

# **Northfield Metals Inc.**

## **Condensed Interim Financial Statements**

**September 30, 2012**

**(expressed in Canadian dollars)**

**(unaudited)**

### **Management's Comments on Unaudited Condensed Interim Financial Statements**

These unaudited condensed interim financial statements of Northfield Metals Inc. (the "Company") have been prepared by management and approved by the Board of Directors of the Company.

These unaudited condensed interim financial statements have not been reviewed by the Company's external auditors.

# Northfield Metals Inc.

## Statements of Financial Position

(expressed in Canadian dollars)  
(unaudited)

	Notes	As at September 30, 2012 \$	As at December 31, 2011 \$
<b>Assets</b>			
Current			
Cash and cash equivalents		444,010	1,165
Receivables		18,893	26,634
Marketable securities	4	75,516	115,370
Prepaid expenses		10,000	20,000
		<u>548,419</u>	<u>163,168</u>
Exploration and evaluation	5	306,430	-
		<u>854,850</u>	<u>163,168</u>
<b>Liabilities</b>			
Current			
Accounts payable and accrued liabilities	6, 12	1,551,950	1,348,805
Due to Champion Iron Mines Limited	7	166,934	25,304
Due to Eloro Resources Ltd.	8	43,482	43,482
		<u>1,762,366</u>	<u>1,417,591</u>
<b>Shareholders' equity</b>			
Share capital	9	2,199,044	1,666,399
Share capital to be issued	9	99,500	-
Contributed surplus		18,000	18,000
Deficit		<u>(3,224,060)</u>	<u>(2,938,822)</u>
		<u>(907,516)</u>	<u>(1,254,423)</u>
		<u>854,850</u>	<u>163,168</u>
<b>Going concern</b>	2		
<b>Approved by the Board:</b>			
	Paul Ankcorn <b>Director</b>	Miles Nagamatsu <b>Director</b>	

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

# Northfield Metals Inc.

## Statements of Loss and Comprehensive Loss

(expressed in Canadian dollars)

(unaudited)

	Notes	3 months ended September 30,		9 months ended September 30,	
		2012 \$	2011 \$	2012 \$	2011 \$
<b>Expenses</b>					
Professional fees		3,500	5,311	10,500	12,311
Consulting fees	12	36,000	60,000	156,000	180,000
General and administrative		4,281	836	20,171	7,524
Loss on sale of marketable securities		-	-	7,900	-
Decrease in fair value of marketable securities		42,360	53,373	90,666	110,433
<b>Loss and comprehensive loss</b>		<b>86,141</b>	<b>119,519</b>	<b>285,237</b>	<b>310,267</b>
<hr/>					
<b>Loss per common share-basic and diluted</b>		<b>0.014</b>	<b>0.022</b>	<b>0.050</b>	<b>0.058</b>
<hr/>					
<b>Weighted average number of common basic and diluted</b>		<b>6,376,419</b>	<b>5,391,636</b>	<b>5,722,293</b>	<b>5,391,636</b>

# Northfield Metals Inc.

## Statements of Changes in Equity

(expressed in Canadian dollars)

(unaudited)

	Share capital \$	Share capital to be issued \$	Contributed surplus \$	Deficit \$	Total \$
<b>Balance, December 31, 2011</b>	1,666,399	-	18,000	(2,938,822)	(1,254,423)
Private placement of common shares					
Issued	471,000	-	-	-	471,000
To be issued	-	99,500	-	-	99,500
Share issue costs	(38,355)	-	-	-	(38,355)
Acquisition of exploration and evaluation	100,000	-	-	-	100,000
Loss	-	-	-	(285,237)	(285,237)
<b>Balance, September 30, 2012</b>	<b>2,199,044</b>	<b>99,500</b>	<b>18,000</b>	<b>(3,224,060)</b>	<b>(907,516)</b>
<b>Balance, December 31, 2010</b>	1,666,399	-	18,000	(2,594,812)	(910,413)
Loss	-	-	-	(310,267)	(310,267)
<b>Balance, September 30, 2011</b>	<b>1,666,399</b>	<b>-</b>	<b>18,000</b>	<b>(2,905,079)</b>	<b>(1,220,680)</b>

# Northfield Metals Inc.

## Statements of Cash Flows

(expressed in Canadian dollars)  
(unaudited)

	9 months ended September 30,	
	2012	2011
	\$	\$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Loss	(285,237)	(310,267)
Item not affecting cash		
Loss on sale of marketable securities	7,900	0
Decrease in fair value of marketable	90,666	110,433
Changes in non-cash working capital		
Receivables	7,741	(10,354)
Prepaid expenses	10,000	-
Accounts payable and accrued liabilities	203,143	196,802
	<u>34,213</u>	<u>(13,386)</u>
<b>Financing activities</b>		
Private placement of common shares		
Issued	471,000	-
To be issued	99,500	-
Share issue costs	(38,355)	-
Advances from Champion Iron Mines Limited	141,630	16,000
	<u>673,775</u>	<u>16,000</u>
<b>Investing activities</b>		
Proceeds on sale of marketable securities	25,860	-
Purchase of marketable securities	(84,572)	(27,065)
Exploration and evaluation	(206,430)	-
	<u>(265,142)</u>	<u>(27,065)</u>
<b>Net decrease in cash</b>	442,845	(24,451)
<b>Cash, beginning of period</b>	1,165	46,909
<b>Cash, end of period</b>	<u>444,010</u>	<u>22,458</u>

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

# Northfield Metals Inc.

## Notes to Condensed Interim Financial Statements

### September 30, 2012

(expressed in Canadian dollars)  
(unaudited)

#### 1. Nature of operations

Northfield Metals Inc. (the "Company") is a public company engaged in the acquisition, exploration and development of mineral resource properties. The Company is incorporated under the laws of Ontario and its registered office is located at 20 Adelaide Street East, Suite 301, Toronto, Ontario, M5C 2T6.

#### 2. Going concern

The Company is in the exploration stage and has no revenue. As at September 30, 2012, the Company had a working capital deficit of \$1,213,946 (December 31, 2011 - \$1,254,424) and for the 9 months ended September 30, 2012, the Company incurred losses of \$285,237 (2011 - \$190,748). The working capital deficit and losses limit the Company's ability to fund operations and the acquisition, exploration and development of mineral resource properties. As a result, there is significant doubt about the Company's ability to continue as a going concern.

The Company has reduced its operating expenditures and deferred the payment of management's consulting fees. The continued operations of the Company is dependent upon the support of its creditors and the Company's ability to secure equity financing to meet its existing obligations and finance the acquisition, exploration and development of mineral resource properties. The Company is actively seeking to raise the necessary equity financing, however, there can be no assurance that additional equity financing will be available.

These financial statements have been prepared on a going concern basis, 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 and commitments in the normal course of business. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

#### 3. Basis of presentation

##### Statement of compliance

These interim financial statements are prepared in accordance with IAS 34, *Interim Financial Reporting*, using accounting policies consistent with IFRS.

The policies applied in these interim financial statements are based on IFRS issued and outstanding as of September 30, 2012. Any subsequent changes to IFRS that are reflected in the annual financial statements for the year ending December 31, 2012 could result in the restatement of these interim financial statements.

These interim financial statements do not include certain information and disclosures normally included in annual financial statements prepared in accordance with IFRS and should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2011.

The interim financial statements were approved and authorized for issue by the Board of Directors on November 29, 2012.

##### Initial adoption of accounting policies

##### *Exploration and evaluation*

##### *Recognition and measurement*

Exploration and evaluation, including the costs of acquiring licenses and directly attributable general and administrative costs, initially are capitalized as exploration and evaluation. The costs are accumulated by property pending the determination of technical feasibility and commercial viability. Pre-license costs are expensed when incurred. Pre-exploration costs are expensed unless it is considered probable that they will generate future economic benefits.

Non-repayable mining tax credits earned in respect to costs incurred in Quebec are recorded as a reduction to exploration and evaluation when there is reasonable assurance that the Company has complied with, and will continue to comply with, all conditions needed to obtain the credits.

The recoverability of amounts shown for exploration and evaluation is dependent upon the ability of the Company to obtain financing to complete the exploration and development of its mineral resource properties, the existence of economically recoverable reserves and future profitable production, or alternatively, upon the Company's ability to recover its costs through a disposition of its mineral resource properties. The amounts shown for exploration and evaluation do not necessarily represent present or future value. Changes in future conditions could require a material change in the amount recorded for exploration and evaluation.

The technical feasibility and commercial viability of extracting a mineral resource from a property is considered to be determinable when proved and/or probable reserves are determined to exist and the necessary permits have been received to commence production. A review of each property is carried out at least annually. Upon determination of technical feasibility and commercial viability, exploration and evaluation is first tested for impairment and then reclassified to property, plant and equipment or expensed to the statement of loss and comprehensive loss to the extent of any impairment. As at September 30, 2012, the Company had no property, plant and equipment.

#### *Impairment*

Exploration and evaluation is assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

An impairment loss is recognized in the statement of loss and comprehensive loss if the carrying amount of a property exceeds its estimated recoverable amount. The recoverable amount of property used in the assessment of impairment of exploration and evaluation is the greater of its value in use ("VIU") and its fair value less costs to sell ("FVLCTS"). VIU is determined by estimating the present value of the future net cash flows at a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the property. FVLCTS refers to the amount obtainable from the sale of a property in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. For a property that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the property belongs. Impairment losses previously recognized are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount only to the extent that the property's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognized.

#### *Decommissioning liabilities*

The Company's activities give rise to dismantling, decommissioning and site disturbance remediation activities. Provision is made for the estimated cost of site restoration. Decommissioning obligations are measured at the present value of management's best estimate of expenditures required to settle the present obligation at the balance sheet date. The fair value of the estimated obligation is recorded as a liability with a corresponding increase in the carrying amount of the related asset. The obligation is subsequently adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as accretion costs whereas increases or decreases due to changes in the estimated future cash flows or changes in the discount rate are capitalized. Actual costs incurred upon settlement of the decommissioning obligations are charged against the provision to the extent the provision was established. As at September 30, 2012, the Company had no decommissioning liabilities.

#### **New standards and interpretations not yet adopted**

The following new standards, amendments to standards and interpretations are effective for periods beginning on or after January 1, 2013:

##### *IFRS 10, Consolidation ("IFRS 10")*

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 Consolidation—Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements.

#### *IFRS 11, Joint Arrangements ("IFRS 11")*

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities—Non-monetary Contributions by Venturers.

#### *IFRS 12, Disclosure of Interests in Other Entities ("IFRS 12")*

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off-balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

#### *IFRS 13, Fair Value Measurement ("IFRS 13")*

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement.

Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

#### *Amendments to other standards*

In addition, there have been amendments to existing standards, including IAS 27, Separate Financial Statements (IAS 27), and IAS 28, Investments in Associates and Joint Ventures (IAS 28). IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10-13.

The following amendment to standards and interpretations is effective for periods beginning on or after January 1, 2015:

#### *IFRS 9, Financial Instruments ("IFRS 9")*

IFRS 9 addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, *Financial Instruments - Recognition and Measurement*, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

#### *Effect of new standards*

IFRS 9, IFRS 10, IFRS 11 and IFRS 12 are expected to have an effect on the consolidated financial statements of the Company. The Company has not determined the extent of the impact of these standards and does not plan to early adopt these new standards.

#### **4. Marketable securities**

Marketable securities consists of the following investments in related parties:

	September 30, 2012		December 31, 2011	
	Fair value	Cost	Fair value	Cost
	\$	\$	\$	\$
Eloro Resources Ltd. ("Eloro")	35,735	117,241	37,699	66,429
Champion Iron Mines Limited ("Champion")	39,405	27,461	77,145	27,461
Bear Lake Gold Ltd. ("Bear Lake")	375	5,375	525	5,375
	75,515	150,077	115,369	99,265



One director (December 31, 2011 - two directors) of the Company is a director of Eloro, no directors (December 31, 2011 - two directors) of the Company are directors of Champion and one director of the Company is a director of Bear Lake.

## 5. Exploration and evaluation

	December 31, 2011 \$	Acquisition costs \$	Exploration expenditures \$	September 30, 2012 \$
<b>Property</b>				
Borel River	–	126,506	179,924	306,430

### Acquisition of Borel River

On July 5, 2012, the Company acquired a 100% interest in the Borel River iron ore property (“Borel River”), which consists of 108 claims covering an area of 4,459 hectares situated on the western shore of Ungava Bay in northern Quebec, subject to vendor retaining a 2% royalty. In order to acquire its interest, the Company paid \$25,000 and issued 500,000 common shares with a fair value of \$100,000. The Company has the right of first refusal on the sale of the royalty and has the option to reduce the royalty from 2% to 1% by making a payment of \$1,000,000.

In the event that the Company does not complete a listing of its common shares on a Canadian stock exchange by December 31, 2012, the Company will make monthly payments of \$5,000 to the vendor commencing January 1, 2013 until its common shares are listed or the agreement is terminated upon 30 days written notice given by either the Company or the vendor.

### Acquisition of Gagnon Holdings

On September 28, 2012, Champion granted an option to the Company to acquire a 65% interest in Aubertin-Tougaard, Aubrey-Ernie, Black Dan, Jeannine Lake, Penguin Lake, Silicate-Brutus and Three Big Lakes comprising 378 claims covering 200.24 square kilometres in the Fermont Iron Ore District in the Labrador Trough in northeastern Quebec (“Gagnon Holdings”). In order to earn its interest, the Company must make option payments, issue common shares and incur exploration expenditures, as follows:

	Option payments \$	Common shares	Exploration expenditures \$
Upon conditional approval from a stock exchange for the listing of the shares of the Company	100,000	1,000,000	–
1 year after signing of an option and joint venture agreement	150,000	500,000	500,000
2 years after signing of an option and joint venture agreement	250,000	500,000	750,000
3 years after signing of an option and joint venture agreement	250,000	500,000	–
4 years after signing of an option and joint venture agreement	250,000	–	4,750,000
	1,000,000	2,500,000	6,000,000

The Company and Champion agreed that the option constitutes a binding agreement and agreed to negotiate the terms of and execute a mutually satisfactory option and joint venture agreement by December 31, 2012.

Upon the Company earning its 65% interest, a joint venture will be formed to incur additional exploration expenditures. If the Company does not fund its proportionate interest in the joint venture, its interest will be diluted and, when its interest is reduced below 10%, its interest would be reduced solely to a 1% royalty. The Company will have the option to reduce the royalty from 1% to 0.5% by making a payment of \$3,000,000.

In the event that the Company or Champion proposes to acquire any property within 10 kilometres of the Gagnon Holdings, the acquirer must offer the property at cost to the other party for inclusion in the Gagnon properties.

Two officers of the Company are officers of Northfield.

## 6. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities have substantially been outstanding over 90 days.

## 7. Due to Champion

The amount due to Champion is unsecured, non-interest bearing and payable on demand. No directors (December 31, 2011 - two directors) of the Company are directors of Champion.

## 8. Due to Eloro Resources Ltd.

The amount due to Eloro is unsecured, non-interest bearing and payable on demand. One director (December 31, 2011 - two directors) of the Company is a director of Eloro.

## 9. Share capital

### Authorized

An unlimited number of Class A preferred shares 5% voting, redeemable, convertible, non-cumulative dividend, which are redeemable at \$0.10 per share and convertible on the basis of one common share for each Class A preferred share.

An unlimited number of common shares.

### Issued

	Number of shares	Amount \$
Balance as at December 31, 2011	21,566,604	1,666,399
Effect of share consolidation	(16,174,968)	–
Balance as at May 4, 2012, date of share consolidation	5,391,636	1,666,399
Private placement	2,355,000	471,000
Acquisition of exploration and evaluation (note 5)	500,000	100,000
Share issue costs	–	(38,355)
Balance as at September 30, 2012	8,246,636	2,199,044

### Share consolidation

Effective May 4, 2012, the Company consolidated the issued common shares on the basis of 1 new common share for 4 old common shares. Following the share consolidation, there were 5,391,636 common shares outstanding.

### Private placement

On September 10, 2012, the Company completed the first tranche of a private placement financing consisting of 2,355,000 common shares at a price of \$0.20 per common share for gross proceeds of \$471,000. In connection with the financing, the Company paid a commission of \$37,680. On October 22, 2012, the Company completed the second and final tranche of a private placement financing consisting of 675,000 common shares at a price of \$0.20 per common share for gross proceeds of \$135,000, of which, the Company had received gross proceeds of \$99,500 as at September 30, 2012.

### Stock options

The Company may grant options to its directors and employees for up to 10% of the number of common shares outstanding. Options granted vest immediately and the maximum term of each option is 5 years. The exercise price shall not be less than the closing price of the common shares on a stock exchange in Canada on the last trading day immediately preceding the date of the grant, less any discount permissible under the rules of the principal stock exchange on which the common shares are listed for trading. In the event that the common shares are not listed for trading on any stock exchange, the exercise price shall be the fair market value as determined by the Board of Directors. As at September 30, 2012, there were 824,663 stock options available to be issued under the stock option plan and no stock options were outstanding.

## 10. Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

### *Cash, accounts payable and accrued liabilities and due to Champion and Eloro*

The fair values of cash, accounts payable and accrued liabilities and due to Champion and Eloro are estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. At September 30, 2012, the fair value of these balances approximated their carrying value due to their short term to maturity.

#### *Marketable securities*

The fair value of marketable securities is estimated based on observable inputs.

#### *Classification of fair value of financial instruments*

The Company classified the fair value of its financial instruments measured at fair value according to the following hierarchy based on the amount of observable inputs used to value the instrument:

Level 1: quoted prices in active markets for identical assets and liabilities;

Level 2: inputs, other than the quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly;

Level 3: inputs for the asset or liability that are not based on observable market data

Marketable securities are classified as Level 1 financial assets.

### **11. Financial risk management**

The Company's activities expose it to a variety of financial risks that arise as a result of its exploration and financing activities, including credit risk, liquidity risk and market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors oversees management's establishment and execution of the Company's risk management framework. Management has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities.

#### ***Credit risk***

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the Company's cash balances. The Company's limits its exposure to credit risk on its cash balances by holding its cash balances in deposits with high credit quality Canadian chartered bank.

#### ***Liquidity risk***

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial liabilities that are settled in cash or other financial assets. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities as they come due. Substantially all of the Company's accounts payable and accrued liabilities have been outstanding over 90 days and the amounts due to Eloro and Champion are payable on demand. The Company has limited its liquidity risk by suspending the acquisition of mineral resource properties, reducing its operating expenditures, deferring the payment of management's consulting fees and arranging for advances from related parties.

#### ***Market risk***

Market risk is the risk that changes in market prices, such as equity prices, foreign exchange rates, and interest rates will affect the Company's income or the value of its financial instruments.

#### ***Equity price risk***

Equity price risk arises from the Company's marketable securities. The Company's approach to managing equity price risk is to optimize the return from its marketable securities within acceptable parameters for equity price risk. The Company estimates that if the fair value of its marketable securities as at September 30, 2012 had changed by 25%, with all other variables held constant, the net loss would have decreased or increased by \$29,469.

#### ***Currency risk***

Currency risk arises from the Company's financial instruments and purchases that are denominated in a currency other than the Canadian dollar, the Company's functional currency. As all of the Company's purchases are in Canadian dollars, the Company limits its exposure to currency risk by maintaining its cash balance in Canadian dollars.

#### ***Interest rate risk***

The Company's exposure to interest rate risk is limited due to the short-term nature of its financial instruments.

**Capital management**

Capital of the Company consists of share capital, contributed surplus and deficit. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can acquire, explore and develop mineral resource properties for the benefit of its shareholders. The Company manages its capital structure and makes adjustments based on the funds available to the Company in light of changes in economic conditions. The Board of Directors has not established quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain the future development of the Company. In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that consider various factors, including successful capital deployment and general industry conditions. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

As the Company is an exploration stage company and has no revenues, its principal source of capital is from the issue of common shares or advances from related parties. In order to achieve its objectives, the Company intends to raise additional funds as required.

The Company is not subject to externally imposed capital requirements and there were no changes to the Company's approach to capital management during the year.

**12. Related party transactions**

	9 months ended	September 30,	September 30,	Outstanding as at
	2012	2011	2012	December 31,
	\$	\$	\$	2011
				\$

Consulting fees for key management personnel payable pursuant to consulting contracts to three companies controlled by three officers, two of whom are also directors

156,000	180,000	1,391,400	1,227,600
---------	---------	-----------	-----------