Audited Financial Statements
(Stated in Canadian Dollars)

Rockex Mining Corporation

(An exploration stage company)
December 31, 2012 & 2011

Independent Auditor's Report

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To the shareholders of
Rockex Mining Corporation

We have audited the accompanying financial statements of Rockex Mining Corporation, which comprise the statement of financial position as at December 31, 2012 and 2011, and the statements of 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 preparation 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 company'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 company'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 Rockex Mining Corporation as at December 31, 2012 and 2011 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Grant Thornton LLP

Thunder Bay, Canada	Chartered Accountants
March 27, 2013	Licensed Public Accountants

MANAGEMENT'S RESPONSIBILITY FOR AUDITED FINANCIAL REPORTING

The accompanying audited financial statements of Rockex Mining Corporation (the "Corporation") are the responsibility of the management and Board of Directors of the Corporation.

The audited financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with International Financial Reporting Standards. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects.

The Corporation maintains systems of internal controls that are designed by management to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and to produce reliable accounting records for financial reporting purposes.

The Board of Directors is responsible for reviewing and approving the audited financial statements together with other financial information of the Corporation and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the audited financial statements together with other financial information of the Corporation. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the audited financial statements together with other financial information of the Corporation for issuance to the shareholders.

Management recognizes its responsibility for conducting the Corporation's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

"Edward Yew" (signed)	*"Sam Garofalo" (signed)*
Chief Executive Officer	Chief Financial Officer

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Rockex Mining Corporation

STATEMENTS OF FINANCIAL POSITION

(Stated in Canadian Dollars)

As at	Note	December 31, 2012	December 31, 2011
		$	$
ASSETS			
Current			
Cash and cash equivalents	5	**526,627**	783,983
Other receivable		**42,364**	293,365
Prepaids and deposits		**16,496**	137,567
		585,487	1,214,915
Non-current			
Equipment, net	6	**24,623**	27,013
Exploration and evaluation assets	7	**16,973,625**	15,117,303
Total assets		**17,583,735**	16,359,231
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	8	**800,785**	708,219
Flow-through premium	8	**201,740**	52,400
		1,002,525	760,619
Non-current liabilities			
Deferred tax liability	9	**1,316,312**	239,462
EQUITY			
Share capital	10	**20,343,895**	18,981,650
Share purchase warrants reserve	10	**268,953**	981,734
Share-based payments reserve	10	**3,301,696**	2,198,881
Deficit		**(8,649,646)**	(6,803,115)
		15,264,898	15,359,150
Total liabilities and equity		**17,583,735**	16,359,231

Nature of Business (Note 1) and Commitments and Contractual Obligations (Note 17)

These financial statements are authorized for issue by the Board of Directors on March 27, 2013. They are signed on its behalf by:

"Donald A. Sheldon" (signed)
Director

"Pierre Gagné" (signed)
Director

The accompanying notes form an integral part of these audited financial statements

Rockex Mining Corporation
STATEMENTS OF COMPREHENSIVE LOSS
(Stated in Canadian Dollars)

For the years ended	Note	**December 31, 2012**	December 31, 2011
		$	$
REVENUE			
Interest		**1,986**	24,171
EXPENSES			
Amortization		**5,737**	6,101
Compliance and regulatory fillings		**66,043**	46,378
Management and consulting fees		**269,603**	283,613
General and administrative		**100,655**	106,873
Professional fees		**177,424**	309,935
Promotion and investor relations		**60,006**	61,997
Share-based payments	11	**159,580**	2,198,881
Listing fees	12	**-**	1,129,107
		839,048	4,142,885
Loss before the following		**(837,062)**	(4,118,714)
Other income	8	**67,381**	-
Loss before income taxes		**(769,681)**	(4,118,714)
Deferred income tax		**1,076,850**	221,333
Loss and total comprehensive loss for the year		**(1,846,531)**	(4,340,047)
Loss per common share, basic and diluted	14	**(0.03)**	(0.09)

The accompanying notes form an integral part of these audited financial statements

Rockex Mining Corporation
STATEMENTS OF CHANGES IN EQUITY
(Stated in Canadian Dollars)

		Share Capital		Reserves			
	Note	Number of common shares #	Amount $	Share purchase warrants reserve $	Share-based payments reserve $	Deficit $	Total $
Balance at January 1, 2011		**42,073,275**	**16,881,704**	**99,314**	**72,769**	**(2,463,068)**	**14,590,719**
Loss for the year		-	-	-	-	**(4,340,047)**	**(4,340,047)**
Shares issued in private placements		**3.178,111**	**1,398,280**	**882,420**	-	-	**2,280,700**
Shares issued for services rendered		**130,000**	**65,000**	-	-	-	**65,000**
Share issue costs		-	**(186,720)**	-	-	-	**(186,720)**
Stock-based compensation		-	-	-	**2,198,881**	-	**2,198,881**
Stock options exercised		-	**72,769**	-	**(72,769)**	-	-
Shares issued from exercise of options		**200,000**	**100,000**	-	-	-	**100,000**
Shares issued on corporate merger	1,4	**1,338,754**	**650,617**	-	-	-	**650,617**
Balance at December 31, 2011		**46,920,140**	**18,981,650**	**981,734**	**2,198,881**	**(6,803,115)**	**15,359,150**
Balance at January 1, 2012		**46,920,140**	**18,981,650**	**981,734**	**2,198,881**	**(6,803,115)**	**15,359,150**
Loss for the year		-	-	-	-	**(1,846,531)**	**(1,846,531)**
Shares issued in private placements		**7,005,392**	**1,096,116**	**230,454**	-	-	**1,326,570**
Shares issued for services rendered		**1,642,904**	**410,726**	-	-	-	**410,726**
Share issue costs		-	**(144,597)**	-	-	-	**(144,597)**
Warrants expired		-	-	**(943,235)**	**943,235**	-	-
Stock-based compensation		-	-	-	**159,580**	-	**159,580**
Balance at December 31, 2012		**55,568,436**	**20,343,895**	**268,953**	**3,301,696**	**(8,649,646)**	**15,264,898**

The accompanying notes form an integral part of these audited financial statements

Rockex Mining Corporation
STATEMENTS OF CASH FLOWS
(Stated in Canadian Dollars)

For the years ended	**December 31, 2012 $**	December 31, 2011 $
Cash flows from operating activities		
Comprehensive loss for the year	**(1,846,531)**	(4,340,047)
Adjustments to reconcile loss to net cash used in operating activities:		
Amortization	**5,737**	6,101
Fair value of stock options	**159,580**	2,198,881
Amalgamation cost	-	650,617
Deferred income tax	**1,076,850**	199,716
Other income – flow-through premium	**(67,381)**	-
Shares issued in exchange for services	**87,741**	-
Changes in non-cash working capital balances:		
Other receivable	**251,001**	(162,553)
Prepaids and deposits	**121,071**	(71,158)
Deferred transaction costs	-	197,901
Accounts payable and accrued liabilities	**92,566**	85,930
Total cash outflows from operating activities	**(119,366)**	(1,234,612)
Cash flows from investing activities		
Mineral exploration and evaluation expenditures, net	**(1,533,337)**	(3,264,451)
Purchase of equipment	**(3,347)**	(5,222)
Total cash outflows from investing activities	**(1,536,684)**	(3,269,673)
Cash flows from financing activities		
Shares issued in private placements and exercise of options	**1,537,432**	2,433,100
Share issue costs	**(138,738)**	(121,720)
Total cash inflows from financing activities	**1,398,694**	2,311,380
Total decrease in cash and cash equivalents during the period	**(257,356)**	(2,192,905)
Cash and cash equivalents at beginning of period	**783,983**	2,976,888
Cash and cash equivalents at end of period	**526,627**	783,983

The accompanying notes form an integral part of these audited financial statements

1. NATURE OF BUSINESS

Rockex Mining Corporation (the "Corporation" or "Rockex") was incorporated pursuant to the provisions of the *Business Corporations Act (*Alberta) on May 29, 1996. On January 24, 2011, the Corporation continued as an Ontario corporation subject to the provisions of the *Business Corporations Act* (Ontario). The Corporation was formerly named Enviropave International Ltd. (until December 20, 2010). The change of name and continuance into Ontario were part of the reorganization of the Corporation which included the reverse take-over of the Corporation by the shareholders of Rockex Limited effective January 1, 2011. The Corporation's shares are listed on the Toronto Stock Exchange, having the trading symbol RXM. The address of the Corporation's corporate office and principal place of business is 580 New Vickers Street, Thunder Bay, Ontario.

On January 1, 2011, the Corporation completed a business transaction with Rockex Limited ("Old Rockex") pursuant to a "three cornered" amalgamation (the "Amalgamation") involving the Corporation, Old Rockex and 1837427 Ontario Inc. ("Subco"), a wholly-owned subsidiary of the Corporation. The Corporation acquired all of the issued and outstanding shares of Old Rockex which amalgamated with Subco to form a new amalgamated corporation which was a wholly-owned subsidiary of the Corporation and also called Rockex Limited. In connection with the Amalgamation, the Corporation issued one common share of the Corporation for each one common share of Old Rockex previously held by the shareholders of Old Rockex (see Note 4). Effective January 1, 2012, the Corporation and its wholly owned subsidiary, Rockex Limited, amalgamated pursuant to the provisions of the *Business Corporations Act (*Ontario*)* to simplify the Corporation's corporate structure.

The Corporation is in the exploration stage and its principal business activity is the exploration and evaluation of mineral properties that it believes contain mineralization that will be economically recoverable in the future. There has been no determination whether the Corporation's interests in mineral properties contain mineral reserves that are economically recoverable.

The business of exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration properties and the Corporation's continued existence are dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, and the ability of the Corporation to raise additional financing, as necessary, or alternatively, upon the Corporation's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values of its property interests.

Although the Corporation has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Corporation's title. Property title may be subject to unregistered prior agreements, non-compliance with regulatory requirements or aboriginal land claims.

As at December 31, 2012, the Corporation had a working capital deficit of $417,038 (2011 – working capital of $454,296), had not yet achieved profitable operations, had accumulated losses of $8,649,646 (2011 - $6,803,115) and expects to incur further losses in the development of its business.

These audited financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Corporation be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying audited financial statements.

2. BASIS OF PREPARATION

a) Statement of Compliance

The audited financial statements of the Corporation for the year ended December 31, 2012 are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

b) Basis of Measurement

The audited financial statements have been prepared on a historical cost basis except for financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 3.

The audited financial statements are presented in Canadian dollars, which is also the Corporation's functional currency.

The preparation of audited financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Corporation's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the audited financial statements, are disclosed in Note 3.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below are adopted for the year ended December 31, 2012 and have been applied consistently to all years presented in these audited financial statements.

a) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value. For cash flow statement presentation purposes, cash and cash equivalents includes bank overdrafts.

b) Mineral Exploration and Evaluation Expenditures

Pre-exploration Costs

Pre-exploration costs are expensed in the period in which they are incurred.

Exploration and Evaluation Expenditures

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures ("E&E") are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities are expensed in the period in which they occur.

The Corporation may occasionally enter into arrangements, whereby the Corporation will transfer part of a mineral interest, as consideration, for an agreement by the transferee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Corporation. The Corporation does not record any expenditures made by the transferee. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Corporation, with any excess cash accounted for as a gain on disposal. When a project is deemed to no longer have commercially viable prospects to the Corporation, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of comprehensive loss/income.

The Corporation assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as 'mines under construction'. Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

As the Corporation currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

Mineral exploration and evaluation (E&E) expenditures are classified as intangible assets.

c) Equipment

Recognition and Measurement

On initial recognition, equipment is recorded at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Corporation, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses.

When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

Subsequent Costs

The cost of replacing part of an item of equipment is recognized in the carrying amount of the equipment if it is probable that the future economic benefits embodied within the part will flow to the Corporation and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of equipment are recognized in profit or loss as incurred.

Gains and Losses

Gains and losses on disposal of an item of equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized net within other income in profit or loss.

Depreciation

Depreciation is recognized in profit or loss and is provided on the declining balance basis at the rate below.

Equipment	20%

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

d) Impairment of Non-Financial Assets

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at the financial year-end. Other non-financial assets, including exploration and evaluation assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. The Corporation has one cash-generating unit for which impairment testing is performed.

An impairment loss is charged to the profit or loss, except to the extent it reverses gains previously recognized in other comprehensive loss/income.

e) Financial Instruments

Financial Assets

Financial assets are classified into one of the following categories based on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade-date basis. The Corporation's accounting policy for each category is as follows:

Loan and Receivables

These assets are non-derivative financial assets resulting from the transfer of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below).

Assets in this category are measured at fair value with gains or losses recognized in profit or loss. The fair values of derivative financial instruments are determined by reference to active market transactions or using a valuation technique where no active market exists.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities other than loans and receivables. Investments are classified as held-to-maturity if the Corporation has the intention and ability to hold them until maturity.

Held-to-maturity investments are measured subsequently at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

Available-For-Sale

Non-derivative financial assets not included in the above categories are classified as available-for-sale. Available-for-sale investments are carried at fair value with changes in fair value recognized in accumulated other comprehensive loss/income. Where there is a significant or prolonged decline in the fair value of an available-for-sale financial asset (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously recognized in other comprehensive loss/income, is recognized in profit or loss. If there is no quoted market price in an active market and fair value cannot be readily determined, available-for-sale investments are carried at cost.

Purchases and sales of available-for-sale financial assets are recognized on a trade-date basis. On sale or impairment, the cumulative amount recognized in other comprehensive loss/income is reclassified from accumulated other comprehensive loss/income to profit or loss.

Impairment on Financial Assets

At each reporting date the Corporation assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Financial Liabilities

Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred, and are comprised of trade payables and accrued liabilities. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Trade and other payables represent liabilities for goods and services provided to the Corporation prior to the end of the period which are unpaid. Trade payable amounts are unsecured and are usually payable within 30 days of recognition.

f) Provisions

Rehabilitation Provision

The Corporation is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Corporation records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. The nature of the rehabilitation activities includes restoration, reclamation and re-vegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks. Additional environment disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the period in which they occur.

Other Provisions

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

g) Income Taxes

Income tax expense is comprised of current and deferred tax. Current tax and deferred tax are recognized in net income or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those amounts where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period, the Corporation reassesses recognized and unrecognized deferred tax assets. The Corporation recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered and derecognizes previously recognized deferred tax assets to the extent that it has become probable that future taxable profit will not allow the deferred tax asset to be recovered..

h) Equity

Financial instruments issued by the Corporation are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Corporation's common shares, share purchase warrants reserve, share-based payments reserve and flow-through shares are classified as equity instruments. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Flow-through Shares

The Corporation will from time to time issue flow-through common shares to finance a significant portion of its exploration programs. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Corporation bifurcates the flow-through share proceeds into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenses being incurred and renounced, the Corporation derecognizes the liability on a pro rata basis to the required expenditure pool and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

The amount of proceeds received from the issuance of flow-through shares must be used for Canadian resource property exploration expenditures within a two-year period.

The Corporation may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

Earnings / Loss Per Share

Basic earnings/loss per share is computed by dividing the net income or loss applicable to common shares of the Corporation by the weighted average number of common shares outstanding for the relevant period.

Diluted earnings/loss per common share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

i) Share-based Payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive loss/income over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss/income over the remaining vesting period.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss/income, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value of the shares issued is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioral considerations.

All equity-settled share-based payments are reflected in share-based payments reserve, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in share-based payments reserve is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Corporation immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

j) Standards, Amendments and Interpretations Not Yet Effective

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting periods beginning after January 1, 2013 or later periods.

The Corporation has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Corporation has not yet early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its financial statements.

IAS 1, Financial Statement Presentation, is amended to require entities to group items presented in Other Comprehensive Income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently. These amendments do not address which items are presented in OCI.

IFRS 9, Financial Instruments, replaces the current standard IAS 39, Financial Instruments: Recognition and Measurement, replacing current classification and measurement criteria for financial assets and liabilities with only two classification categories: amortized cost and fair value.

IFRS 10, Consolidated Financial Statements, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This standard:

- requires a parent entity (an entity that controls one or more other entities) to present consolidated financial statements;
- defines the principle of control, and establishes control as the basis for consolidation;
- sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee; and
- sets out the accounting requirements for the preparation of consolidated financial statements

IFRS 10 supersedes IAS 27 and SIC-12, Consolidation - Special Purpose Entities.

IFRS 11, Joint Arrangements, establishes the core principle that a party to a joint arrangement determines the type of joint arrangements in which it is involved by assessing its rights and obligations and accounts for those rights and obligations in accordance with the type of joint arrangement.

IFRS 12, Disclosure of Involvement with Other Entities, requires the disclosure of information that enables users of consolidated financial statements to evaluate the nature of and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

IFRS 13, Fair Value Measurement, defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except for the following:

- share-based payment transactions within the scope of IFRS 2, Share-based Payment;
- leasing transactions within the scope of IAS 17, Leases;
- measurements that have some similarities to fair value but that are not fair value, such as net realizable value in IAS2, Inventories, or value in use in IAS 36, Impairment Assets.

IAS 27, Separated Financial Statements, has the objective of setting standards to be applied in accounting for investments in subsidiaries, jointly ventures, and associates an entity elects, or is required by local regulations, to present separate (non-consolidated) financial statements.

IAS 28, Investments in Associates and Joint Ventures, prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 applies to all entities that are investors with joint control of, or significant influence over, an investee (associated or joint venture).

IFRIC Interpretation 20, Stripping Costs in the Production Phase of a Surface Mine, summarizes the method of accounting for waste removal costs incurred as a result of surface mining activity during the production phase of a mine.

k) Basis of Consolidation

Effective January 1, 2012, the Corporation and its wholly owned subsidiary, Rockex Limited, amalgamated pursuant to the provisions of the *Business Corporations Act* (Ontario) to simply the Corporation's corporate structure.

Prior to January 1, 2012 the Corporation's financial statements consolidated those of the parent corporation and its subsidiary. Subsidiaries are all entities over which the Corporation has the power to control the financial and operating policies. The Corporation obtained and exercised control through more than half of the voting rights. The Corporation's sole subsidiary, Rockex Limited, had a reporting date of December 31.

All transactions and balances between the Corporation and its subsidiary were eliminated on consolidation in 2011, including unrealized gains and losses on transactions between the companies. Where unrealized losses on intra-group asset sales were reversed on consolidation, the underlying assets were also tested for impairment from a group perspective. Amounts reported in the financial statements of the subsidiary were adjusted where necessary to ensure consistency with the accounting policies adopted by the Corporation.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognized from the effective date of acquisition, or up to the effective date of disposal, as applicable.

l) Business Combinations

For business combinations occurring since January 1, 2010, the requirements of IFRS 3 have been applied. The consideration transferred by the Corporation to obtain control of a subsidiary is calculated as the sum of the fair values of assets transferred, liabilities incurred and the equity interests issued by the Corporation. Acquisition costs are expensed as incurred.

The Corporation recognizes identifiable assets acquired and liabilities assumed in the business combination regardless of whether they have been previously recognized in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are measured at their acquisition-date fair values.

m) Critical Accounting Judgments and Key Sources of Estimation Uncertainty

Critical judgments in applying the Corporation's accounting policies

In the application of the Corporation's accounting policies, which are described in Note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The most significant critical judgment that members of management have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognized in the financial statements is the policy on exploration and evaluation assets.
In particular, management is required to assess exploration and evaluation assets for impairment. As part of this assessment, management must make an assessment as to whether there are indicators of impairment. If there are indicators, management performs an impairment test on the major assets within this balance.

The recoverability of exploration and evaluation assets is dependent on a number of factors common to the natural resource sector. These include the extent to which the Corporation can continue to renew its exploration and future development licenses with local authorities, establish economically recoverable reserves on its properties, the ability of the Corporation to obtain necessary financing to complete the development of such reserves and future profitable production or proceeds from the disposition thereof. The Corporation will use the evaluation work of professional geologists, geophysicists and engineers for estimates in determining whether to commence mining and processing. These estimates generally rely on scientific and economic assumptions, which in some instances may not be correct, and could result in the expenditure of substantial amounts of money on a deposit before it can be determined whether or not the deposit contains economically recoverable mineralization.

(Stated in Canadian Dollars)

Key sources of estimation uncertainty

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

There are tax matters for which the ultimate tax determination is uncertain. While management believes the provision for income taxes is adequate, these amounts are subject to measurement uncertainty. Adjustments required, if any, to these provisions will be reflected in the period where it is determined that adjustments are warranted.

The Black-Scholes Option Pricing Model was developed for use in estimating the fair value of traded options which were fully tradable with no vesting restrictions. This option valuation model requires the input of highly subjective assumptions including the expected stock price volatility. Because the Corporation's stock options and warrants have characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the calculated fair value, such value is subject to measurement uncertainty. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 11.

4. CORPORATE MERGER

Effective January 1, 2011, the Corporation ("Rockex") completed a business transaction with Rockex Limited ("Old Rockex") pursuant to a "three cornered" amalgamation (the "Amalgamation" or "Transaction") involving the Corporation, Old Rockex and 1837427 Ontario Inc. ("Subco"), a wholly-owned subsidiary of the Corporation. The Corporation acquired all of the issued and outstanding shares of Old Rockex which amalgamated with Subco to form a new amalgamated corporation which was a wholly-owned subsidiary of the Corporation and also called Rockex Limited. In connection with the Amalgamation, the Corporation issued one common share of the Corporation for each one common share of Old Rockex previously held by the shareholders of Old Rockex. The Corporation also paid a finder's fee to two arm's-length finders in connection with the business combination equal to 130,000 common shares. Following the transaction, the Corporation had 43,542,029 common shares outstanding. Since the Transaction resulted in the former shareholders of Old Rockex owning approximately 97% of the outstanding shares of the Corporation, the Transaction has been accounted for in the consolidated financial statements as a reverse takeover. Based on the relative ownership percentages of the combined company by shareholders of the Corporation prior to the Transaction and former Old Rockex shareholders, and composition of the Board of Directors of the newly combined company, from an accounting perspective Old Rockex is considered to be the accounting acquirer and, therefore, the Transaction has been accounted for as a reverse takeover. For financial reporting purposes, the Corporation is considered a continuation of Old Rockex, the legal subsidiary, except with regard to authorized and issued share capital, which is that of the Corporation, the legal parent. Consequently, comparative 2010 balances in the consolidated financial statements were those of Old Rockex only. The consolidated financial statements include the results of operations of the Corporation from the closing date, January 1, 2011, to December 31, 2011. New Rockex was not considered to be an acquired business under the accounting guidance set out in IFRS 3. Therefore, the Transaction was accounted for as an acquisition of net assets of Rockex and the acquisition of a public listing and not a business combination. As the acquirer for accounting purposes, Old Rockex's net assets were included in the consolidated balance sheet at their carrying value. Since the Transaction is accounted for as an acquisition of net assets and a public listing, the net assets of Rockex were recorded at the closing date at their carrying values as follows:

Carrying Value of net assets acquired:

Cash	$17
Accounts Receivable	4,077
Equipment	22
Accounts Payable and accrued liabilities	(11,093)
Net assets acquired	$(6,977)

Allocated to shares issued on Transaction - $650,617
Cost of listing - $657,595

Effective January 24, 2011, the Corporation continued as an Ontario corporation subject to the provisions of the *Business Corporations Act* (Ontario). The Corporation was formerly named Enviropave International Ltd. (until December 20, 2010) and was subject to the provisions of the *Business Corporations Act* (Alberta). The change of name and continuance into Ontario were part of the reorganization of the Corporation which included the reverse take-over of the Corporation by the shareholders of Old Rockex effective January 1, 2011.

Effective March 7, 2011, the Corporation's common shares were listed and posted for trading on the Toronto Stock Exchange ("**TSX**"). The common shares of the Corporation trade under the symbol "**RXM**".

(Stated in Canadian Dollars)

Effective January 1, 2012, the Corporation and its wholly owned subsidiary, Rockex Limited, amalgamated pursuant to the provisions of the *Business Corporations Act* (Ontario) to simplify the Corporation's corporate structure.

5. CASH AND CASH EQUIVALENTS

Cash at banks earns interest at floating rates based on daily bank deposit rates.

	December 31, 2012	December 31, 2011
	$	$
General operating purposes	**(605,808)**	(86,670)
Flow-through proceeds purposes	**1,132,435**	870,653
Total	**526,627**	783,983

6. EQUIPMENT

	Equipment
	$
Cost	
Balance at January 1, 2011	48,906
Additions	5,222
Disposals	-
Balance at December 31, 2011	54,128
Additions	3,347
Disposals	-
Balance at December 31, 2012	57,475
Depreciation and impairment losses	
Balance at January 1, 2011	21,014
Depreciation for the year	6,101
Impairment loss	-
Disposals	-
Balance at December 31, 2011	27,115
Depreciation for the year	5,737
Impairment loss	-
Disposals	-
Balance at December 31, 2012	32,852
Carrying amounts	
At December 31, 2011	27,013
At December 31, 2012	24,623

(Stated in Canadian Dollars)

7. EXPLORATION AND EVALUATION ASSETS

	Lake St. Joseph Iron Ore Project
	$
Balance at January 1, 2011	11,852,852
Exploration expenditures	3,050,311
Acquisition of property	214,140
Write-down of mineral properties	-
Balance at December 31, 2011	15,117,303
Exploration expenditures	1,591,343
Acquisition of property	14,979
Write-down of mineral properties	-
Advance royalty payments	250,000
Balance at December 31, 2012	16,973,625

Western Lake St. Joseph Iron Project

The Western Lake St. Joseph Iron Project consists of 28 contiguous mining claims (6,432 ha) in the Patricia Mining Division of Ontario and are centered on the Eagle, Wolf and Fish Islands in Lake St. Joseph. On May 30, 2008, the Corporation entered into a purchase agreement with a director (the "Vendor") to acquire a 100% right, title and interest in and to certain mineral properties in Lake St. Joseph. For this acquisition, the Corporation paid $90,000, representing the approximate amount of staking and related costs incurred by the Vendor, issued 20,000,000 common shares at a price of $0.50 per share, and reserved certain royalties, including the obligation for payment of advance royalties of $250,000 per year commencing in 2012. A 2.0% Net Smelter Return Royalty (the "NSR") is payable to the Vendor on any minerals other than iron produced from the property. A 2.0% gross sale royalty (the "Royalty") is payable to the Vendor on the gross sales proceeds of any and all minerals mined and processed from the property for their iron content. Subsequent to completion of the acquisition, the Corporation acquired core samples and written results of mineral testing and core sampling conducted on the property by former owners for $nil consideration.

East Soules Bay Property

The East Soules Bay Property consists of 9 contiguous mining claims (1,408 ha) near the eastern end of Lake St. Joseph, approximately 40 kilometers east of the Corporation's Western Lake St. Joseph Iron Project. These claims were acquired by staking this property. Subsequent to staking, the Corporation acquired core samples and written results of mineral testing and core sampling conducted on the East Soules Bay Property by the former owners of the mineral claims, now owned by Rockex, for $nil consideration.

Doran Lake Property

The Doran Lake Property consists of 3 contiguous mining claims (592 ha) in and along the north shore of Doran Lake, south of the Western Lake St. Joseph Iron Project and west of the East Soules Bay Property. These claims were acquired by staking.

Root Lake Property

The Root Lake Property consists of 6 contiguous mining claims (1,408 ha) 100 kilometres north of Sioux Lookout near the central part of the Western Lake St. Joseph, west of the Western Lake St. Joseph Iron Project. These claims were acquired by staking.

Property Purchases 2011 and 2012

East Soules Bay Property

On May 5, 2011, the Corporation purchased 100% of the right, title and interest in certain properties comprised of surface rights in the East Soules Bay Property area in exchange for a cash payment of $199,140. On May 20, 2011, an additional mining claim was acquired by staking; the claim covers the same area as the surface rights (108.4 ha) plus an additional area (19.6 ha) to the north.

Western Lake St. Joseph Iron Project

On May 16, 2011, the Corporation purchased 100% of the right, title and interest in certain properties comprised of surface rights in the Trist Lake Area in exchange for a cash payment of $15,000.

North Spirit Lake

On September 14, 2012, the Corporation acquired 8 contiguous mining claims (1,536 ha) 170 km northeast of Red Lake in the Buckett Lake and Hewett Lake Townships. These claims were acquired by staking.

(Stated in Canadian Dollars)

Mineral testing and core sampling acquired

In 2009, the Corporation was provided core samples and written results of mineral testing and core sampling conducted on the Eagle Island Property in Lake St. Joseph by the former owners of the unpatented mineral exploration claims, now owned by Rockex, for $nil consideration. An independent review of the samples and test results estimates the current cost of completing the same level of sampling and testing today would be approximately $8,675,000, plus or minus 30%. It is reasonably possible that this current value estimate could differ from the original costs by a material amount due to the difference in technologies used today to undertake similar work.

In addition, the Corporation was provided core samples and written results of mineral testing and core sampling conducted on the East Soules Bay Property by the former owners of the mineral claims, now owned by Rockex, for $nil consideration.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES AND FLOW-THROUGH PREMIUM

Accounts Payable and Accrued Liabilities	**December 31, 2012**	December 31, 2011
	$	$
Trade payables	**479,935**	688,219
Payroll related liabilities	**50,850**	-
Accrued liabilities	**270,000**	20,000
	800,785	708,219

Flow-through Premium Liability		
Flow-through premium	**201,740**	52,400

Flow-through Premium Liability

Premium on Flow-through Share Issuances
A flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, is recognized as a liability. As at December 31, 2012, the liability increased by $153,090 resulting in a balance of $205,490.

In December 2011, the Corporation issued 1,048,000 flow-through common shares at a price of $0.50 per flow-through share for total aggregate proceeds of $524,000, resulting in flow-through premium of $52,400. As at December 2012, the entire liability of $52,400 was recognized in ‘other income’ as expenditures had been fully incurred.

In September 2012, the Corporation issued 2,919,408 flow-through common shares at a price of $0.24 per flow-through share for total aggregate proceeds of $700,658, resulting in flow-through premium of $58,388. As at December 2012, $11,231 of the liability was recognized in ‘other income’ as expenditures had been partially incurred.

In December 2012, the Corporation issued 2,638,888 flow-through common shares at a price of $0.18 per flow-through share for total aggregate proceeds of $475,000, resulting in flow-through premium of $158,333.

9. INCOME TAXES

The significant components of the Corporation’s deferred tax assets (liabilities) are as follows:

	2012	2011
	$	$
Mineral property interests	**(1,316,312)**	(863,225)
Deferred financing costs	**123,946**	108,531
Non-capital loss carry forwards	**716,559**	508,291
Other temporary differences	**8,877**	6,941
Deferred tax assets not recognized	**(849,382)**	-
Total deferred tax liability	**(1,316,312)**	(239,462)

(Stated in Canadian Dollars)

The Corporation's income tax provision differs from the amount resulting from the application of the Canadian statutory income tax rate. A reconciliation of the combined Canadian federal and provincial income tax rates with the Corporation's effective tax rates for the years ended December 31, 2012 and 2011 is as follows:

	2012	2011
	$	$
Loss for the year before tax	**(769,681)**	(4,118,714)
Statutory tax rates	**26.5%**	28.54%
Income tax recovery computed at statutory rates	**(203,965)**	(1,175,481)
Increase in deferred tax assets not recognized	**849,382**	
Non-deductible items	**43,809**	891,010
Flow-through share renunciation	**317,862**	722,434
Other	**69,762**	(216,630)
Income tax expense	**1,076,850**	221,333

10. SHARE CAPITAL AND RESERVES

a) Share Capital

The Corporation is authorized to issue an unlimited number of common shares, an unlimited number of first preferred shares, an unlimited number of second preferred shares and an unlimited number of special shares, issuable in series. Only common shares (and no other class or series of shares) have been issued.

The following is a summary of changes in common share capital from January 1, 2011 to December 31, 2012:

	Number of Shares	Issue Price	Amount
	#	$	$
Balance at January 1, 2011	42,073,275		16,881,704
Shares issued in private placements	1,890,111	0.90	1,701,100
Shares issued in private placements	240,000	0.45	108,000
Shares issued in private placements	1,048,000	0.50	524,000
Shares issued for services rendered	130,000	0.50	65,000
Shares issued from exercise of options	200,000	0.50	100,000
Share issue costs	-	-	(253,738)
Warrants issued with shares, proceeds reallocated	-	-	(815,402)
Stock options exercised	-	-	72,769
Shares issued on corporate merger	1,338,754	-	650,617
Flow-through premium, proceeds reallocated to liability	-	-	(52,400)
Balance at December 31, 2011	46,920,140		18,981,650
Shares issued in private placements	1,007,096	0.25	251,774
Shares issued in private placements	440,000	0.25	110,000
Shares issued in private placements	2,919,408	0.24	700,658
Shares issued in private placements	2,638,888	0.18	475,000
Shares issued for services rendered	1,642,904	0.25	410,726
Share issue costs	-	-	(138,738)
Warrants issued with shares, proceeds reallocated	-	-	(230,454)
Flow-through premium, proceeds reallocated to liability	-	-	(216,721)
Balance at December 31, 2012	55,568,436		20,343,895

December 31, 2011

On February 3, 2011, the Corporation completed the first tranche of a non-brokered private placement consisting of the issue and sale of 1,161,111 units at a price of $0.90 per unit and 111,000 flow-through common shares at a price of $0.90 per flow-through common share, for aggregate gross proceeds of $1,146,700. Each unit issued was comprised of one common share of the Corporation and one common share purchase warrant entitling the holder to purchase one additional common share at a price of $1.15 at any time prior to the earlier of (i) August 3, 2012 and (ii) 30 days after notice from the Corporation if the common shares have traded on the Toronto Stock Exchange with a weighted average price at or above $1.50 for 20 consecutive trading days occurring more than 4 months after the closing date.The Corporation paid finders fees of $80,000 and issued 111,111 finders warrants exercisable at $0.90 per share expiring August 3, 2012.

On February 4, 2011, the Corporation completed the second tranche of a non-brokered private placement consisting of the issue and sale of 448,000 units at a price of $0.90 per unit and 168,000 flow-through common shares at a price of $0.90 per flow-through common share, for aggregate gross proceeds of $554,400. Each unit issued was comprised of one common share of the Corporation and one common share purchase warrant entitling the holder to purchase one additional common share at a price of

$1.15 at any time prior to the earlier of (i) August 3, 2012 and (ii) 30 days after notice from the Corporation if the common shares have traded on the Toronto Stock Exchange with a weighted average price at or above $1.50 for 20 consecutive trading days occurring more than 4 months after the closing date. The Corporation paid a finders fee of $7,000 and issued 7,770 finders warrants exercisable at $0.90 per share expiring August 3, 2012.

Share issue costs related to the February 2011 private placements totaled $209,493.

On December 23, 2011, the Corporation completed the first tranche of a non-brokered private placement consisting of the issue and sale of 240,000 units at a price of $0.45 per unit and 660,000 flow-through common shares at a price of $0.50 per flow-through common share, for aggregate gross proceeds of $438,000. Each unit issued was comprised of one common share of the Corporation and one transferable common share purchase warrant entitling the holder to purchase one additional common share at a price of $0.60 at any time prior to the earlier of (i) June 23, 2013 and (ii) 30 days after notice from the Corporation if the common shares have traded on the Toronto Stock Exchange with a weighted average price at or above $1.00 for 20 consecutive trading days occurring more than 4 months after the closing date. The Corporation paid a finders fee of $24,000 and issued 60,000 finders warrants exercisable at $0.60 per share expiring June 23, 2013.
On December 30, 2011, the Corporation completed the second tranche of a non-brokered private placement consisting of the issue and sale of 388,000 flow-through common shares at a price of $0.50 per flow-through common share, for aggregate gross proceeds of $194,000. Each unit issued was comprised of one common share of the Corporation. The Corporation paid a finders fee of $10,720 and issued 26,800 finders warrants exercisable at $0.60 per share expiring June 30, 2013.

Share issue costs related to the December 2011 private placements totaled $44,245.

December 31, 2012

On May 18, 2012, the Corporation completed the first tranche of a non-brokered private placement consisting of the issue and sale of 2,650,000 units at a price of $0.25 per unit for aggregate proceeds of $662,500. The first tranche was completed with certain officers and directors (and corporations controlled by them) for cash proceeds of $251,774 and the settlement of outstanding debts of $410,726. Each unit was comprised of one common share and one-half of one common share purchase warrant. Each warrant entitles the holder to purchase one common share for $0.40 within six months after closing or for $0.60 within the next six months, provided that, if the average closing price of the common shares on the TSX for a period of 20 consecutive business days (following the expiry of the 4-month regulatory "hold period") is greater than $1.00 per share, the warrants will expire unless they are exercised within thirty (30) days (or such longer period of time as the Corporation may provide) after the Corporation gives notice of acceleration by issuing a press release and depositing a notice in the mail to each warrant holder to accelerate the expiry date of the warrants to the date set out therein.

On July 20, 2012, the Corporation completed the second tranche of its non-brokered private placement. The second tranche was comprised of 440,000 units at $0.25 per unit for gross proceeds of $110,000. Each unit was comprised of one common share of the Corporation and one-half of one transferable common share purchase warrant. Each warrant entitles the holder to purchase one common share for $0.40 within six months after closing or for $0.60 within the next six months, provided that, if the average closing price of the common shares on the TSX for a period of 20 consecutive business days (following the expiry of the 4-month regulatory "hold period") is greater than $1.00 per share, the warrants will expire unless they are exercised within thirty (30) days (or such longer period of time as the Corporation may provide) after the Corporation gives notice by issuing a press release and depositing a notice in the mail to each warrant holder to accelerate the expiry date of the warrants to the date set out therein. The expiry date for warrants issued on the second tranche was subsequently extended to July 20, 2015, subject to the Corporation's acceleration rights if the average trading price for 20 consecutive business days is greater than $1.10 per share.

On September 19, 2012, the Corporation completed a non-brokered private placement of 2,919,408 flow-through units at a price of $0.24 per flow-through unit for aggregate gross proceeds of $700,658. Each flow-through unit consisted of one flow-through common share of the Corporation and one-half of one common share purchase warrant of the Corporation. Each whole warrant entitles the holder to purchase one common share of the Corporation for $0.65 within 36 months after closing, subject to acceleration provisions.

Share issue costs related to the September 19, 2012 private placements totaled $40,020.

On December 21, 2012, the Corporation completed a non-brokered private placement of 2,638,888 flow-through units at a price of $0.18 per flow-through unit for aggregate gross proceeds of $475,000. Each flow-through unit consisted of one flow-through common share of the Corporation and one half of one transferable common share purchase warrant of the Corporation. Each whole warrant entitles the holder to purchase one common share of the Corporation for $0.30 within 24 months after closing, provided that if the average closing price of the common shares on the TSX for a period of 20 consecutive business days (following the expiry of the 4-month "hold period") is greater than $0.70 per share, the warrants will expire unless they are exercised within thirty (30) days (or such longer period of time as the Corporation may provide) after the Corporation gives notice by issuing a press release and depositing a notice in the mail to each warrant holder to accelerate the expiry date of the warrants to the date set out in such press release and notice sent by mail.

Share issue costs related to the December 21, 2012 private placements totaled $38,000.

(Stated in Canadian Dollars)

b) Share-based Payment Reserve

The following is a summary of changes in share-based payment reserve:

	Amount
	$
Balance at January 1, 2011	72,769
Stock-based compensation	2,198,881
Stock options exercised	(72,769)
Balance at December 31, 2011	2,198,881
Balance at January 1, 2012	2,198,881
Stock-based compensation	159,580
Warrants expired	943,235
Balance at December 31, 2012	3,301,696

See Note 11 for outstanding stock options.

c) Share Purchase Warrants Reserve

The following is a summary of changes in share purchase warrants reserve:

	Number of Warrants	Amount
	#	$
Balance at January 1, 2011	260,266	99,314
Warrants issued	2,056,792	882,420
Balance December 31, 2011	2,317,058	981,734
Balance at January 1, 2012	2,317,058	981,734
Warrants issued	4,508,869	230,454
Warrants expired	(1,990,258)	(943,235)
Balance December 31, 2012	4,835,669	268,953

As at December 31, 2012, the Corporation had outstanding warrants as follows:

	Number of Warrants	Exercise Price	Expiry
	1,325,000	$0.60	05/18/2013
	300,000	$0.60	06/23/2013
	26,800	$0.60	06/30/2013
	184,722	$0.30	06/21/2014
	1,319,444	$0.30	12/21/2014
	220,000	$0.60	07/20/2015
	1,459,703	$0.65	09/19/2015
Weighted Average		$0.52	

d) Nature and Purpose of Equity and Reserves

The reserves recorded in equity on the Corporation's statement of financial position include Share Purchase Warrants and Share-based payment reserve.

- Contributed Surplus is used to recognize the value of stock option grants prior to exercise.
- Share Purchase Warrants is used to recognize the value of warrant grants prior to exercise.

11. SHARE-BASED PAYMENTS

a) Option Plan Details

The Corporation has an incentive Stock Option Plan (the "Plan") under which non-transferable options to purchase common shares of the Corporation may be granted to directors, officers, employees or service providers of the Corporation. The terms of the Plan provide that the Directors have the right to grant options to acquire common shares of the Corporation at not less than the closing market price of the shares on the day preceding the grant for terms of up to five years. No amounts are paid or payable by the recipient on receipt of the option, and the options granted are not dependent on any performance-based criteria. The stock option plan provides that the total number of shares which may be issued there under is limited to 10% of the aggregate number of shares outstanding. As at December 31, 2012 the Corporation had 1,031,843 (December 31, 2010 – 3,807,328) options available for issuance.

(Stated in Canadian Dollars)

The following is a summary of changes in options from January 1, 2011 to December 31, 2011:

				During the Year			December 31, 2011		
Grant Date	Expiry Date	Exercise Price	Opening Balance	Granted	Exercised	Forfeited	Closing Balance	Vested and Exercisable	Unvested
02/01/10	02/01/15	$0.50	200,000	-	200,000	-	-	-	-
01/01/11	01/01/14	$0.90	-	40,000	-	-	40,000	40,000	-
03/14/11	03/14/16	$1.00	-	3,285,000	-	-	3,285,000	3,285,000	-
05/24/11	05/23/16	$0.60	-	250,000	-	-	250,000	150,000	100,000
			200,000	3,575,000	200,000	-	3,575,000	3,475,000	100,000
Weighted Average Exercise Price			$0.50	$0.97	$0.50	-	$0.97	$0.98	$0.60

The following is a summary of changes in options from January 1, 2012 to December 31, 2012:

				During the Period			December 31, 2012		
Grant Date	Expiry Date	Exercise Price	Opening Balance	Granted	Exercised	Forfeited	Closing Balance	Vested and Exercisable	Unvested
01/01/11	01/01/14	$0.90	40,000	-	-	-	40,000	40,000	-
03/14/11	03/14/16	$1.00	3,285,000	-	-	400,000	2,885,000	2,885,000	-
05/24/11	05/23/16	$0.60	250,000	-	-	250,000	-	-	-
06/18/12	06/18/17	$0.30	-	1,500,000	-	-	1,500,000	-	1,500,000
11/19/12	11/19/17	$0.25	-	100,000	-	-	100,000	25,000	75,000
			3,575,000	1,600,000	-	650,000	4,525,000	2,950,000	1,575,000
Weighted Average Exercise Price			$0.97	$0.30	-	-	$0.78	$0.97	$0.30

b) Fair Value of Options Issued During the Period

The weighted average exercise price at grant-date of options granted during the year ended December 31, 2012 was $0.30 per option (year-ended December 31, 2011: $0.97).

Options Issued to Employees

The fair value at grant-date is determined using a option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant-date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The model inputs for options granted in note 11(a) included:

Grant Date	Expiry Date	Share Price at Grant Date	Exercise Price	Risk-Free Interest Rate	Expected Life	Volatility Factor	Dividend Yield
06/18/12	06/18/17	$0.27	$0.30	1.24%	5 years	97.37%	0.00%

Options Issued to Non-Employees

Options issued to non-employees are measured based on the fair value of the goods or services received, at the date of receiving those goods or services. If the fair value of the goods or services received cannot be estimated reliably, the options are measured by determining the fair value of the options granted, using a valuation model.

The model inputs for options granted from January 1, 2010 to December 31, 2011 included:

Grant Date	Expiry Date	Share Price at Grant Date	Exercise Price	Risk-Free Interest Rate	Expected Life	Volatility Factor	Dividend Yield
02/01/10	02/01/15	$0.50	$0.50	2.92%	5 years	94.00%	0.00%
01/01/11	01/01/14	$0.90	$0.90	1.97%	3 years	118.70%	0.00%
03/14/11	03/14/16	$1.00	$1.00	2.55%	5 years	79.27%	0.00%
05/24/11	05/23/16	$0.50	$0.60	2.74%	5 years	75.11%	0.00%

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

(Stated in Canadian Dollars)

c) Expenses Arising from Share-based Payment Transactions

Total expenses arising from share-based payment transactions recognized during the year as part of employee benefit expense were $159,580 (December 31, 2011: $2,198,881).

d) Amounts Capitalized Arising from Share-based Payment Transactions

Total expenses arising from share-based payment transactions that were capitalized during the period as part of exploration and evaluation activities were $nil (December 31, 2011: $nil).

12. LISTING FEES

Pursuant to the “three cornered” amalgamation effective January 1, 2011, the following costs have been recorded as a listing expense (see Note 4):

	September 30, 2011
	$
Legal fees	385,387
Stock exchange listing fee	86,125
Public listing acquired	657,595
	1,129,107

13. RELATED PARTY TRANSACTIONS

Certain corporate entities that are related to the Corporation’s officers and directors provide consulting and other services to the Corporation. Transactions were conducted in the normal course of operations and are measured at the exchange amounts.

The following is a summary of the Corporation’s related party transactions during the year ended December 31, 2012:

a) Legal Fees

Legal fees of $195,215 incurred in connection with the Corporation's financings as well as general corporate matters, (year ended December 31, 2011: $361,048) were paid to a law firm of which one officer, director and shareholder is a director of the Corporation. At December 31, 2012, $118,548 (December 31, 2011: $64,914) owing to this legal firm was included in accounts payable.

b) Rental Payments

Rental payments of $32,952 (year ended December 31, 2011: $32,148) were paid to a company which is controlled by a director of the Corporation. At December 31, 2012, $nil (December 31, 2011: $nil) owing was included in accounts payable.

c) Key Management Compensation

Key management personnel compensation comprised:

	December 31, 2012	December 31, 2011
	$	$
Management and consulting fees	211,570	281,548
Share-based payments (stock options)	159,580	1,215,334
	371,150	1,496,882

At December 31, 2012, $12,713 (December 31, 2011: $nil) owing was included in accounts payable.

d) Exploration Expenditures

Exploration expenditures of $683,249 (year-ended December 31, 2011: $1,583,061) incurred in connection with the Corporation’s exploration activities were paid to two companies controlled by directors and one officer of the Corporation. At December 31, 2012, $193,475 (December 31, 2011: $230,222) owing was included in accounts payable.

Advance royalty payments of $250,000 (year ended December 31, 2011: $nil) incurred in connection with the Corporation’s properties were payable to one director of the Corporation. At December 31, 2012, $250,000 (December 31, 2011: $nil) owing was included in accounts payable.

(Stated in Canadian Dollars)

14. LOSS PER SHARE

Weighted Average Number of Common Shares:

The reconciliation of the weighted average number of shares for the purposes of diluted earnings per share to the weighted average number of common shares used in the calculation of basic earnings per share is as follows:

For the year ended,	**December 31, 2012**	December 31, 2011
Basic weighted-average number of shares outstanding	**49,654,561**	**45,423,932**
Diluted weighted-average number of shares outstanding	**55,929,428**	**49,980,703**

15. CAPITAL MANAGEMENT

The Corporation manages its capital structure and makes adjustments to it, based on the funds available to the Corporation, in order to support the acquisition, exploration and evaluation of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Corporation's management to sustain future development of the business. The Corporation defines capital to include its shareholders' equity. In order to carry out the planned exploration and pay for administrative costs, the Corporation will spend its existing working capital and raise additional amounts as needed. The Corporation will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Corporation, is reasonable. There were no changes in the Corporation's approach to capital management during the year ended December 31, 2012. The Corporation is not subject to externally imposed capital requirements.

The Corporation considers its capital to be shareholders' equity, which is comprised of share capital, share purchase warrants, share-based payments and deficit, which as at December 31, 2012 totaled $16,114,280 (December 31, 2011 - $15,359,150). The Corporation's objective when managing capital is to obtain adequate levels of funding to support its exploration activities, to obtain corporate and administrative functions necessary to support organizational functioning and to obtain sufficient funding to further the identification and exploration of iron deposits.

The Corporation raises capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure. Funds are primarily secured through equity capital raised by way of private placements. There can be no assurance that the Corporation will be able to continue raising equity capital in this manner.

The Corporation invests all capital that is surplus to its immediate operational needs in short-term, liquid and highly rated financial instruments, such as cash and short-term guaranteed deposits, all held with a major Canadian financial institution.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair Value of Financial Instruments

The Corporation's financial instruments are comprised of cash and cash equivalents, which are measured at fair value and categorized as Level 1 measurement. Other receivables are classified for accounting purposes as loans and receivables, which are measured at amortized cost which approximates fair value. Accounts payable and accrued liabilities are classified for accounting purposes as other financial liabilities, which are measured at amortized cost which also approximates fair value.

The Corporation has determined the fair value of its financial instruments as follows:

i. The carrying values of cash and cash equivalents, other receivables, accounts payable and accrued liabilities, approximate their fair values due to the short-term nature of these instruments.
ii. Investments and capital assets are carried at amounts in accordance with the Corporation's accounting policies.

Fair value estimates are made at a specific point in time, based on relevant market information and information about financial instruments. These estimates are subjective and involve uncertainties and matters of significant judgment, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

A summary of the Corporation's risk exposure as it relates to financial instruments is reflected below:

A. Credit Risk

The Corporation is not exposed to major credit risk attributable to customers. Additionally, the majority of the Corporation's cash and cash equivalents are held with a highly rated Canadian financial institution in Canada.

B. Market Risk

i. Interest Rate Risk

The Corporation does not have any interest-bearing debt. The Corporation invests cash surplus to its operational needs in investment-grade short-term deposit certificates issued by the bank where it keeps its Canadian bank accounts. The Corporation periodically assesses the quality of its investments with this bank and is satisfied with the credit rating of the bank and the investment grade of its short-term deposit certificates.

ii. Foreign Currency Risk

The Corporation's exploration and evaluation activities are denominated in Canadian dollars. The Corporation's funds are kept in Canadian dollars with a major Canadian financial Institution.

iii. Equity Price Risk

Market risk arises from the possibility that changes in market prices will affect the value of the financial instruments of the Corporation. The Corporation is exposed to fair value fluctuations on its investments, if any. The Corporation's other financial instruments (cash, accounts receivable, accounts payable and accrued liabilities) are not subject to price risk.

iv. Liquidity Risk

The Corporation’s approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2012, the Corporation had current assets of $585,487 (December 31, 2011 - $1,214,915) and current liabilities of $1,002,525 (December 31, 2011 - $760,619). All of the Corporation’s financial liabilities and receivables have contractual maturities of less than 90 days and are subject to normal trade terms. Current working capital deficit of the Corporation is $417,038 (current working capital at December 31, 2011 - $454,296).

v. Commodity Price Risk

The price of the common shares in the capital the Corporation ("Share Capital"), its financial results, exploration and evaluation activities have been, or may in the future be, adversely affected by declines in the price of iron ore and its products. Iron ore prices fluctuate widely and are affected by numerous factors beyond the Corporation's control such as the sale or purchase of commodities by various companies, expectations of inflation or deflation, currency exchange fluctuations, interest rates, global or regional consumptive patterns, international supply and demand, speculative activities and increased production due to new mine developments, improved mining and production methods and international economic and political trends. The Corporation's revenues, if any, are expected to be in large part derived from mining and sale of iron ore and its products. The effect of these factors on the price of iron ore and its products, and therefore the economic viability of any of the Corporation's exploration projects, cannot accurately be predicted.

Sensitivity Analysis

The sensitivity analysis indicates that there is no major change from expected to actual results as interest rate risk on cash equivalents is minimal as these have fixed interest rates.

17. COMMITMENTS AND CONTRACTUAL OBLIGATIONS

The Corporation’s activities are subject to environmental regulation (including regular environmental impact assessments and permitting) in each of the jurisdictions in which its mineral properties are located. Such regulations cover a wide variety of matters including, without limitation, prevention of waste, pollution and protection of the environment, labour relations and worker safety. The Corporation may also be subject under such regulations to clean-up costs and liability for toxic or hazardous substances which may exist on or under any of its properties or which may be produced as a result of its operations. It is likely that environmental legislation and permitting will evolve in a manner which will require stricter standards and enforcement. This may include increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a higher degree of responsibility for companies, their directors and employees.

The Corporation has not determined and is not aware whether any provision for such costs is required and the corporation is unable to determine the impact on its financial position, if any, of environmental laws and regulations that may be enacted in the future due to the uncertainty surrounding the form that these laws and regulations may take.

The Corporation may become subject to tax audits of the flow-through expenditures renounced to investors; however, the Corporation believes that all Canadian Exploration Expenditures were effected and renounced in compliance with the prescribed regulations of the *Income Tax Act* (Canada).