exploration programs were planned for the foreseeable future.

h) Resource Property Costs Capitalized

	April 30, 2010 $	Acquisition Expenditures $	Write-down $	Reclassification $	**April 30, 2011** **$**
Arctic Properties	4,142	96	(2,142)	24	**2,120**
Eastern Canada Properties	89,689	132,038	(6)	(20)	**221,701**
Other Canadian Properties	23	92	-	(4)	**111**
	93,854	132,226	(2,148)	-	**223,932**

	April 30, 2009 $	Acquisition Expenditures $	Write-down $	April 30, 2010 $
Arctic Properties	11,399	84	(7,341)	4,142
Eastern Canada Properties	103,313	38	(13,662)	89,689
Other Canadian Properties	25	1	(3)	23
Generative Exploration	-	(14)	14	-
	114,737	109	(20,992)	93,854

8. Resource Property Costs – *Continued*

i) **Exploration Expenses**

	April 30, 2011	April 30, 2010
Arctic Properties		
Assays and laboratory	**$ 196**	$ 56
Camp and general	**263**	163
Sampling and ground surveys	**23**	9
Management Fees	**1**	1
	483	229
Eastern Canada Properties		
Assays and laboratory	**344**	611
Bulk sampling	**-**	317
Camp and general	**1,335**	264
Drilling	**390**	248
Pre-feasibility and feasibility studies	**6,077**	2,559
Sampling and ground surveys	**207**	1
Mineral exploration tax credits received	**(1,095)**	-
Exploration recoveries	**(80)**	(229)
	7,178	3,771
Other Canadian Properties		
Assays and laboratory	**74**	-
Camp and general	**29**	1
Sampling and ground surveys	**249**	4
	352	5
Generative Exploration		
Assays and laboratory	**442**	179
Camp and general	**118**	29
Sampling and ground surveys	**-**	4
Exploration recoveries	**(78)**	-
	482	212
Total exploration expenditures during the year	**$ 8,495**	$ 4,217

9. Share Capital

a) **Authorized Share Capital** *(expressed in thousands of Canadian dollars except share numbers):*

Share Consolidation

On February 22, 2011, shareholders approved a 1-new-for-4-old share consolidation. All share, per share, share option, warrant and weighted average exercise price information included in the consolidated financial statements and accompanying notes has been adjusted to reflect this share consolidation for all periods presented.

	Number		Amount		Contributed Surplus
Authorized:					
Unlimited common shares without par value					
Issued and fully paid:					
Balance – April 30, 2009	63,558,660	$	212,739	$	10,865
Issued for cash – Short-form offering	6,342,500		12,685		-
Issued for cash – private placement	2,105,319		1,432		-
Reversal of shares cancelled in error	20,388		-		-
Exercise of warrants	112,891		112		(34)
Exercise of options	27,500		14		(3)
Stock-based compensation	-		-		573
Share issuance costs	-		(1,714)		406
Recovery of future income tax on renouncement of flow-through expenditures *(Note 11a)*	-		(385)		-
Balance – April 30, 2010	72,167,258	$	224,883	$	11,807
Issuance of shares for asset acquisition *(Note 3)*	29,588,892		73,739		-
Issued for cash – short-form offering	14,350,000		35,014		-
Issued for cash – private placement	2,193,750		5,002		-
Exercise of options	138,750		126		(42)
Exercise of warrants	157,354		498		(168)
Stock-based compensation	-		-		1,876
Share issuance costs	-		(3,150)		157
Recovery of future income tax on renouncement of flow-through expenditures *(Note 11c)*	-		(1,350)		-
Balance – April 30, 2011	118,596,004	$	334,762	$	13,630

b) **Convertible Shares** *(expressed in thousands of Canadian dollars except share numbers):*

	Number		Amount
Authorized:			
Unlimited non-voting convertible shares without par value			
Issued and fully paid:			
Balance – April 30, 2010	-	$	-
Issuance of convertible shares for asset acquisition *(Note 3)*	22,543,918		56,182
Balance – April 30, 2011	22,543,918	$	56,182

The convertible shares have no restrictions and no expiry date except that Diaquem cannot hold more than 25% of Stornoway's voting, common shares.

9. Share Capital

c) Equity Financings

On May 29, 2009, the Company completed a brokered private placement, with Sandfire Securities Inc. as lead agent, which consisted of 2,105,319 flow-through common shares of the Company for gross proceeds of $1,431,617. The flow-through common shares were issued at a price of $0.68 per share. The Company paid a 7% cash commission on certain subscriptions received and issued 142,174 Compensation Warrants (the "Warrants"). All of the Warrants were exercised before their May 29, 2011 expiry date. The Warrants were exercisable at $0.68 to acquire one non-flow-through common share. The fair value of the warrants was estimated to be $41,400 using the Black-Scholes option-pricing model (1.23% risk-free interest rate; two-year term, 97.6% volatility) with this amount being recorded in contributed surplus.

On February 23, 2010, the Company sold 5,750,000 common shares at a price of $2.00 per share for gross proceeds of $11,500,000 by way of a short-form offering. The Company paid a cash fee equal to 6.5% of the gross proceeds from the sale of 4,000,000 of the common shares and 3% from the sale of 1,750,000 common shares and issued broker warrants entitling the syndicate of underwriters to subscribe for up to 345,000 common shares of the Company at $2.00 per share until February 23, 2012. The fair value of the warrants was estimated to be $332,100 using the Black-Scholes option pricing model (1.33% risk-free interest rate; two-year term, 100% volatility) with this amount being recorded in contributed surplus.

On March 4, 2010, an overallotment option was exercised and the Company issued a further 592,500 common shares at a price of $2.00 per share for gross proceeds of $1,185,000 and 35,550 broker warrants, with the same conditions as the warrants above. The fair value of the warrants was estimated to be $33,000 using the Black-Scholes option-pricing model (1.47% risk-free interest rate; two-year term, a 100% volatility) with this amount being recorded in contributed surplus.

On June 29, 2010, the Company completed a private placement, with Desjardins Securities Inc. as lead agent, which consisted of 2,193,750 flow-through common shares of the Company for gross proceeds of $5,001,750. The flow-through common shares were issued at a price of $2.28 per share. The Company paid a 6.5% cash commission on certain subscriptions received and issued 131,625 Compensation Options. The Compensation Options are exercisable at $2.28 to acquire one non-flow-through common share and expire on December 29, 2011. The fair value of the Compensation Options was estimated to be $157,300 using the Black-Scholes option-pricing model (1.38% risk-free interest rate; expected life of eighteen months, 105% volatility) with this amount being recorded in contributed surplus.

On January 6, 2011, the Company completed a prospectus offering and issued 14,350,000 common shares at $2.44 for gross proceeds of $35.0 million. The transaction was completed by a syndicate of underwriters led by RBC Capital Markets and including Desjardins Securities, BMO Capital Markets and Canaccord Genuity (the "Underwriters"). The Underwriters received a cash fee equal to 6% of the gross proceeds from the sale of the common shares.

d) Flow-through Funds

To finance certain of its exploration activities, the Company raised $1,431,617 in May 2009 (renounced to shareholders as at December 31, 2009) and $5,001,750 in June 2010 (renounced to shareholders as at December 31, 2010) by way of flow-through private placements *(Note 9a).* Under the terms of the June 2010 subscription agreement, the Company is required to spend the following on Canadian Exploration Expenditures ("CEE") (*expressed in thousands of Canadian dollars*):

Flow-through commitment at June 29, 2010	$	5,002
Qualifying expenditures to April 30, 2011		(2,487)
Flow-through funds on hand at April 30, 2011	$	2,515

Flow-through common shares provide for the Company's CEE to be transferred to the shareholders and, as a result, the tax base for these expenditures is not available to the Company.

9. Share Capital – *Continued*

e) **Stock Option Plan**

The maximum number of common shares currently available for issuance under the Company's existing Stock Option Plan (the "Plan") was approved by shareholders at the 2008 Annual General Meeting ("AGM") and is fixed at 5,680,659, representing 10% of the Company's issued and outstanding common shares as at August 15, 2008. There were no amendments to the Plan during the year ended April 30, 2011. The Plan provides the directors with discretion to set vesting terms for each stock option grant. Historically, the Company's options have vested in thirds over a one year period from the grant date, with the first third vesting immediately, the second third vesting six months from the grant date and the final third vesting one year from the grant date. Effective for the fiscal year beginning May 1, 2009, a Stock Option Grant Policy (the "Policy") was adopted. This Policy sets annual stock option grants and five-year option level targets for optionees, by level of responsibility. Options vest immediately on the grant date.

In addition, the number of shares, which may be reserved for issuance to any one individual, may not exceed 5% of the issued shares on a yearly basis or 2% if the optionee is engaged in investor relations activities or is a consultant.

f) A summary of the Company's outstanding options is as follows:

	Number of Options		Weighted Average Exercise Price
Balance April 30, 2009	3,163,461	$	4.25
Granted	848,750		1.00
Expired	(351,760)		7.94
Exercised	(27,500)		0.40
Balance April 30, 2010	3,632,951	$	3.16
Granted	1,195,000		2.32
Forfeited	(53,750)		3.15
Expired	(378,355)		4.85
Exercised	(138,750)		0.61
Balance April 30, 2011	4,257,096	$	2.86
Number of options currently exercisable	4,148,763	$	2.87

g) As at April 30, 2011, the Company had the following stock options outstanding:

Range of Exercise Prices	Number of Options Outstanding	Weighted Average Exercise Price	Year of Expiry	Weighted Average Remaining Contractual Life
$ 4.08 ~ $ 5.00	123,175*	$ 4.78	2011	0.18 years
$ 2.52 ~ $ 27.76	1,255,995	$ 4.67	2012	1.22 years
$ 0.40 ~ $ 29.68	984,301	$ 2.02	2013	2.56 years
$ 0.40 ~ $ 19.44	671,025	$ 1.18	2014	3.45 years
$ 2.24 ~ $ 5.36	1,172,600	$ 2.39	2015	4.29 years
$ 2.50	50,000	$ 2.50	2016	4.93 years
	4,257,096			

*94,050 stock options subsequently expired without exercise.

On May 3, 2010, the Company granted 305,000 stock options with an exercise price of $2.48. The options expire on May 3, 2015 and vest in thirds over a one-year period from the date of grant.

On September 14, 2010, the Company granted 20,000 stock options with an exercise price of $2.60. The options expire on September 14, 2015 and vest in thirds over a one-year period from the date of grant.

On September 14, 2010, the Company granted 820,000 stock options with an exercise price of $2.24. The options expire on September 14, 2015 and vest immediately.

On April 1, 2011, the Company granted 50,000 stock options with an exercise price of $2.50. The options expire on April 1, 2016 and vest immediately.

9. Share Capital - *Continued*

h) A summary of the Company's outstanding warrants is as follows:

	Number of Warrants		Weighted Average Exercise Price
Balance April 30, 2009	-	$	-
Issued – private placement	142,174		0.68
Issued – Short-form offering	380,550		2.00
Exercised	(112,891)		0.70
Balance April 30, 2010	409,833	$	1.90
Issued – Compensation options	131,625		2.28
Exercised	(157,354)		0.54
Balance April 30, 2011	384,104	$	1.95

As at April 30, 2011, the Company had the following warrants outstanding:

Number of Warrants	Exercise Price	Expiry Date
19,737*	$ 0.68	May 29, 2011
26,325	$ 2.28	December 29, 2011
338,042	$ 2.00	February 23, 2012
384,104		

*Subsequently exercised

i) **Stock-Based Compensation**

The fair value of each option grant that has vested during the current period is estimated on the date of grant using the Black-Scholes Option Pricing Model, with the following weighted average assumptions:

	Year Ended April 30, 2011	Year Ended April 30, 2010
Risk-free interest rate	**1.7% - 2.7%**	2.5% - 2.7%
Expected dividend yield	**NIL**	NIL
Expected stock price volatility	**84 - 99%**	83% - 94%
Expected option life in years	**3 – 5 years**	3 – 5 years

The fair value of stock options granted during the year ended April 30, 2011 was between $1.32 to $1.69 (April 30, 2010 - $0.60 to $0.67).

During the year ended April 30, 2011, the Company granted options to purchase up to 1,195,000 (April 30, 2010 – 848,750) shares of the Company's stock to employees at an exercise price range of $2.24 – $2.60 (April 30, 2010 - $1.00). These options expire five years from the grant date. The Company used the Black-Scholes Option Pricing Model to estimate a fair value of $1.8 million (April 30, 2010 - $543,000) for these grants.

For the year ended April 30, 2011, the Company recorded stock-based compensation expense of $1.9 million (April 30, 2010 - $573,000).

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

10. Related Party Transactions

Related party transactions not disclosed elsewhere in these consolidated financial statements are as follows:

a) As at April 30, 2011 the amounts due to related parties consisted of the following *(expressed in thousands of Canadian dollars)*:

	April 30, 2011	April 30, 2010
Strongbow Exploration Inc. ("Strongbow"), a company with a director in common	**1**	4
Agnico-Eagle Mines Limited ("Agnico-Eagle"), a significant shareholder	**-**	1
	$ 1	$ 5

These amounts are non-interest bearing, unsecured and are due on demand.

b) During the year ended April 30, 2011, the Company paid or accrued $52,000 (April 30, 2010 - $50,000) for the reimbursement of administrative and technical time to Strongbow.

c) In May 2007, the Company entered into a sub-lease agreement with Agnico-Eagle, for additional premises. The Company was committed to annual lease payments of approximately $105,000 in respect of these premises through June 30, 2010. A portion of these payments were recovered through sub-leases.

The above transactions, occurring in the normal course of operations, are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

11. Income Taxes

a) Reconciliation of accounting and taxable income *(expressed in thousands of Canadian dollars):*

	For the Year Ended April 30, 2011	For the Year Ended April 30, 2010
Loss before income taxes	**$ (16,711)**	$ (29,348)
Canadian federal and provincial income tax rates	**29.40%**	31.00%
Income tax recovery based on the above rates	**(4,913)**	(9,098)
Increase (decrease) due to:		
Non-deductible expenses and other permanent differences	**524**	310
Losses and temporary differences for which no future income tax asset has been recognized	**770**	2,434
Difference in statutory income tax rates	**410**	989
Income tax benefit recognition on the issuance of flow-through shares	**-**	(37)
Adjustment to future income tax liability due to tax planning	**-**	(383)
Income tax expense (recovery)	**$ (3,209)**	$ (5,785)
Consists of:		
Current income tax expense (recovery)	**(13)**	22
Future income tax recovery	**(3,196)**	(5,807)
	$ (3,209)	$ (5,785)

11. Income Taxes - *Continued*

b) As at April 30, 2011, the Company has non-capital losses of approximately $20.8 million (April 30, 2010 - $22.2 million), which can be used to reduce taxable income. These loss carry forwards *(expressed in thousands of Canadian dollars)* expire as follows:

2013 to 2016	$	8,263
2017 to 2021		-
2022 to 2026		3,015
2027 to 2031		9,550
	$	20,828

A valuation allowance has been recorded against certain of the potential future income tax assets associated with these loss carry-forwards and other deductible temporary differences as their utilization is not considered more likely than not at this time.

c) Significant components of the Company's future tax assets and liabilities, after applying enacted corporate income tax rates are as follows *(in thousands of Canadian dollars)*:

		April 30, 2011		April 30, 2010
Future income tax assets				
Non-capital losses	**$**	**5,535**	$	6,318
Capital losses		**388**		312
Property, plant and equipment		**1,420**		1,400
Financing fees		**901**		784
Resource property costs		**21,183**		20,529
Other		**611**		374
Total future tax assets		**30,038**		29,717
Valuation allowance		**(25,882)**		(25,841)
Net future income tax assets	**$**	**4,156**	$	3,876
Future income tax liabilities				
Resource property costs and other	**$**	**10,116**	$	11,682
Future tax liabilities		**10,116**		11,682
Future tax liability, net	**$**	**5,960**	$	7,806

Future income tax assets and liabilities are measured using statutory rates that are expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled.

Future income tax assets are recorded when it is more likely than not that they will be recovered in future periods.

12. Asset Retirement Obligations

Details are as follows (*expressed in thousands of Canadian dollars*):

		April 30, 2011		April 30, 2010
Balance – beginning of the year	**$**	**710**	$	634
Acquisition of the Renard Diamond Project *(Note 3)*		**774**		-
Accretion		**106**		76
Balance – end of the year	**$**	**1,590**	$	710

The Company has recorded an asset retirement obligation, which reflects the present value of the estimated amount of undiscounted cash flow required to satisfy the asset retirement obligation in respect of the Renard Project in Quebec. The primary component of this obligation is the removal of equipment currently used at the site as well as costs associated with securing an underground shaft on the property. If the Company decides not to go into production on the property, it is assumed that the asset retirement obligation will be incurred in 2011. Should the Company decide to proceed with a production decision on the Renard Project, the obligation will be realized further into the future. The credit adjusted risk free rate at which the estimated cash flows have been discounted to arrive at the obligation is 12%. The undiscounted amount of inflation-adjusted estimated future cash flows is $1,590,000.

13. Supplemental Schedule of Non-Cash Investing and Financing Activities

(expressed in thousands of Canadian Dollars)

		April 30, 2011		April 30, 2010
Options and warrants exercised *(Note 9)*	**$**	**211**	$	**-**
Fair value of common shares received *(Note 9e)*	**$**	**53**	$	**-**
Allowance for doubtful accounts	**$**	**378**	$	132
Fair value of consideration paid to acquire Diaquem's 50% interest in Renard *(Note 3)*	**$**	**129,921**	$	**-**

14. Commitments

The Company is committed to minimum future operating lease payments for its office premises as follows:

Fiscal year ending April 30, 2012	$	460,000
Fiscal year ending April 30, 2013		454,000
Fiscal year ending April 30, 2014		380,000
Fiscal year ending April 30, 2015		117,000
Fiscal year ending April 30, 2016		19,000
	$	1,430,000

In addition, the Company has a $100 million credit standby agreement with IQ *(Note 3)* under which commitment fee payments equal to 1.75% per annum are payable.

In addition, the Company has GICs in the amount of $328,000 as collateral security for its corporate credit cards and a line of credit of $8,000 to satisfy exploration bonding requirements. A GIC equivalent to the utilization of the line of credit is provided as collateral security.