Cartier Iron Corporation
(formerly Northfield Metals Inc.)

Financial Statements
December 31, 2012 and 2011

Collins Barrow
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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Cartier Iron Corporation (formerly Northfield Metals Inc.)

We have audited the accompanying financial statements of Cartier Iron Corporation (formerly Northfield Metals Inc.), which comprise the statements of financial position as at December 31, 2012 and December 31, 2011 and the statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the presentation of 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 financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements present fairly, in all material respects, the financial position of Cartier Iron Corporation (formerly Northfield Metals Inc.) as at December 31, 2012 and December 31, 2011 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Collins Barrow Toronto LLP

Licensed Public Accountants
Chartered Accountants
Toronto, Ontario
April 29, 2013

Cartier Iron Corporation

(formerly Northfield Metals Inc.)

Statements of Financial Position

(expressed in Canadian dollars)

	Notes	As at December 31, 2012 $	2011 $
Assets			
Current			
Cash and cash equivalents		786,897	1,165
Receivables		57,179	26,634
Marketable securities	4	108,285	115,370
Prepaid expenses		164,041	20,000
		1,116,402	163,168
Exploration and evaluation	5	757,554	-
		1,873,956	163,168
Liabilities			
Current			
Accounts payable and accrued liabilities	6	199,203	1,348,805
Due to Champion Iron Mines Limited	7	-	25,304
Due to Eloro Resources Ltd.	8	43,482	43,482
		242,685	1,417,591
Shareholders' equity (deficiency)			
Share capital	9	4,906,953	1,666,399
Contributed surplus		18,000	18,000
Deficit		(3,293,682)	(2,938,822)
		1,631,271	(1,254,423)
		1,873,956	163,168
Subsequent events	14		

Approved by the Board:

Paul Ankcorn
Director

Miles Nagamatsu
Director

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

Cartier Iron Corporation

(formerly Northfield Metals Inc.)

Statements of Loss and Comprehensive Loss

(expressed in Canadian dollars)

	Notes	Years ended December 31, 2012 $	2011 $
Expenses			
Professional fees		75,770	20,503
Consulting fees	13	168,000	240,000
General and adminstrative		43,600	11,831
Gain on settlement of debts	6 and 7	(37,889)	-
Loss on sale of marketable securities		7,900	-
Decrease in fair value of marketable securities		97,479	71,676
Loss and comprehensive loss		354,860	344,010
Loss per common share-basic and diluted		0.051	0.064
Weighted average number of common basic and diluted		7,015,022	5,391,636

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

Cartier Iron Corporation
(formerly Northfield Metals Inc.)
Statements of Changes in Equity
(expressed in Canadian dollars)

	Notes	Share capital $	Contributed surplus $	Deficit $	Total $
Balance, December 31, 2011		1,666,399	18,000	(2,938,822)	(1,254,423)
Settlement of debts		1,627,671	-	-	1,627,671
Private placements					
Common shares		1,231,000	-	-	1,231,000
Flow-through common shares		100,000	-	-	100,000
Share issue costs		(68,117)	-	-	(68,117)
Acquisition of exploration and evaluation	5				
Borel		100,000	-	-	100,000
Gagnon		250,000	-	-	250,000
Loss		-	-	(354,860)	(354,860)
Balance, December 31, 2012		4,906,953	18,000	(3,293,682)	1,631,271
Balance, December 31, 2010		1,666,399	18,000	(2,594,812)	(910,413)
Loss		-	-	(344,010)	(344,010)
Balance, December 31, 2011		1,666,399	18,000	(2,938,822)	(1,254,423)

Cartier Iron Corporation
(formerly Northfield Metals Inc.)
Statements of Cash Flows
(expressed in Canadian dollars)

	Years ended December 31, 2012 $	2011 $
Cash provided by (used in)		
Operating activities		
Loss	(354,860)	(344,010)
Item not affecting cash		
Gain on settlement of debts	(37,889)	-
Loss on sale of marketable securities	7,900	-
Decrease in fair value of marketable securities	97,479	71,676
Changes in non-cash working capital		
Receivables	(30,545)	(18,703)
Prepaid expenses	(144,041)	(20,000)
Accounts payable and accrued liabilities	256,108	276,343
	(205,848)	(34,694)
Financing activities		
Advances from Champion Iron Mines Limited	141,630	16,000
Private placements		
Common shares	1,231,000	-
Flow-through common shares	100,000	-
Share issue costs	(50,117)	-
	1,422,513	16,000
Investing activities		
Proceeds on sale of marketable securities	25,860	-
Purchase of marketable securities	(124,154)	(27,050)
Exploration and evaluation	(332,639)	-
	(430,933)	(27,050)
Net increase (decrease) in cash	785,732	(45,744)
Cash and cash equivalents, beginning of year	1,165	46,909
Cash and cash equivalents, end of year	786,897	1,165
Cash and cash equivalents consist of:		
Cash	526,123	1,165
Guaranteed investement certificate	200,774	-
	726,897	1,165
Non-cash transactions		
Issue of common shares to settle accounts payable	1,498,357	-
Issue of common shares to settle due to Champion	166,933	-
Issue of common shares for exploration and evaluation	350,000	-

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

1. Nature of operations

On January 16, 2013, Northfield Metals Inc. changed its name to Cartier Iron Corporation (the "Company"). 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. Basis of presentation

Statement of compliance
The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The financial statements were authorized for issue by the Board of Directors on April 29, 2013.

Basis of measurement
These financial statements have been prepared on the historical cost basis, except for marketable securities, which are measured at fair value.

Functional and presentation currency
These financial statements are presented in Canadian dollars, which is the Company's functional currency.

Use of estimates
The preparation of financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Estimates
Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are as follows:

Impairment of exploration and evaluation
Expenditures on exploration and evaluation are initially capitalized with the intent to establish commercially viable reserves. The Company makes estimates about future events and circumstances in determining whether the carrying amount of exploration and evaluation exceeds its recoverable amount.

Estimates of mineral resources
The amounts used in impairment calculations are based on estimates of mineral resources. Resource estimates are based on engineering data, estimated future prices, expected future rates of production and the timing of future capital expenditures, all of which are subject to many uncertainties and interpretations. The Company expects that, over time, its resource estimates will be revised upward or downward based on updated information such as the results of future drilling, testing and production levels, and may be affected by changes in commodity prices. See note 5.

Deferred income taxes
Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates at the reporting date in effect for the period in which the temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized as part of the provision for income taxes in the period that includes the enactment date. The recognition of deferred income tax assets is based on the assumption that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. See note 12.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

Financial instruments

Non-derivative financial assets

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

The Company has classified marketable securities as fair value through profit or loss.

Held-to-maturity financial assets

If the Company has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses. Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available for sale, and prevent the Company from classifying investment securities as held to maturity for the current and the following two financial years.

The Company has not classified any financial asset as held-to-maturity.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

The Company has classified cash and cash equivalents as loans and receivables.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss.

The Company has not classified any financial asset as available-for-sale.

Non-derivative financial liabilities

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

The Company has classified accounts payable and accrued liabilities, due to Champion Iron Mines Limited and due to Eloro Resources Ltd. as other financial liabilities.

Impairment of non-derivative financial assets

A financial asset is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Financial assets carried at amortized cost

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the financial asset is reduced by the amount of the impairment loss and the impairment loss is recognized in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Available-for-sale financial assets

An impairment loss in respect of a financial asset classified as available-for-sale is calculated as the difference between the acquisition cost and the current fair value, less any impairment loss recognized previously in profit or loss. The impairment loss is recognized when there is objective evidence that the impairment is other than temporary by reclassifying the loss from equity to profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss, except in the case where the decrease in impairment loss is recognized in other comprehensive income.

Cash and cash equivalents

Cash and cash equivalents consists of cash in bank, cash held in trust and short-term deposits with a maturity of less than three months.

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 December 31, 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.

Share capital
Share capital is classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

Flow-through shares
Canadian tax legislation permits the Company to issue flow-through shares. Flow-through shares are securities whereby the deductions for tax purposes related to exploration and evaluation expenditures may be claimed by the investors rather than the Company, subject to a renouncement process. Renouncement may occur prospectively (the flow-through shares are issued, renouncement then occurs and eligible expenditures are incurred subsequently) or retrospectively (the flow-through shares are issued, eligible expenditures are then incurred and renouncement occurs subsequently).

The issue of flow-through shares is treated as an issue of shares and the sale of tax deductions. The Company uses the residual method to measure the sale of tax deductions. At the time the flow-through shares are issued, the sale of tax deductions is deferred and presented as other liabilities on the statement of financial position. When the Company fulfills its obligation to pass on the tax deduction to the investors, the sale of tax deductions is recognized as a reduction of deferred tax expense in the statement of loss and comprehensive loss and a deferred tax liability is recognized for the taxable temporary difference that arises from the difference between the carrying amount of eligible expenditures capitalized as an asset in the statement of financial position and its tax base.

If the renouncement is prospective, the obligation is fulfilled when eligible expenditures are incurred. If the renouncement is retrospective, the obligation is fulfilled when the paperwork to renounce is filed.

Share-based payments

The Company offers a stock option plan for its officers, directors, employees and consultants. The fair value of stock options for each vesting period is determined using the Black-Scholes option pricing model and is recorded over the vesting period as an increase to stock-based compensation and contributed surplus. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest. Upon the exercise of stock options, the proceeds received by the Company and the related contributed surplus are recorded as an increase to share capital. In the event that vested stock options expire, previously recognized share-based compensation is not reversed. In the event that stock options are forfeited, previously recognized share-based compensation associated with the unvested portion of the stock options forfeited is reversed.

The fair value of share-based payment transactions to non-employees and other share-based payments including shares issued to acquire exploration and evaluation are based on the fair value of the goods and services received. If the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or services.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Income tax

Income tax expense comprises current and deferred taxes. Current tax and deferred tax is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Loss per share

The Company presents basic and diluted loss per share data for its common shares. Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held. Diluted earnings per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options granted.

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.

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 include the following investments in related parties:

	December 31, 2012		December 31, 2011	
	Cost	Fair value	Cost	Fair value
	$	$	$	$
Eloro Resources Ltd. (“Eloro”)	156,585	72,540	66,429	37,700
Champion Iron Mines Limited (“Champion”)	27,461	35,520	27,461	77,145
Bear Lake Gold Ltd. (“Bear Lake”)	5,375	225	5,375	525
	189,421	108,285	99,265	115,370

Two directors of the Company are directors of Eloro, one director of the Company is a director 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 $	December 31, 2012
Property				
Borel River	–	131,506	153,257	284,763
Gagnon	–	250,000	222,791	472,791
	–	381,506	376,048	757,554

Acquistion of Borel River
The Company owns a 100% interest in in the Borel River iron ore property (“Borel River”), which consists of 108 claims covering 4,459.14 hectares situated on the western shore of Ungava Bay in northern Quebec.

On July 5, 2012, the Company acquired a 100% interest in Borel River which consisted of 89 claims covering 3,630.85 hectares, subject to the 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. At December 31, 2012, the Company had not completed a listing of its common shares and made a payment of $5,000 to the vendor subsequent to December 31, 2012.

Subsequently, the Company staked an additional 19 claims covering 828.29 hectares.

Acquisition of Gagnon
On September 28, 2012, the Company acquired an option from Champion Iron Mines Limited ("Champion") to acquire a 65% interest in Aubertin-Tougard, 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 (collectively "Gagnon"). 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 Number	Fair value $	Exploration expenditures $
Option payment due upon conditional approval from a stock exchange for the listing of the shares of the Company (note 14) and common shares due upon execution of agreement (issued)	100,000	1,000,000	250,000	–
December 10, 2013	150,000	500,000	–	500,000
December 10, 2014	250,000	500,000	–	750,000
December 10, 2015	250,000	500,000	–	–
December 10, 2016	250,000	–	–	4,750,000
	1,000,000	2,500,000	250,000	6,000,000

The Company has the option to satisfy the Exploration Expenditures by (i) paying cash to Champion or the applicable governmental authorities on account of assessment work and/or taxes; or (ii) by issuing the number of common shares to Champion determined by dividing the amount by the 20 day average closing price of the common shares within 5 trading days prior to the date of issue.

Upon the Company earning its 65% interest, a joint venture will be formed to incur additional exploration expenditures. If a joint venture partner 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 other joint venture partner 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.

6. Accounts payable and accrued liabilities
The Company settled accounts payable of $1,498,626 by issuing 5,942,684 common shares with a fair value of $1,485,671.

7. Due to Champion Iron Mines Limited (formerly Champion Minerals Inc.)
The Company settled the amount due to Champion of $166,934 by issuing 568,000 common shares with a fair value of $142,000. The amount due to Champion was unsecured, non-interest bearing and payable on demand. One director of the Company is a director of Champion.

8. Due to Eloro Resources Ltd. ("Eloro")
The amount due to Eloro is unsecured, non-interest bearing and payable on demand. Two directors of the Company are directors 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 common shares	Amount $
Balance, December 31, 2010 and 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
Settlement of debt (notes 6 and 7)	6,510,684	1,627,671
Private placements		
Common shares	5,530,000	1,231,000
Flow-through common shares	400,000	100,000
Share issue costs	–	(68,117)
Acquisition of exploration and evaluation (note 5)		
Borel	500,000	100,000
Gagnon	1,000,000	250,000
Balance, December 31, 2012	19,332,320	4,906,953

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 placements

During the year ended December 31, 2012, the Company completed the following private placements:

	Number of shares	Price per share $	Gross proceeds $
Common shares			
October 22, 2012	3,030,000	0.20	606,000
December 10, 2012	2,000,000	0.25	500,000
December 31, 2012	500,000	0.25	125,000
	5,530,000		1,231,000
Flow-through common shares			
December 31, 2012	400,000	0.25	100,000

The Company and Champion have entered into agreements governing Champion’s voting rights and board representation. Champion will be restricted from selling common shares of the Company until December 31, 2017, after which time, sales will be permitted subject to certain restrictions. In the event that the Company proposes to issue common shares, Champion will have the pre-emptive right to maintain its percentage interest in the outstanding common shares of the Company until December 31, 2014.

Stock options

The Company may grant options to its directors, officers, employees and consultants 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 December 31, 2012, there were 1,933,232 stock options available to be issued under the stock option plan (2011 - 539,165) 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 and cash equivalents, accounts payable and accrued liabilities and due to Champion and Eloro

The fair values of cash and cash equivalents, 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 December 31, 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 and cash equivalents. The Company’s limits its exposure to credit risk on its cash and cash equivalents by holding 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 is liabilities as they come due. Accounts payable and accrued liabilities are subject to normal trade terms and the amount due to Eloro is payable upon demand.

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 it marketable securities within acceptable parameters for equity price risk. The Company estimates that if the fair value of its marketable securities as at December 31, 2012 had changed by 25%, with all other variables held constant, the net loss would have decreased or increased by $27,071.

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 it exposure to currency risk by maintaining its cash and cash equivalents 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. Income taxes

The Company's effective income tax rate differs from the amount that would be computed by applying the combined federal and provincial statutory rate of 26.25% (2011 - 28.25%) to the net loss for the year. The reasons for the difference are as follows:

Provision for income taxes

	2012 $	2011 $
Expected income tax recovery based on statutory rate	(94,000)	(97,000)
Increase (decrease) resulting from:		
Non-deductible expenses	13,000	–
Effect on change in rates	(85,000)	12,000
Unrecorded tax benefit of losses	184,000	85,000
Share issue costs and other	(18,000)	–
	–	–

Deferred income tax balances
The Company's deferred income tax assets are as follows:

	2012 $	2011 $
Non-capital loss carryforward	648,000	372,000
Capital loss carryforward	2,653,000	2,800,000
Canadian exploration and evaluation	121,000	114,000
Foreign exploration and evaluation	376,000	355,000
Share issue costs	14,000	
Other	11,000	(2,000)
	3,823,000	3,639,000
Benefit of future tax assets not recorded	(3,823,000)	(3,639,000)
	–	–

Due to losses incurred in the current year and expected future operating results, management determined that it is unlikely that the deferred income tax assets will be realized. Accordingly, the future income tax assets have not been recorded.

Losses carried forward
At December 31, 2012, the Company had non-capital loss carryforwards which expire as follows:

	$
2015	31,000
2026	390,000
2028	304,000
2029	455,000
2030	269,000
2031	995,000
	2,444,000

As at December 31, 2012, the Company had resource deductions of $2,632,000 which may be carried forward indefinitely to reduce taxable income in future years and capital losses of approximately $20,000,000 which may be carried forward indefinitely to be applied against capital gains in future years.

13. Related party transactions

Compensation of key management personnel
The Company considers its directors and officers to be key management personnel. Transactions with key management personnel are set out as follows:

	Years ended December 31, 2012	2011	Outstanding at December 31, 2012	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	168,000	240,000	–	1,227,600

Additional related party transactions are disclosed in notes 5, 7, 8 and 9. These transactions were in the normal course of business.

14. Subsequent events

Listing of common shares
On January 9, 2013, the Company received conditional approval to for the listing of its common shares on the Canadian National Stock Exchange ("CSNX") and the Company made the $100,000 option payment for Gagnon.

Proposed private placement
On February 11, 2013, the Company announced its intention to proceed with a non-brokered private placement of up to 6,000,000 units at a price of $0.25 per unit for gross proceeds of up to $1,500,000. Each unit will consist of one common share and one-half of one common share purchase warrant, with each whole warrant entitling the holder to purchase one common share for $0.50 for 2 years following the closing of the private placement.