RENFORTH RESOURCES INC.

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2012

(Expressed in Canadian Dollars)

(Unaudited)

NOTICE TO SHAREHOLDERS

Responsibility for Financial Statements The accompanying interim financial statements of Renforth Resources Inc. for the three and nine months ended September 30, 2012 and 2011 have been prepared by management in accordance with International Financial Reporting Standards applicable to interim financial statements (see notes 2 & 3 to the interim financial statements). Recognizing that the Company is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these financial statements have been fairly presented.

Auditors Involvement
The external auditors of Renforth resources Inc., have not audited or performed a review of the unaudited interim financial statements for the three and nine months ended September 30, 2012 and 2011, nor have they conducted any procedures with respect to the supplementary financial schedules included herein.

RENFORTH RESOURCES INC.

Condensed Interim Statements of Financial Position
(Expressed in Canadian dollars)(Unaudited)

	As at September 30, 2012	As at December 31, 2011
ASSETS		
Current assets		
Cash and cash equivalents *(note 5)*	**$ 318,208**	$ 254,691
Sales tax receivable	**7,083**	23,379
Prepaid expenses and deposits	**5,961**	7,929
Advances on exploration expenditures	**-**	51,219
Total current assets	**331,252**	337,218
Non-current assets		
Equipment *(note 6)*	**2,233**	2,994
Exploration and evaluation assets *(note 7)*	**5,898,767**	6,164,617
Total non-current assets	**5,901,000**	6,167,611
TOTAL ASSETS	**$ 6,232,252**	$ 6,504,829
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities *(note 8)*	**$ 124,021**	$ 663,338
Total liabilities	**124,021**	663,338
Equity		
Share capital *(note 9 (b))*	**$ 10,618,296**	$ 10,548,903
Warrant reserve *(note 9 (c)*	**294,073**	294,073
Contributed surplus	**1,250,290**	1,242,857
Accumulated deficit	**(6,054,428)**	(6,244,342)
Total equity	**6,108,231**	5,841,491
TOTAL LIABILITIES AND EQUITY	**$ 6,232,252**	$ 6,504,829

Going concern (*note 1*)

Commitments and options *(notes 7 and 12)*

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

Approved by the Board

Signed:

"Nicole Brewster", Director

Signed:

"David Danziger", Director

RENFORTH RESOURCES INC.

Condensed Interim Statements of Income (Loss) and Comprehensive Income (Loss)
For the three and nine months ended September 30, 2012 and September 30, 2011
(Expressed in Canadian dollars)
(Unaudited)

	Three Months Ended September 30		Nine months ended September 30	
	2012	2011	2012	2011
Expenses				
General and corporate *(note 14)*	$ 94,592	$ 114,411	$ 321,285	$ 350,232
Share based payments (*note 9(d)*)	833	6,564	7,433	46,154
Loss before other items	$ (95,425)	$ (120,975)	$ (328,718)	$ (396,386)
Other items				
Gain on settlement of debt	-	-	580,855	-
Loss on sale of mineral claims	-	-	(63,000)	-
Interest income	208	-	777	54
Net income (loss) and comprehensive income (loss) for the period	$ (95,217)	$ (120,975)	$ 189,914	$ (396,332)
Basic and fully diluted income (loss) per share (*note 10*)	$ (0.00)	$ (0.01)	$ 0.01	$ (0.02)

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

RENFORTH RESOURCES INC.

Condensed Interim Statements of Cash Flows
For the nine months ended September 30, 2012 and September 30, 2011
(Expressed in Canadian dollars)
(Unaudited)

		2012		2011
Cash flow from operating activities				
Net income (loss) for the period	**$**	**189,914**	$	(396,332)
Items not affecting cash				
Share based payments		**7,433**		46,154
Gain on settlement of debt		**(580,855)**		-
Gain on sale of mining claims		**63,000**		-
Depreciation		**761**		681
		(319,747)		(349,497)
Changes in non-cash working capital				
Sales tax receivable		**16,296**		20,680
Accounts payable and accrued liabilities		**106,931**		50,850
Prepaid expenses and deposits		**1,968**		(2,869)
		(194,552)		(280,836)
Cash flow from investing activities				
Additions to exploration and evaluation assets		**(128,931)**		(431,833)
Advances for mineral property expenditures		**-**		(38,615)
Additions of equipment		**-**		(1,227)
Net proceeds from sale of mining claims		**387,000**		-
		258,069		(471,675)
Increase (Decrease) in cash and cash equivalents		**63,516**		(752,511)
Cash and cash equivalents beginning of period (note 5)		**254,691**		943,408
Cash and cash equivalents, end of period (note 5)	**$**	**318,208**	$	190,897

Supplemental information (note 13)
The accompanying notes are an integral part of these financial statements.

RENFORTH RESOURCES INC.

Condensed Interim Statements of Changes in Equity
For the nine months ended September 30, 2012 and September 30, 2011
(Expressed in Canadian dollars)
(Unaudited)

	Share capital	Share capital	Contributed surplus	Warrant reserve	Deficit	Total
	#	$	$	$	$	$
Balance, December 31, 2010	88,724,139	10,115,926	1,193,306	294,073	(5,401,744)	6,201,561
Share based payments	-	-	46,154	-	-	46,154
Shares issued in accordance with property agreement	6,915,530	345,777	-	-	-	345,777
Shares issued for services rendered	1,360,000	68,000				68,000
Net loss and comprehensive loss for the period	-	-	-	-	(396,332)	(396,332)
Balance, September 30, 2011	96,999,669	10,529,703	1,239,460	294,073	(5,798,076)	6,265,160
Balance, December 31, 2011	99,999,669	10,548,903	1,242,857	294,073	(6,244,342)	5,841,491
Share based payments	-	-	7,433	-	-	7,433
Shares issued for settlement of debt	13,078,720	65,393	-	-	-	65,393
Share consolidation (note 9(b)(v))	(90,462,717)	-	-	-	-	-
Shares issued in accordance with option agreement	100,000	4,000	-	-	-	4,000
Net income and comprehensive income for the period	-	-	-	-	189,914	189,914
Balance, September 30, 2012	22,715,672	10,618,296	1,250,290	294,073	(6,054,428)	6,108,231

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

1. NATURE OF BUSINESS AND GOING CONCERN

Nature of business

Renforth Resources Inc. (the "Company" or "Renforth"), was incorporated in Canada under the Business Corporations Act (Ontario) and carries on business in one segment, being the acquisition, exploration and development of mineral properties in Canada. The amounts shown as exploration and evaluation assets do not necessarily represent present or future values. The Company's registered and head office is located at 65 Front Street East, Suite 304, Toronto, Ontario M5E 1B5.

These financial statements were approved by the board on November 29, 2012.

The business of mining and 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 mineral properties and deferred exploration expenditures and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs to the carrying values of the Company's assets.

Although the Company 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 Company's title. Property title may be subject to government licensing requirements or regulations, First Nations claims, unregistered prior agreements, unregistered claims, and non-compliance with regulatory and environmental requirements. The Company may also be subject to increases in taxes and royalties, renegotiation of contracts and political uncertainties.

Going concern assumption

These financial statements are prepared in accordance with International Financial Reporting Standards with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations in the foreseeable future.

The recoverability of the costs incurred to date on exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, maintaining title and beneficial interest in the properties, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties and deferred exploration expenditures. The Company will periodically have to raise funds to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities that would be necessary if the Company were unable to obtain adequate financing. Changes in future conditions could require material write-downs to the carrying value of the exploration and evaluation assets. Such adjustments could be material.

2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

These condensed interim financial statements have been prepared in accordance and compliance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting.

The policies applied in these condensed interim financial statements are consistent with the policies disclosed in Notes 2 and 3 of the audited financial statements for the year ended December 31, 2011. These condensed interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2011.

3. SIGNIFICANT ACCOUNTING POLICIES

Future Changes in Accounting Standards not yet adopted

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. The Company intends to adopt those standards when they become effective.

IFRS 9 - Financial Instruments
IFRS 9, Financial instruments ("IFRS 9") was issued by the IASB on November 12, 2009 and will replace IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. The Company is assessing the impact of IFRS 9 on its results of operations and financial position.

IFRS 10 - Consolidated Financial Statements
IFRS 10, "Consolidated Financial Statements" (IFRS 10) was issued by the IASB on May 12, 2011 and will replace portions of IAS 27 Consolidated and Separate Financial Statements and interpretation SIC-12Consolidated - Special Purpose Entities. IFRS 10 incorporates a single model for consolidating all entities that are controlled and revises the definition of control to be "An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the current ability to affect those returns through its power over the investee". Along with control, the new standard also focuses on the concept of power, both of which will include a use of judgment and continuous reassessment as facts and circumstances change. IFRS 10 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company is assessing the impact of IFRS 10 on its results of operations and financial position.

IFRS 11 – Joint Arrangements
IFRS 11, Joint Arrangements (IFRS 11) was issued by the IASB on May 12, 2011 and will replace IAS31, Interest in Joint Ventures. The new standard will apply to the accounting for interest in joint arrangements where there is joint control. Joint arrangements will be separated into joint ventures and joint operations. The structure of the joint arrangement will no longer be the most significant factor on classifying a joint arrangement as either a joint operation or a joint venture. Proportionate consolidations will be removed and replaced with equity accounting. IFRS 11 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company is assessing the impact of IFRS11 on its results of operations and financial position.

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES - continued

IFRS 12 – Disclosure of Interest in Other Entities
IFRS 12, Disclosure of Interest in Other Entities was issued by the IASB on May 12, 2011. The new standard includes disclosure requirements about subsidiaries, joint ventures and associates, as well as unconsolidated structured entities and replaces existing disclosure requirements. IFRS 12 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company is assessing the impact of IFRS 12 on its financial statements.

IFRS 13 – Fair Value Measurement
IFRS 13, Fair Value Measurement was issued by the IASB on May 12, 2011. The new standard converges IFRS and US GAAP on how to measure fair value and the related fair value disclosures. The new standard creates a single source of guidance for fair value measurements, where fair value is required or permitted under IFRS, by not changing how fair value is used but how it is measured. The focus will be on an exit price. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company is assessing the impact of IFRS 13 on its financial statements.

4. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The capital of the Company consists of share capital, warrants, contributed surplus and options. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration and evaluation stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company 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 Company, is reasonable. There were no changes in the Company's approach to capital management during the nine months ended September 30, 2012 and September 30, 2011. The Company is not subject to externally imposed capital requirements.

5. CASH AND CASH EQUIVALENTS

	As at September 30, 2012	As at December 31, 2011
Cash in bank	**$ 277,980**	$ 140,039
Short term bank deposits	**40,228**	114,652
	$ 318,208	$ 254,691

Cash and cash equivalents earn interest based on market rates applicable to each form of interest bearing instrument. Cash is deposited at a reputable financial institution. The fair value of cash and cash equivalents approximates the values disclosed in this note.

(Expressed in Canadian dollars)

6. EQUIPMENT

	Computer equipment	Furniture	Total
Cost			
January 1, 2011	$ 3,004	$ 3,964	$ 6,968
Additions	1,227	-	1,227
December 31, 2011	4,231	3,964	8,195
Additions/Dispositions	-	-	-
September 30, 2012	**$ 4,231**	**$ 3,964**	**$ 8,195**
Accumulated Depreciation			
January 1, 2011	$ 2,612	$ 1,681	$ 4,293
Depreciation	452	456	908
December 31, 2011	3,064	2,137	5,201
Depreciation	487	274	761
September 30, 2012	**$ 3,551**	**$ 2,411**	**$ 5,962**
Carrying amounts			
January 1, 2011	$ 392	$ 2,283	$ 2,675
December 31, 2011	1,167	1,827	2,994
September 30, 2012	**$ 680**	**$ 1,553**	**$ 2,233**

(Expressed in Canadian dollars)

7. EXPLORATION AND EVALUATION ASSETS

	New Alger	Mink Lake	Red Lake	Kyle Properties	Attawapiskat	Total
Acquisition costs						
January 1, 2011	$ 107,500	$ -	$ -	$ -	$ 920,000	$ 1,027,500
Additions	30,000	-	-	30,000	(2,223)	57,777
Write down	-	-	-	-	(291,000)	(291,000)
December 31, 2011	137,500	-	-	30,000	626,777	794,277
Additions	20,000	15,000	37,392	-	-	72,392
Dispositions	-	-	-	-	(231,000)	(231,000)
September 30, 2012	**$ 157,500**	**$ 15,000**	**$ 37,392**	**$ 30,000**	**$ 395,777**	**$ 635,669**
Exploration						
January 1, 2011	$ 144,856	$ -	$ -	$ 3,530,058	$ 1,265,724	$ 4,940,638
Exploration and other geological	442,332	-	-	40,400	-	482,732
Write down	-	-	-	-	(53,030)	(53,030)
December 31, 2011	587,188	-	-	3,570,458	1,212,694	5,370,340
Exploration and other geological	28,500	85,158	-	(1,900)	(219,000)	(107,242)
September 30, 2012	**$ 615,688**	**$ 85,158**	**-**	**$ 3,598,558**	**$ 993.694**	**$ 5,263,098**
Carrying amounts						
January 1, 2011	$ 252,356	$ -	-	$ 3,530,058	$ 2,185,724	$ 5,968,138
December 31, 2011	724,688	-	-	3,600,458	1,839,471	6,164,617
September 30, 2012	**$ 773,188**	**$ 100,158**	**$ 37,392**	**$ 3,598,558**	**$ 1,389,471**	**$ 5,898,767**

New Alger Gold Project - Quebec

On November 1, 2009, Renforth entered into an agreement (the "agreement") with Cadillac Ventures Inc. ("Cadillac") whereby Renforth shall have the right to acquire from Cadillac a 51% interest in the New Alger gold property in Québec (the "Property"). Renforth may acquire a 51% interest in the Property through (a) the payment of $250,000 in cash over a period of 3 years to Cadillac, (b) the issuance of 2,500,000 (500,000 common shares post share consolidation) common shares over a period of 2 years to Cadillac and (c) upon spending a minimum of $2,500,000 in exploration on the Property over a period of 3 years. Upon completion of its obligations, the parties shall be contributing as to the property – 51% Renforth and 49% Cadillac.

As per the original agreement, Renforth shall pay to Cadillac the following amounts on the following dates:

	Cash	Shares
Formation date	$10,000 paid	-
Formation date plus 60 days	15,000 paid	500,000 (100,000 shares post share consolidation)– issued
Formation date plus 12 months	25,000 paid	1,000,000 (200,000 shares post share consolidation)– issued
Formation date plus 24 months	100,000	1,000,000 (200,000 shares post share consolidation) – issued
Formation date plus 36 months	100,000	-
	$250,000	2,500,000

7. EXPLORATION AND EVALUATION ASSETS - continued

On March 6, 2012, the Company and Cadillac have agreed that in consideration for a payment of $10,000 by Renforth to Cadillac, the remaining cash payments and expenditures have been extended as follows:

- Cash payment of $100,000 (previously due November 1, 2011), extended to June 1, 2012
- Exploration expenditures of $1,000,000 (previously due November 1, 2011), extended to June 1, 2012

On September 14, 2012, the Company and Cadillac have agreed that in consideration for a payment of $10,000 by Renforth to Cadillac, the remaining cash payments and expenditures have been extended as follows:

- Cash payment of $100,000 (previously due June 1, 2012), extended to August 13, 2013
- Cash payment of $100,000 (previously due November 1, 2012), extended to August 13, 2014
- Exploration expenditures of $1,000,000 (previously due June 1, 2012), extended to August 13, 2013
- Exploration expenditures of $1,000,000 (previously due November 1, 2012), extended to August 13, 2014

Red Lake Gold Project

On July 26, 2012 entered into an option agreement with Rubicon Minerals Corporation (the "optionor"), to acquire a 100% undivided interest in 50 unpatented mining claims situated in the Townships of Shabumeni Lake, Little Shabumeni Lake, Casummit Lake and Satterly Lake in the District of Red Lake, Ontario.

To exercise the option, Renforth is required to: (i) issue 250,000 common shares of Renforth to the optionor over three years (of which 100,000 shares have been issued), and (ii) pay $98,000 to the optionor over four years (of which an initial payment of $20,000 has been paid).

In addition to this Renforth has staked 130 units in the area which join the Mink Lake Property to the optioned ground, forming one large land block.

If Renforth acquires and begins commercial production on the Property, the optionor retains a production royalty equal to 1.5% of the net smelter returns, subject to Renforth's right to buy-back half of the royalty (0.75%) for $750,000.

Mink Lake Gold Project

On February 28, 2012, the Company acquired an option to acquire the Mink Lake Gold Project, located approximately 110 kms east-northeast from the Town of Red Lake in the Birch-Uchi Greenstone Belt. The Project is comprised of 9 unpatented mining claims totaling 123 units (the "Property").

Renforth acquired the option on the Mink Lake Gold Project from Accolade Resources Corporation ("Accolade") through the assumption of Accolade's rights and obligations under a Purchase Option Agreement (the "Option Agreement") between Accolade and an arm's length exploration and development company (the "Optionor"). Renforth now has the right to earn 100% ownership in the Property, subject to a 2% Net Smelter Return Royalty in favour of the Optionor (half of which can be purchased back for a payment of one million dollars to the Optionor), by making the following payments to the Optionor:

1) $15,000 by September 30, 2012;
2) $20,000 by September 30, 2013; and
3) $25,000 by September 30, 2014.

This is a total of $60,000 in payments, which can be accelerated at the election of Renforth.

7. EXPLORATION AND EVALUATION ASSETS (continued)

Attawapiskat – James Bay Lowlands

On August 26, 2003, the Company purchased from Greenstone Exploration Company Ltd. ("Greenstone") and Michael Peplinski, their 10-30% beneficial interest in 12 claims comprising of certain claims in Northern Ontario (the "Renforth Claims"). The purchase closed in escrow on August 26, 2003. The purchase price of $325,000 payable to Greenstone, consisted of $50,000 in cash and the balance in common shares of the Company at market prices no later than one year subsequent to the anniversary of the signed agreement. On May 31, 2011 the Company and Greenstone settled the remaining $275,000 (plus 3% interest accrued from the original due date) by the issuance of 6,915,530 common shares (1,383,106 common shares post consolidation) of the Company. Greenstone retained a 1.5% net smelter return royalty ("NSR").

On May 7, 2007, the Company entered into an Option Interest Agreement (the "Agreement") with 1231674 Ontario Limited ("123") to purchase their 100% interest in four mining claims located in the Attawapiskat district of the James Bay Lowlands in Northern Ontario. Under the terms of the Agreement, the Company purchased a 100% interest in the property for $250,000, consideration consisting of 500,000 common shares of the Company (100,000 common shares post consolidation) at a price of $0.50 per share ($2.50 per share post consolidation). 123 retained a NSR of 2% subject to the right of the Company to purchase one half of the NSR, at any time up to commercial production, for $1,000,000. During the year ended December 31, 2011, these claims were written down by $91,784 to their estimated net realizable value. In 2012, the Company sold the remaining three claims for net proceeds of $387,000.

On January 22, 2009, the Company finalized the acquisition of 18 claims (consisting of 288 units) located in the James Bay Lowlands, Ontario. Under the terms of the agreement, the Company purchased a 100% interest in these claims in exchange for $150,000 and 3,200,000 common shares (640,000 common shares post consolidation) of the Company valued at $64,000. The 3,200,000 common shares (640,000 common shares post consolidation) were issued on February 16, 2010. These claims expired during 2011 and as such all acquisition and exploration expenditures on the property totalling $252,246 were written off during 2011.

Kyle Kimberlite Properties

On July 20, 2006, the Company entered into an Option Agreement with Cliffs Chromite Far North Inc. (formerly Spider Resources Inc.) ("Cliffs") and KWG Resources Inc. ("KWG") to earn a 55% interest in five diamondiferous Kyle Kimberlite properties, consisting of eight claims which are comprised of 128 units (the "Kyle Properties"), located in the James Bay Lowlands area of Northern Ontario.

During 2010, Renforth analyzed the expenses incurred on the property and on October 18, 2010, together with Cliffs and KWG, concluded that Renforth had completed its 55% earn-in on the Kyle Series of diamondiferous kimberlites in the James Bay Lowlands region of Northern Ontario. As part of the option agreement, KWG and Cliffs collectively earned a 45% interest in certain massive sulphide targets held by Renforth in the same region. Renforth, Cliffs and KWG are currently working towards formalizing their relationship in the form of a joint venture agreement. On December 7, 2011, Renforth issued the 2,000,000 commons shares (400,000 common shares post consolidation) that were issuable under the amended letter (note 9(b)(iii)).

(Expressed in Canadian dollars)

8. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Compensation of key management personnel

Key management includes members of the board of directors, the President and Chief Executive Officer and the Chief Financial Officer. The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows for the nine months ended September 30, 2012 and September 30, 2011:

For the nine months ended September 30	**2012**	2011
Salary or other short term benefits	**$ 137,833**	$ 150,000
Share based payments issued	**500**	-
Directors' fees	**-**	-
	$ 137,333	$ 150,000

(b) Other related party balances and transactions

During the nine months ended September 30, 2012, the Company issued 1,612,060 common shares (322,412 common shares post consolidation) of the Company at a deemed price of $0.05 per share ($0.25 per share post consolidation) to Billiken Management Services Inc. ("Billiken"), a geological consulting company, for the settlement of outstanding fees in the amount of $80,603. The Company's CEO, Nicole Brewster, is a shareholder of Billiken. The services relating to the Fees were rendered by Billiken prior to Ms. Brewster becoming CEO of the Company. The shares were issued on June 28, 2012 with a market value of $0.005 per share ($0.025 per share post consolidation).

The Company engages Billiken to manage the Company's exploration programs. From the period Nicole Brewster was appointed CEO to September 30, 2012, the Company was charged $17,949 in exploration management fees. The Company also rents office space from Billiken at a rate of $1,266 per month. During the period, the Company was charged $6,334 for office rent.

During the nine months ended September 30, 2012, the Company issued 10,086,660 common shares (2,017,332 common shares post consolidation) of the Company at a deemed price of $0.05 per share ($0.25 per share post consolidation) (to settle debt of $504,333) to David Danziger for previous management and director fees owing for services as President & Chief Executive Officer from 2008 until 2012. The shares were issued on June 28, 2012 with a market value of $0.005 per share ($0.025 per share post consolidation).

During the nine months ended September 30, 2012, the Company issued 1,380,000 common shares (276,000 common shares post consolidation) of the Company at a deemed price of $0.05 per share ($0.25 per share post consolidation) to one independent director and two former directors for outstanding director fees in the amount of $69,000. The shares were issued on June 28, 2012 with a market value of $0.005 per share ($0.025 per share post consolidation). The Company also paid the independent director $10,000 against previous year's director fees owing.

As at September 30, 2012, $60,000 has been accrued to the CEO for management fees. This amount is included in accounts payable and accrued liabilities.

During the nine months ended September 30, 2012, the Company was charged $13,053 (2011-$5,186) in legal fees from a law firm in which a former director of the Company is a partner of the firm. These fees represent the period until the date of the director's resignation (April 10, 2012).

(Expressed in Canadian dollars)

8. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

During the nine months ended September 30, 2012, the Company was charged $20,000 (2011-$36,000) in geological consulting fees included in exploration and evaluation assets by a company owned by a former director of the Company.

During the nine months ended September 30, 2012, the Company accrued $16,000 (2011-$nil) in geological consulting fees included in exploration and evaluation assets to the technical director of the Company.

During the nine months ended September 30, 2012, the Company was charged $45,000 (2011-$60,000) in management fees by a company owned by the Chief Financial Officer of the Company.

9. SHARE CAPITAL

a) Shares authorized

The Company is authorized to issue an unlimited number of preferred and common shares without nominal or par value. No preferred shares have been issued.

b) Common shares issued and outstanding

Details of shares issued and outstanding are as follows:

	Shares	Amount
Balance, December 31, 2010	88,724,139	10,115,926
Issued in accordance with a property agreement (note 8(d))	6,915,530	345,777
Issued for services (i)	1,360,000	27,200
Issued in accordance with a property agreement (ii)	1,000,000	30,000
Issued in accordance with a property agreement (iii)	2,000,000	30,000
Balance, December 31, 2011	99,999,669	10,548,903
Shares issued for settlement of debt (iv)	13,078,720	65,393
Share consolidation (v)	(90,462,717)	-
Shares issued in accordance with an option agreement (vi)	100,000	4,000
Balance, September 30, 2012	**22,715,672**	**10,618,296**

(i) On September 23, 2011, the Company issued 1,360,000 common shares (272,000 common shares post consolidation) at $0.02 per share ($0.10 per share post consolidation) for services rendered.

(ii) On November 11, 2011, the Company issued 1,000,000 common shares (200,000 common shares post consolidation) at $0.03 per share ($0.15 per share post consolidation) in accordance with the joint venture agreement with Cadillac (see note 7).

(iii) On December 7, 2011, the Company issued 2,000,000 common shares (400,000 common shares post consolidation) at $0.015 per share ($0.075 per share post consolidation) in accordance with an option agreement with KWG and Cliffs (see note 7).

(iv) On June 28, 2012, the Company issued 13,078,720 common shares (2,615,744 common shares post consolidation) at $0.005 per share ($0.025 per share post consolidation) for settlement of debt (note 8).

(Expressed in Canadian dollars)

9. SHARE CAPITAL - continued

(v) On July 20, 2012, the Company consolidated all of its issued and outstanding common shares on the basis of five (5) pre-consolidation shares for one (1) post-consolidation share. All reference to common shares, options and warrants in these financial statements have been noted to reflect the share consolidation.

(vi) On September 12, 2012, the Company issued 100,000 common shares at $0.04 per share, in accordance with an option agreement (note 7).

c) Share purchase warrants

The following summarizes the activity during the nine months ended September 30, 2012:

	Warrants outstanding	Value
Balance at December 31, 2011	12,373,333	$ 294,073
Share consolidation (note 9(b))	(9,898,666)	-
Balance at September 30, 2012	2,474,667	$ 294,073

Summary of warrants outstanding as at September 30, 2012:

Number of Warrants Outstanding	Weighted Average Exercise Price	Expiry Date	Issue Date	Weighted Average Remaining Life
1,763,200	$ 0.50	22-Oct-12 (note 15)	22-Oct-10	0.06
711,467	0.60	19-Nov-12 (note 15)	19-Nov-10	0.14
2,474,667	**$ 0.529**			**0.08**

d) Stock option plan

On September 22, 2011, the Company granted a total of 850,000 stock options (170,000 stock options post consolidation) to directors and a consultant of the Company exercisable for one common share at $0.05 per share ($0.25 per share post consolidation), for a five year period. The fair value of the options was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: expected volatility of 100%; expected dividend yield of 0%; risk-free interest rate of 1.44%; and expected life of 5 years. The options were valued at $10,200 and are being expensed over their vesting period. The options vest quarterly over 12 months from the date of grant.

On November 21, 2011, the Company granted a total of 400,000 stock options (80,000 stock options post consolidation) to directors and a consultant of the Company exercisable for one common share at $0.05 per share ($0.25 per share post consolidation), for a five year period. The fair value of the options was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: expected volatility of 100%; expected dividend yield of 0%; risk-free interest rate of 1.37%; and expected life of 5 years. The options were valued at $8,000 and are being expensed over their vesting period. The options vest quarterly over 12 months from the date of grant.

On April 20, 2012, the Company granted a total of 250,000 stock options (50,000 stock options post consolidation) to an officer of the Company exercisable for one common share at $0.05 per share ($0.25 per share post consolidation), for a five year period. The fair value of the options was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: expected volatility of 100%; expected dividend yield of 0%; risk-free interest rate of 1.64%; and expected life of 5 years. The options were valued at $500 and are being expensed over their vesting period. The options vest quarterly over 12 months from the date of grant.

(Expressed in Canadian dollars)

9. SHARE CAPITAL - continued

For the nine months ended September 30, 2012, stock option expense of $7,433 (2011 - $46,154) was charged to operations with an equivalent offset credited to contributed surplus to reflect the vested portion of the fair value of stock options granted. Stock-based compensation expense of $7,300 (2011 - $45,243) was related to directors and officers and $133 (2011 – $911) to consultants compensation.

The weighted average exercise price of options outstanding and options exercisable were as follows:

	September 30, 2012		December 31, 2011	
	Number	Weighted Average Exercise price	Number	Weighted Average Exercise price
Outstanding – beginning of period	**5,880,000**	**$ 0.157**	**5,930,000**	**$ 0.243**
Expired	(2,250,000)	($0.199)	(1,300,000)	0.244
Granted	250,000	$0.050	1,250,000	0.050
Share consolidation (note 9(b))	(3,104,000)	-	-	-
Outstanding – end of period	**776,000**	**$ 0.626**	**5,880,000**	**$ 0.157**
Exercisable – end of period	**751,000**	**$ 0.639**	**5,155,000**	**$ 0.172**

As at September 30, 2012 the Company had the following stock options outstanding:

Number of Options Outstanding	Exercise Price	Expiry Date	Number of Options Exercisable	Weighted Average Remaining Life
30,000	1.40	01-Feb-13	30,000	0.34
40,000	1.40	10-Apr-13	40,000	0.53
100,000	1.40	10-Nov-13	100,000	1.11
136,000	0.50	14-Oct-12	136,000	0.04
250,000	0.50	26-Oct-15	250,000	3.07
90,000	0.25	30-Sep-16	90,000	4.00
80,000	0.25	21-Nov-16	80,000	4.15
50,000	0.25	20-Apr-17	25,000	4.56
776,000			751,000	2.36

The weighted average fair value of options issued during the period was $500 (2011 - $10,200).

(Expressed in Canadian dollars)

10. INCOME (LOSS) PER COMMON SHARE

The following table sets forth the computation of basic and diluted loss per common share:

	Three Months Ended September 30		Nine months ended September 30	
	2012	2011	2012	2011
Numerator:				
Net income (loss) attributable to common shareholders				
- basic and diluted	$ (95,217)	$ (120,975)	$ 189,914	$ (396,332)
Denominator:				
Weighted average common shares outstanding				
- basic	22,635,458	22,809,523	20,907,186	22,032,858
- fully diluted	25,886,124	22,809,523	24,157,852	22,032,858
Basic loss per common share	$ (0.00)	$ (0.01)	$ 0.01	$ (0.02)
Diluted income (loss) per common share	$ (0.00)	$ (0.01)	$ 0.01	$ (0.02)

The warrants and options outstanding were excluded from the computation of diluted loss per share in 2012 and 2011 because their impact was anti-dilutive.

11. FINANCIAL RISK FACTORS

The Company's risk exposures and the impact on the Company's financial instruments are summarized below. There have been no changes in the risks, objectives, policies and procedures during the nine months ended September 30, 2012 and September 30, 2011.

Credit risk
The Company's credit risk is primarily attributable to short-term investments included in cash and cash equivalents. The Company has no significant concentration of credit risk arising from operations. Short-term investments consist of bankers acceptances, which have been invested with reputable financial institutions, from which management believes the risk of loss to be remote. Sales tax receivable consists of goods and services tax due from the Federal Government of Canada. Management believes that the credit risk concentration with respect to these items is remote.

Liquidity risk
The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2012, the Company had a cash and cash equivalent balance of $318,208 (2011 – 254,691) to settle current financial liabilities of $124,021 (2011 - $663,338).

Market risk
(a) Interest rate risk
The Company has cash balances and no long term debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

11. FINANCIAL RISK FACTORS (continued)

(b) Foreign currency risk
The Company's functional currency is the Canadian dollar and all major purchases are transacted in Canadian dollars. Management believes the foreign exchange risk is negligible and therefore does not hedge its foreign exchange risk.

(c) Price risk
The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

Sensitivity analysis
The Company has designated its cash and cash equivalents and sales tax receivable as fair value through profit and loss, which are measured at amortized cost. Accounts payable and accrued liabilities, classified as other financial liabilities, are measured at amortized cost.

As at September 30, 2012, the carrying and fair value amounts of the Company's financial instruments are approximately the same.

The Company's financial instruments that are carried at fair value, consisting of cash equivalents have been classified as Level 1 within the fair value hierarchy.

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a three month period.

Cash and cash equivalents include liquid investments which are at variable rates. Sensitivity to a plus or minus 1% change in rates would affect net loss by $3,100 annualized.

The Company does not hold balances in foreign currencies to give rise to exposure to foreign exchange risk.

Price risk is remote since the Company is not a producing entity.

12. COMMITMENTS AND OPTIONS

Environmental Contingencies
The Company's mining and exploration activities are subject to various federal, provincial and international laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

(a) See *note 7* for additional commitments and options on evaluation and exploration assets.

(Expressed in Canadian dollars)

13. SUPPLEMENTAL INFORMATION – STATEMENT OF CASH FLOWS

	Three months ended September 30		Nine months ended September 30	
	2012	2011	2012	2011
Interest paid	$ -	$ -	$ -	$ -
Income taxes paid	$ -	$ -	$ -	$ -
Non-Monetary Transactions:				
Shares issued for debt settlement	$ 65,393	$ 27,200	$ 65,393	$ 27,200
Shares issued under option agreement	$ 4,000	$ -	$ 4,000	$ -

14. GENERAL AND CORPORATE EXPENSES

	Three Months Ended September 30		Nine months ended September 30	
	2012	2011	2012	2011
Management compensation	$ 45,000	$ 45,000	$ 137,833	$ 150,000
Legal and audit	25,651	27,545	84,461	50,431
Consulting services	7,500	14,500	25,000	60,500
Investor relations	-	15,000	25,000	50,000
Rent	3,800	3,800	11,401	11,401
Insurance	2,948	2,924	8,225	8,826
Transfer agent and shareholder communication	3,733	2,010	5,103	6,687
Administrative and general	4,706	2,505	19,601	9,006
Stock exchange fees	1,000	900	3,900	2,700
Amortization	254	227	761	681
	$ 94,592	$ 114,411	$ 321,285	$ 350,232

15. SUBSEQUENT EVENTS

On October 22, 2012, 1,763,200 warrants expired unexercised (note 9(c)).

On November 19, 2012, 711, 467 warrants expired unexercised (note 9(c)).