MUSKRAT MINERALS INCORPORATED

Condensed Consolidated Financial Statements

For the 6 month period ended December 31, 2013 and 2012

(expressed in Canadian dollars)

(UNAUDITED)

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Corporation discloses that its auditors have not reviewed the unaudited consolidated financial statements for the three month period ended December 31, 2013

Management's Responsibility for Financial Information

The condensed consolidated financial statements, the notes thereto and other financial information contained in the management's discussion and analysis are the responsibility of management of Muskrat Minerals Incorporated and have been approved by the Board of Directors.

The condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and, where necessary, include amounts which reflect management's best estimates and judgments based on current available information. Muskrat Minerals Incorporated maintains systems of internal accounting and administrative controls in order to provide reasonable assurance that the Corporation's assets are appropriately accounted for and adequately safeguarded, and that financial information is accurate and reliable.

The Board of Directors, through its Audit Committee, is responsible for ensuring that management fulfils its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the condensed consolidated financial statements and the accompanying management's discussion and analysis.

The Audit Committee is composed of three non-management, independent directors and meets periodically with management and the independent auditors to review internal accounting controls, auditing matters and financial reporting issues, and to satisfy itself that all parties are properly discharging their responsibilities. The Audit Committee also reviews the condensed consolidated financial statements and the management's discussion and analysis of financial results and reports its findings to the Board of Directors for its consideration when approving the condensed consolidated financial statements for issuance to the shareholders.

"Francis H. MacKenzie"	*"Lorne S. MacFarlane"*
Francis H. MacKenzie President and Chief Executive Office	Lorne S. MacFarlane Chief Financial Officer

February 20, 2014

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Consolidated Balance Sheets

(Amounts presented in Canadian Dollars)

	31-Dec 2013	30-Jun 2013
	$	$
Assets		
Current assets:		
Cash	**1,605,522**	1,055,880
Other receivable	**199,513**	121,236
Prepaid and other deposits	**405,646**	438,357
Investment and loans receivable (Note 4)	**115,818**	115,818
	2,326,499	1,731,291
Non-current assets:		
Iron interests (Note 5)	**54,940,711**	53,548,968
Mineral claim deposits (Note 6)	**434,677**	434,677
Property and equipment (Note 7)	**2,322,998**	2,032,209
	57,698,386	56,015,854
	60,024,885	57,747,145
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade and other payables	**1,128,922**	1,557,740
Non-current liabilities:		
Long term debt (Note 9)	**1,460,158**	1,425,900
Deferred taxes	**11,101,669**	11,101,669
	12,561,827	12,527,569
Shareholders' equity		
Share capital (Note 10)	**8,948,978**	8,948,978
Stock based payment reserve	**913,000**	288,000
Retained earnings (deficit)	**7,319,566**	7,517,703
Equity Attributable to shareholders	**17,181,544**	16,754,681
Non-controlling interests	**27,444,041**	26,907,155
	44,625,585	43,661,836
	58,316,334	57,747,145

See accompanying notes to the consolidated financial statements

Approved on behalf of the Board:

David J. Hennigar

Francis H. MacKenzie

February 20, 2014

Muskrat Minerals Incorporated

Consolidated Statements of Operations and Comprehensive

For the 3 months and 6 months ended December 31, 2013 and December 31, 2012

(Amounts presented in Canadian Dollars)

	3 months ended		6 months ended	
	31-Dec-13	**31-Dec-12**	**31-Dec-13**	**31-Dec-12**
	$	$	**$**	$
Operating expenses:				
Advertising and promotion	**9,472**	-	**9,472**	-
Utilities	**(31,710)**	-	**1,647**	-
Consulting	**6,428**	-	**21,465**	-
Dues and fees	**12,233**	-	**15,193**	-
Foreign exchange losses	**(64,693)**	-	**(47,212)**	-
General and administrative	**35,322**	34,926	**78,305**	40,405
Insurance	**(6,539)**	-	**17,961**	-
Management fees	**245,603**	22,500	**396,545**	45,000
Professional fees	**3,324**	22,734	**9,000**	36,618
Rental	**(180,425)**	858	**12,696**	1,716
Travel	**123,078**	-	**202,390**	-
Stock based compensation (Note 11)	**625,000**	218,000	**625,000**	218,000
Salaries and wages	**14,681**	4,711	**25,760**	8,674
	791,774	303,729	**1,368,222**	350,414
Loss before the undernoted	**(791,774)**	(303,729)	**(1,368,222)**	(350,414)
Share of loss of an associate (Note 3)	**-**	(74,399)	**-**	(121,571)
Depreciation	**(9,561)**	(232)	**(19,138)**	(481)
Interest and bank changes	**(12,194)**	(17)	**(18,475)**	(357)
Net income (loss) and comprehensive income (loss)	**(813,529)**	(378,377)	**(1,405,835)**	(472,822)
Non-controlling interest	**190,246**	-	**482,661**	-
Net income (loss) and comprehensive income (loss) attributable to shareholders	**(623,283)**	(378,377)	**(923,174)**	(472,822)
Net income (loss) per share - basic (Note 12)	**($0.036)**	($0.022)	**($0.054)**	($0.027)
Net income (loss) per share - diluted (Note 12)	**($0.036)**	($0.022)	**($0.053)**	($0.027)
Weighted average number of shares outstanding - basic (Note 12)	**17,251,015**	17,251,015	**17,251,015**	17,251,015
Weighted average number of shares outstanding - diluted (Note 12)	**17,340,115**	17,337,878	**17,340,115**	17,337,878

See accompanying notes to the consolidated financial statements

Muskrat Minerals Incorporated

Consolidated Statement of Changes in Equity
For 6 months ended December 31, 2013 and December 31, 2012
(Amounts presented in Canadian Dollars)

	Number of Shares Issued	Share Capital	Stock based payment reserve	Deficit	Total Shareholders Equity	Non-controlling interest	Total Equity
		$	$	$	$		
Balance June 30, 2012	17,251,015	8,948,978	178,300	(4,540,932)	4,586,346	-	4,586,346
Net loss for the period	-	-	-	(472,822)	(472,822)	-	(472,822)
Reclassification on expiration of options (Note 11)			(108,300)	108,300	-		-
Stock based compensation (Note 11)	-	-	218,000	-	218,000	-	218,000
Balance December 31, 2012	17,251,015	8,948,978	288,000	(4,905,454)	4,331,524	-	4,331,524
Balance June 30, 2013	17,251,015	8,948,978	288,000	7,517,703	16,754,681	26,907,155	43,661,836
Gain on divesture of investment in subsidiary (Note 3)	-	-	-	725,037	725,037	1,019,547	1,744,584
Net income for the period	-	-	-	(923,174)	(923,174)	(482,661)	(1,405,835)
Stock-based compensation (Note 11)	-	-	625,000	-	625,000	-	625,000
Balance December 31, 2013	17,251,015	8,948,978	913,000	7,319,566	17,181,544	27,444,041	44,625,585

See accompanying notes to the consolidated financial statements

Muskrat Minerals Incorporated

Consolidated Statements of Cash Flows

For the 3 months and 6 months ended December 31, 2013 and December 31, 2012

(Amounts presented in Canadian Dollars)

	3 months ended		3 months ended	
	31-Dec-13	**31-Dec-12**	**31-Dec-13**	**31-Dec-12**
	$	$	$	$
Cash flows generated from operating activities:				
Net income (loss)	**(813,529)**	(378,377)	**(1,405,835)**	(472,822)
Items not involving cash:				
Depreciation	**9,561**	232	**19,138**	481
Stock based compensation (Note 11)	**625,000**	218,000	**625,000**	218,000
Share of loss of associate (Note 4)	**-**	74,399	**-**	121,571
Changes in non-cash operating working capital				
Other receivables	**58,435**	13,556	**(78,277)**	8,411
Prepaid and other deposits	**(7,210)**	-	**32,711**	-
Trade and other payables	**(171,346)**	26,241	**(428,819)**	27,211
	(299,089)	(45,950)	**(1,236,082)**	(97,148)
Cash flow generated from financing activities:				
Repayment long term debt	**(22,435)**	-	**(62,612)**	-
	(22,435)	-	**(62,612)**	-
Cash flows (provided) generated from investing activities:				
Investment in equipment	**-**	-	**(143,799)**	-
Proceeds on sale of non-controlling interet (Note 3)	**2,909,562**	-	**4,979,962**	-
Purchase additional shares in associate	**-**	-	**-**	(1,326,508)
Investment in iron interests	**(1,877,870)**	-	**(2,987,827)**	-
	1,031,692	-	**1,848,336**	(1,326,508)
Increase (decrease) in cash during the period	**710,167**	(45,950)	**549,642**	(1,423,656)
Cash and deposits, beginning of period	**895,355**	418,686	**1,055,880**	1,796,393
Cash and deposits, end of period	**1,605,522**	372,736	**1,605,522**	372,736

See accompanying notes to the condensed consolidated financial statements

1. NATURE OF OPERATIONS

Muskrat Minerals Incorporated ("the Corporation") was incorporated on October 4, 2000 under the laws of the Province of Alberta pursuant to the provisions of the *Business Corporations Act*. The Corporation, as a result of the recent acquisition and reorganization, has now transitioned into the mining and exploration sector through a wholly owned subsidiary, 3053229 Nova Scotia Limited. The Corporation's Head Office is located at 610 – 141 Adelaide Street West, Toronto, ON M5H 3L5.

The Corporations subsidiaries, Grand River Ironsands Incorporated and North Atlantic Iron Corporation, principal place of business is Newfoundland and Labrador and the subsidiary Forks Specialty Metals Inc. principal place of business is Pennsylvania, USA.

The condensed consolidated financial statements have been prepared on a going concern basis, which assumes that the Corporation will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The Corporation and its subsidiaries have not yet determined whether the properties contain ore reserves that are economically recoverable. The recoverability of amounts shown for mineral properties and related deferred expenditures is dependent upon the discovery of economically recoverable reserves, confirmation of the subsidiary's interest in the underlying mining claims, the ability of the Corporation and its subsidiaries to obtain necessary financing from shareholders, investors and lenders to complete the development, and upon future profitable production or proceeds from the disposition thereof.

The Corporation has had recurring negative cash flows from operations and will require additional financing to fund its continuing exploration efforts. These uncertainties cast significant doubt upon the Corporation's ability to continue as a going concern. Although the Corporation has been successful in raising funds to date, there can be no assurance that adequate funding will be available in the future, or available under terms favourable to the Corporation.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation and Statement of Compliance

The condensed consolidated financial statements are prepared on the historical cost basis except for certain assets, liabilities and financial instruments which are measured at their fair values, as explained in the relevant accounting policies.

The condensed consolidated financial statements are presented in Canadian dollars which is also the Corporation's functional currency. The functional currency of the US subsidiary is the US dollar.

These condensed consolidated financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), and the Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These accounting policies are based on the IFRS standards and IFRIC interpretations that are applicable at December 31, 2013.

(b) Basis of Consolidation

These condensed consolidated financial statements include the accounts of the Corporation and the following entities:

- 100% VR Interactive International Inc. ("VRI")
  A company incorporated in Nova Scotia initially engaged in the development of 360° Surroundphoto technology. This technology has since been abandoned and the company is currently inactive.
- 100% 3053229 Nova Scotia Limited ("NSL")
  A holding company incorporated in Nova Scotia
  - 40.3% Grand River Ironsands Incorporated ("GRI")
    A company incorporated in Nova Scotia engaged in the exploration and development of mineral deposits
    - 100% Forks Specialty Metals Inc. ("FSM")
      A company incorporated in Pennsylvania engaged in iron ore smelting
    - 70.0% North Atlantic Iron Corporation ("NAIC")
      A corporation incorporated in Newfoundland and Labrador engaged in the exploration and development of mineral deposits

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

The Corporation acquired additional shares of GRI in July and August 2012 increasing its ownership to 41.1%. At that time, in management's opinion, the Corporation did not exercise control over GRI and the investment was accounted for as an 'Investment in Associate'. The Corporation recognized it share of earnings of the associate for the first three quarters of the last fiscal year.

After a subsequent review of the holdings of Directors and associated companies in GRI, and in consultation with the external auditors, it was management's decision that the Corporation had deemed control of GRI and as a consequence the consolidated statements were prepared for the fiscal year ending June 30, 2013.

(c) Business combinations, goodwill and non-controlling interests

The acquisition method of accounting is used to account for the acquisition of subsidiaries and businesses as follows:

- Cost is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange;
- Identifiable assets acquired and liabilities assumed are measured at their fair values at the acquisition date;
- The excess of acquisition cost over the fair value of the identifiable net assets acquired is recorded as goodwill; and
- If the acquisition cost is less than the fair value of the net assets acquired, the difference is recognized as gain directly in the income statement.
- Transaction costs are expensed as incurred.

For each business combination, the acquirer measures the non-controlling interest in the acquiree at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed and included in administrative expenses.

When the Corporation acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to its fair value as at the acquisition date through profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Corporation's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Transactions with non-controlling interests are treated as transactions with equity owners of the Corporation. For purchases from non-controlling interests that do not involve loss of control, the difference between the fair value of the consideration paid and the share of the carrying value of net assets acquired is recorded in equity. Similarly, gains or losses on disposals to non-controlling interests, which do not involve loss of control, are computed and also recorded in equity.

(d) Investment in Associate

An associate is an entity over which the Corporation has significant influence, but not control. Significant influence is presumed with a shareholding of at least 20% of the voting rights. Investment in associate is accounted for using the equity method of accounting and is initially recognized at cost. The carrying value is increased or decreased to recognize the Corporation's share of the profit or loss of the investee subsequent to the date of acquisition. The Corporation's share of the profit or loss is recognized in the condensed consolidated statements of operations and comprehensive loss. Distributions received from an investee reduce the carrying amount of the investment.

(e) Iron Interests

Iron interests expenses and mining reserves are stated at cost by capitalizing related expenditures until they are ready for commercial production. Upon commercial viability, depletion commences on a unit-of-sale basis over the estimated recoverable measured and indicated reserves.

Pre-exploration are generally expensed unless management considers it probable that future economic benefits can be identified. Other general exploration expenses are charged to operations as incurred. The cost of mineral properties abandoned or sold and their related deferred exploration costs are charged to operations in the year the disposition or abandonment occurs.

The value associated with resources and exploration potential is allocated at acquisition and is classified as non-depletable until such time as it is transferred to the depletable category, generally as a result of the conversion of resource or exploration potential into reserves. On transfer, the asset is tested for impairment.

(f) Restoration, rehabilitation and environmental obligation

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises.

(g) Property and Equipment

Property and Equipment is recorded at cost less accumulated depreciation and any impairment. The cost of an item of property and equipment consists of the purchase price and any cost directly attributable to bringing the asset to the location and condition necessary for its intended use.

Depreciation is provided using the declining balance method at the following annual rates:

Assets	Rates
Computer hardware	30%
Office furniture and equipment	20%
Industrial equipment	20%
Automotive equipment	30%

(h) Impairment of Assets

Property and equipment and other non-current assets with definite useful lives, are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Non-current assets that are not amortized, including investment in associate, are subject to an annual impairment assessment. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value (less costs to sell) is the amount obtainable from the sale of the asset or group of assets in an arm's length transaction between knowledgeable and willing parties, less costs to sell. Value in use is equal to the present value of future cash flows expected to be derived from the use and sale of the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU").

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds it recoverable amount. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit on a pro rata basis.

Impairment losses may be reversed, except for goodwill, in a subsequent period where the impairment no longer exists or has decreased. The carrying amount after a reversal must not exceed the carrying amount (net of depreciation) that would have been determined had no impairment loss been recognized.

(i) Share Issuance Costs

Costs incurred for the issuance of common shares are deducted from share capital.

(j) Foreign Currency

Foreign currency transactions are initially recorded in the functional currency at the transaction date exchange rate. At the balance sheet date, monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the reporting date exchange rate. Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items at year-end exchange rates are recognized in the income statement.

Non-monetary items measured at historical cost are translated using the historical exchange rate. Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

Financial statements of subsidiaries, affiliates and joint ventures for which the functional currency is not the Canadian dollar are translated into Canadian dollar as follows: all asset and liability accounts are translated at the balance sheet exchange rate and all earnings and expense accounts and cash flow statement items are translated at average exchange rates for the period. The resulting translation gains and losses are recorded as foreign currency translation adjustments in other comprehensive income and recorded in the currency translation reserve in equity. On disposal of a foreign operation the cumulative translation differences recognized in equity are reclassified to the income statement and recognized as part of the gain or loss on disposal. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into Canadian dollars at the balance sheet rate.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive income in the translation reserve.

(k) Income Taxes

Income taxes are calculated using the liability method. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the balance sheet are used to calculate deferred income tax liabilities or assets. Deferred income tax liabilities or assets are calculated using the substantively enacted rates and laws that are expected to be in effect in the periods that the temporary differences are expected to reverse. The effect of changes in rates is included in the statement of comprehensive income in the period which included the substantive enactment date. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(l) Stock based Payments

Stock based payment awards that are direct awards of stock to employees or directors, call for settlement in cash or other assets, or are stock appreciation rights that call for settlement by issuing equity instruments, are accounted for using the Black-Scholes option pricing model. The cost is recognized on a straight-line graded method basis adjusted for expected forfeitures as an employee or director expense with a corresponding increase to equity in stock based payment reserve. Consideration paid by employees or directors on the exercise of stock options is recorded as share capital.

Stock based payments with parties other than employees, assumes a rebuttable presumption that the fair value of the goods or services received can be estimated reliably. In certain circumstances, the Corporation rebuts this presumption because it cannot estimate reliably the fair value of the goods or services received. The Corporation then measures the goods or services received, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders service.

(m) Financial Assets and Liabilities

The Corporation recognizes a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument. Such financial assets or financial liabilities are initially recognized at fair value and the subsequent measurement depends on their classification.

Financial assets classified as fair value through profit and loss ("Financial assets classified as available-for-sale are measured at fair value with any resultant gain or loss being recognized directly under other comprehensive income. Investments in equity instruments classified as available-for-sale that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. When available-for-sale financial assets are derecognized, the cumulative gain or loss previously recognized directly in equity is recognized in profit or loss. Financial assets classified as loans and receivables and held to maturity, are measured at amortized cost using the effective interest rate method. Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

All financial liabilities are recognized initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs. Financial liabilities are classified as other financial liabilities, and are subsequently measured at amortized cost using the effective interest rate method.

The Corporation's financial assets include cash, investments, and loans receivable. The Corporation's financial liabilities include trade and other payables, and long term debt. Classification of these financial instruments is as follows:

Asset/Liability	Classification
Cash	FVTPL
Investments	FVTPL
Loans receivable	Loans and receivables
Trade and other payables	Other financial liabilities
Long-term debt	Other financial liabilities

Financial assets are derecognized when the Corporation's rights to cash flows from the respective assets have expired or have been transferred and the Corporation has neither exposure to the risks inherent in those assets nor entitlement to rewards from them. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the condensed consolidated statements of operations and comprehensive loss.

The Corporation categorizes its financial assets and liabilities measured at fair value into one of three different levels depending on the observability of the inputs used in the measurement.

Level 1: This level includes assets and liabilities measured at fair value based on unadjusted quoted prices for identical assets and liabilities in active markets that are accessible at the measurement date.

Level 2: This level includes valuations determined using directly or indirectly observable inputs other than quoted prices included within Level 1. Derivative instruments in this category are valued using models or other standard valuation techniques derived from observable market inputs.

Level 3: This level includes valuations based on inputs which are less observable, unavailable or where the observable data does not support a significant portion of the instruments' fair value.

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

(n) Use of Estimates

The preparation of financial statements requires management to make judgments, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, revenue and expenses and the accompanying notes. Actual results could differ from these estimates under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. The areas that management makes critical estimates, assumptions and judgments are valuation of assets acquired, recoverability of deferred tax assets, measurement of stock based compensation, and impairment of assets.

(o) Provisions

A provision is recognized in the condensed consolidated balance sheets when the Corporation has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(p) Earnings Per Share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share amounts are calculated by dividing the net profit attributable to common shareholders by the weighted average number of shares outstanding during the period plus the weighted average number of shares that would be issued on the conversion of all the potential dilutive ordinary shares into common shares.

(q) Recent Accounting Pronouncements

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods after June 30, 2013. Those pronouncements that could be applicable or could have a significant impact to the Corporation are discussed in detail in Note 2(q) to the June 30, 2013 audited financial statements. The pronouncements, IFRS 7 'Financial Instruments: disclosures'; IFRS 10 – 'Consolidated Financial Statements' and IFRS 13 'Fair Value Measurement' which became effective for the fiscal year commenting July 1, 2013, have been adopted and have had no resultant impact on the Corporation.

3. INVESTMENT IN ASSOCIATED COMPANY, ACQUISITION AND DIVESTURE

Asset acquisition and initial measurement –

On March 28, 2012, the Corporation acquired all of the issued and outstanding common shares of NSL, by issuing 6,900,000 shares of the Corporation's common stock. The acquisition of NSL was accounted for as an asset acquisition as NSL did not meet the definition of a business, which is defined under the requirement of IFRS 3 – Business Combination.

The fair values of the assets acquired by the Corporation at the acquisition date were determined with reference to the fair value of the Corporation's common shares issued as consideration, as the fair values of the assets acquired were not deemed to be estimated reliably. The fair value was based on the subscription price of $0.46 per share of the Corporation's recent private placement.

Through its investment in NSL, the Corporation held a 29.9% equity interest in GRI.

(Amounts presented in Canadian Dollars)

The investment in associate consists of the following:

		6 months	
		31-Dec-13	31-Dec-12
Balance beginning of period	$	-	$2,813,328
Additional Investment in GRI		-	1,326,508
Acquisition of control of associate		-	-
Share of loss for period		-	(121,571)
Balance at end of period	$	-	$4,018,265

Acquisition of additional shares of GRI

On July 20, 2012, NSL concluded an agreement with two shareholders of GRI to purchase 2,380,017 shares of GRI for $1,190,009 and the forgiveness of a debt of $373,463 owing by GRI to the shareholders. The purchase increased the Corporation's indirect ownership to 40.23%

On August 29, 2012, NSL acquired 195,000 additional common shares of GRI. NSL purchased the common shares representing 0.85% of the outstanding shares for $136,500.

Divesture of interest in NAIC and GRI

On July 17, 2013, Petmin Limited, an unrelated entity, acquired an additional 23 common shares of NAIC increasing its non-controlling interest in NAIC from 25.1% to 27.4%, in exchange for cash consideration of $2,070,400 (US$2,000,000).

On October 23, 2013, Petmin Limited acquired an additional 23 common shares of NAIC increasing its non-controlling interest in NAIC from 27.4% to 30.0%, in exchange for cash consideration of $2,072,700 (US$2,000,000).

On October 11, 2013 and November 29, 2013 GRI issued an aggregate of 433,582 flow through and non-flow through shares from treasury for an aggregate consideration of $943,854 less issue costs of $106,992 for net proceeds of $836,862. These transactions reduced the Corporation's interest in GRI from 41.07% to 40.32%.

These transactions have been treated as a divestiture of the Corporation's indirect interest in NAIC and GRI as follows:

	3 months ended		6 months ended	
	31-Dec-13	**31-Dec-12**	**31-Dec-13**	**31-Dec-12**
	$	$	$	$
Proceeds from sale	2,909,562	-	4,979,962	-
Net assets sold	(1,164,977)	-	(1,526,826)	-
Gain on divestiture to non-controlling interests	1,744,584	-	3,453,135	-
interest and the non-controlling interest of GRI as follows:				
Non-controlling interest	1,019,547	-	2,026,379	-
Controlling interest	725,037	-	1,426,756	-
Total gain on divesture to non-controlling interests	1,744,584	-	3,453,135	-

(Amounts presented in Canadian Dollars)

4. INVESTMENT AND LOANS RECEIVABLE

The following items were acquired during acquisition of control of GRI (Note 3)

	31-Dec-13 **$'s**	31-Dec-12 **$'s**
Demand loan to a Company, associated by virtue of a common director, issued January 2009 with interest at 10% per annum calculated and paid monthly. Further consideration of 100,000 common shares has been received. No payments have been received to date. The principal is secured by a first charge over accounts receivable. No interest has been recognized on the loan.	87,732	-
Convertible debenture receivable from the same company above, issued June 6, 2011 with interest at a rate of 10% per annum calculated and paid semiannually. The debenture can be converted to common shares at the option of the Company at $0.10 up to November 30, 2012 or at $0.25 after November 30, 2012 to maturity. No interest has been recognized on the loan.	21,586	-
Investment in same company	6,500	-
	115,818	-

On July 31, 2012, the associated company proposed a restructuring of their debt to all creditors at that date. In accordance with the agreement, the associated company will convert the outstanding debt, including any unpaid interest, into common shares at a rate of $0.25 per share. GRI accepted the proposal on August 31, 2012 and as a result will be entitled to 1,681,823 common shares of the associated company. The fair value of the shares at July 31, 2012 was $109,318. An impairment charge of $215,682 was recognized in the non-consolidated statement of earnings and comprehensive income for the period ended June 30, 2012.

Please refer to Note 16 for a subsequent event pertaining to these loans.

5. IRON INTERESTS

	30-Jun-13 $	Additions $	31-Dec-13 $	31-Dec-12 $
Labrador Mineral Sands	53,433,947	1,391,743	54,825,690	-
Porcupine Strand	115,021	-	115,021	-
	53,548,968	1,391,743	54,940,711	-

(Amounts presented in Canadian Dollars)

The Labrador Mineral Sands relates to 22 licenses held by NAIC, which include Churchill River, Mud Lake, Muskrat Lake, Goose Bay, and Hamilton River.

The Porcupine Strand property was acquired from a former director of the Corporation for $NIL cash consideration other than reimbursement of staking costs. The property consists of four mineral licenses covering approximately 3.5 square kilometres in Labrador. The Corporation has received notice that the federal government intends to establish the Mealy Mountain National Park which will encompass the lands to which the Corporation has staked these claims. While the plans for the park have not yet been approved or finalized, the Corporation has renewed the claims as recently as November 2010 but have been refused exploration permits in this regard. The Corporation anticipates that should the federal government's plans go forward with the park development, it will receive compensation sufficient to recover any investment it has made in these claims to date.

6. MINERAL CLAIM DEPOSITS

Mineral claim deposits are licenses held by NAIC with the province of Newfoundland and Labrador that required a deposit and commitment by NAIC to inject a prescribed amount of exploration expenditures into the land designated by the license within a five year time frame. If NAIC fulfills their commitment, the deposit will be fully refundable; if NAIC doesn't fulfill their commitment, they will forfeit the deposit, at which time the cost will be written off. As at December 31, 2013 the Corporation has injected the prescribed amount of exploration expenditures into the land.

	30-Jun-13	Additions	31-Dec-13	31-Dec-12
	$	$	$	$
Mineral claim deposits	434,677	-	434,677	-

NAIC is required to inject the folloing exploration expenditures:

2013	182,593
2014	596,265
2015	210,275
2018	24,981
2022	162,900

(Amounts presented in Canadian Dollars)

7. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

December 31, 2012

Description	Cost			Accumulated Depreciation			Net Book Value
	Balance Jun 30, 2012	Additions	Balance Dec 31, 2012	Balance Jun 30, 2012	Depreciation for period	Balance Dec 31, 2012	Dec 31, 2012
Computer hardware	$ 73,775	-	$ 73,775	$ 71,183	$ 374	$ 71,557	$ 2,218
Office furniture and equipment	10,419	-	10,419	9,327	107	9,434	985
	$ 84,194	$ -	$ 84,194	$ 80,510	$ 481	$ 80,991	$ 3,203

December 31, 2013

Description	Cost			Accumulated Depreciation			Net Book Value
	Balance Jun 30, 2013	Additions	Balance Dec 31, 2013	Balance Jun 30, 2013	Depreciation for period	Balance Dec 31, 2013	Dec 31, 2013
Computer hardware	$ 88,913	$ -	$ 88,913	$ 73,461	$ 2,308	$ 75,769	$ 13,144
Automotive equipment	5,500	795	6,295	-	944	944	5,351
Industrial equipment	2,296,345	432,313	2,728,658	303,254	138,075	441,329	2,287,329
Office furniture and equipment	29,735		29,735	11,569	994	12,563	17,172
	$ 2,420,493	$ 433,108	$ 2,853,601	$ 388,284	$ 142,320	$ 530,603	$ 2,322,998

During the period amortization in the amount of $123,181 (2012 $ nil) was capitalized to iron interests.

8. RELATED PARTY TRANSACTIONS

The compensation expense associated with key management and directors for services is as follows:

	6 months	
	31-Dec-13	31-Dec-12
Management fees	$ 82,500	$ 45,000
Consulting fees	552,457	-
Salaries	25,760	8,674
	666,317	53,674
Capitalized	244,012	-
Operating expenses	$ 422,305	$ 53,674

9. LONG TERM DEBT

During the last year, NAIC received an interest-free repayable loan from ACOA, a government agency, in the amount of $500,000. The loan is repayable in five annual equal and consecutive installments commencing six months after the end of the fiscal year in which 'Project Success' is achieved. It is anticipated that 'Project Success' will be achieved in the fiscal year ending June 30, 2015 and repayments will commence in December 2015. The carrying value of the loan has been discounted using an effective interest rate of 9%.

(Amounts presented in Canadian Dollars)

During the last fiscal year, FSM received a loan from the State of Pennsylvania in the amount of US$1, 600,000 ($1,628,987) to partially finance the acquisition of industrial equipment in Forks Township, Pennsylvania. The loan bears interest at 1% and is repayable in monthly principal installments of US$14,017, commencing March 1, 2013, maturing on February 1, 2023. The carrying value of the loan has been discounted using an effective interest rate of 9%.

Summary of long term debt:

	31-Dec-13	31-Dec-12
	$	$
ACOA Loan		
Loan amount	500,000	-
Discount	(147,878)	-
Balance end of period	352,122	-
Industrial equipment loan		
Loan amount	1,566,375	-
Discount	(458,339)	-
Balance end of period	1,108,036	-
Total	1,460,158	-

10. SHARE CAPITAL

COMMON STOCK OUTSTANDING

	Number of Shares	Amount $
Authorized:		
Unlimited number of common shares without par value		
Issued and outstanding December 31, 2012 and December 31, 2013	17,251,015	8,948,978

11. STOCK BASED COMPENSATION PLAN

The Board of Directors has established a stock option plan under which options to purchase common shares are granted to directors, officers, and key employees of the Corporation. Options to acquire common shares are granted at option prices which shall be not less than the fair market value of the shares at the time the option is granted. Fair market value shall be deemed to be the average between the highest and lowest prices at which the common shares are traded on the day the option is granted and if not so traded, the average between the closing bid and asked prices thereof as reported for the day on which the option is granted. Options expire between one and ten years from the date of the grant.

The Corporation has reserved 3,450,203 common shares pursuant to the stock option plan. There are 594,000 options to acquire common shares outstanding under the plan as at December 31, 2013. Any unexercised options that expire or are forfeited become available again for issuance under the plan.

On May 28, 2012, 144,000 options were granted to directors, officers, and employees under the stock purchase plan at an exercise price of $0.65. These options vested immediately and expire in 10 years. The fair value of these option was estimated at the date of grant using the Black-Scholes pricing model with the following weighted average assumptions; risk free interest rates of 1.56%; dividend yields of nil; volatility factor of 100%; and a weighted average expected life of the option of 5 years. The expected volatility of the Corporation is based on historical volatility of comparable entities for the same weighted average expected life of the option.

(Amounts presented in Canadian Dollars)

On November 28, 2012, 450,000 options were granted to directors, officers, and employees under the stock purchase plan at an exercise price of $0.65. These options vested immediately and expire in 10 years. The fair value of these option was estimated at the date of grant using the Black-Scholes pricing model with the following weighted average assumptions; risk free interest rates of 1.56%; dividend yields of nil; volatility factor of 100%; share prices of $0.65; and a weighted average expected life of the option of 5 years. The expected volatility of the Corporation is based on historical volatility of comparable entities for the same weighted average expected life of the option.

On December 6, 2013, 985,000 options were granted to directors, officers, and employees under the stock purchase plan at an exercise price of $0.85. These options vested immediately and expire in 10 years. The fair value of these option was estimated at the date of grant using the Black-Scholes pricing model with the following weighted average assumptions; risk free interest rates of 1.56%; dividend yields of nil; volatility factor of 100%; share prices of $0.85; and a weighted average expected life of the option of 5 years. The expected volatility of the Corporation is based on historical volatility of comparable entities for the same weighted average expected life of the option.

The stock option expense for 2013 included in the statement of operations is $625,000 (2012 - $218,000).

Options issued and outstanding as at December 31, 2012 and December 31, 2013:

	Weighted average exercise price $	Issued
Balance June 30, 2012	0.73	331,500
Expired	(0.80)	(187,500)
Granted - November 28, 2012	0.65	450,000
Balance December 31, 2012	0.65	594,000
Balance June 30, 2013	0.65	594,000
Expired	-	-
Granted - December 6, 2013	0.85	985,000
Balance Decetmber 31, 2013	0.77	1,579,000

The following table summarizes information about the options outstanding and exercisable at December 31, 2012 and December 31, 2013:

(Amounts presented in Canadian Dollars)

December 31, 2012

Options Outstanding and Exercisable

Number of options outstanding	Expiry Date	Exercise Price $	Number of options exercisable
144,000	28-May-2022	0.65	144,000
450,000	28-Nov-2022	0.65	450,000
594,000			594,000

December 31, 2013

Options Outstanding and Exercisable

Number of options outstanding	Expiry Date	Exercise Price $	Number of options exercisable
144,000	28-May-2022	0.65	144,000
450,000	28-Nov-2022	0.65	450,000
985,000	6-Dec-2023	0.85	985,000
1,579,000			1,579,000

GRI Stock Option Plan

The Board of Directors of GRI has established a stock option plan under which options to purchase common shares are granted to directors, officers, and key employees of GRI. Options to acquire common shares are granted at prices as determined by the Board of Directors. Options expire five years from the date of the grant.

GRI has reserved 2,350,328 common shares pursuant to the stock option plan. There are 2,342,000 options to acquire common shares outstanding under the plan as at December 31, 2013. Any unexercised options that expire or are forfeited become available again for issuance under the plan.

Options issued and outstanding as at December 31, 2013:

	Weighted average exercise price $	Issued
Balance June 30, 2013	1.25	1,842,000
Expired	-	-
Granted - December 6, 2013	2.10	500,000
Balance Decetmber 31, 2013	1.43	2,342,000

(Amounts presented in Canadian Dollars)

The following table summarizes information about the options outstanding and exercisable at December 31, 2013:

Options Outstanding and Exercisable			
Number of options outstanding	Expiry Date	Exercise Price $	Number of options exercisable
365,000	31-May-2014	1.25	365,000
365,000	31-Dec-2015	1.25	365,000
480,000	2-Sep-2016	1.25	480,000
545,000	31-May-2017	1.25	545,000
87,000	5-Nov-2017	1.25	87,000
500,000	6-Dec-2018	2.10	500,000
2,342,000			2,342,000

12. EARNINGS (LOSS) PER SHARE

Earnings (loss) per share is calculated by dividing the net income (loss) per financial statements by the weighted average number of common shares outstanding for the period. The dilutive effect of the outstanding options is calculated as follow:

December 31,2012			
Options exercisable	Exercise price	proceeds	Common Shares
594,000	$ 0.65	$ 386,100	594,000
Buy-back at average price	$ 0.761		507,137
Dilutive effect of exercise of options			86,863
Weighted average number of shares outstanding - basic			17,251,015
Weighted average number of shares outstanding - diluted			17,337,878

December 31,2013			
Options exercisable	Exercise price	proceeds	Common Shares
594,000	$ 0.65	$ 386,100	594,000
Buy-back at average price	$ 0.765		504,900
Dilutive effect of exercise of options			89,100
Weighted average number of shares outstanding - basic			17,251,015
Weighted average number of shares outstanding - diluted			17,340,115

The options issued in December 6, 2013 are anti-dilutive

13. COMMITMENTS

GRI, subsequent to the incorporation of NAIC, provided Petmin Limited ("Petmin"), an unrelated entity, with options to invest in NAIC in three phases. The first option was exercised November 17, 2010 with

Petmin signing a purchase agreement to buy 26 common shares in NAIC from treasury for $1,512,135 (US$1,500,000), representing a 5% interest in the outstanding common shares.

The second option was amended August 18th, 2011 into two phases, exercisable upon satisfaction of various performance conditions. Phase 2a was exercised August 31, 2011 with a capital injection of $1,956,800 (US$2,000,000) from Petmin in exchange for 34 common shares, increasing its interest to 10.7% of the issued and outstanding common shares.

Phase 2b was exercised on April 20, 2012 with a capital injection of $2,973,800 (US$3,000,000), by Petmin in exchange for 42 common shares, increasing its interest to 16.9% of the issued and outstanding common shares.

The third option is divided into three phases with payments of US$4.5M, $6.0M and $8.0M for phases 3a, 3b and 3c respectively each with various milestones. Petmin will take back sufficient common shares to increase its interest to 40% of the issued and outstanding common shares after payment has been made on phase 3c.

Phase 3a(1) was exercised on July 5, 2012 and phase 3a(2) was exercised on July 13, 2012 with a combined capital injection of $4,576,393 (US$4,500,000), by Petmin in exchange for 43 common shares, increasing its interest to 22.48% of the issued and outstanding capital.

Phase 3b(1) was exercised on April 5, 2013 with a capital injection of $2,031,423 (US$2,000,000), by Petmin in exchange for 23 common shares, increasing its interest to 25.2% of the issued and outstanding capital. Phase 3b(2) was exercised on July 17, 2013 with a capital injection of $2,070,400 (US$2,000,000), by Petmin in exchange for 23 common shares, increasing its interest to 27.6% of the issued and outstanding capital. Phase 3b(3) was exercised on October 23, 2013 with a capital injection of $2,072,700 (US$2,000,000), by Petmin in exchange for 23 common shares, increasing its interest to 30.0% of the issued and outstanding capital. As at December 31, 2013, an additional US$8,000,000 remains outstanding with respect to Phase 3c. Upon exercising these remaining options Petmin will be entitled to an additional 119 shares in NAIC which will give it a 40% interest.

In addition Petmin has the option (the "Grand River Option") to acquire an additional 9.9% interest in NAIC in exchange for common shares in Petmin, which is equal to 9.9% of the value of the mineral rights of NAIC at the time Petmin exercises the Grand River Option.

NAIC, GRI, and Petmin entered into a management service agreement on June 1, 2103 for a period of 24 months, in the amount of US$300,000 which shall be paid on a quarterly basis, payable in arrears. The agreement shall renew automatically for subsequent one year periods if not specifically terminated in accordance with the agreement. NAIC also agrees to reserve for issuance 2.5% of its issued and outstanding shares to be issued to Petmin, releasable in increments of 1% upon completion of a satisfactory preliminary economic assessment and the balance of 1.5% upon completion of a satisfactory bank feasibility study.

14. MANAGEMENT OF CAPITAL

The Corporation defines capital that it manages as the aggregate of its long-term debt, share capital, stock based payment reserve, retained earnings and non-controlling interest. Its objective when managing capital is to ensure that the Corporation will continue as a going concern, so that it can provide returns to its shareholders.

	31-Dec-13	31-Dec-12
	$	**$**
Long term debt	1,460,158	-
Share capital	8,948,978	8,948,978
Stock based payment reserve	913,000	396,300
Retained earnings (deficit)	7,319,566	(5,013,754)
Non-controlling interest	27,444,041	-
	46,085,743	4,331,524

The Corporation manages its capital structure and makes adjustments to it in light of economic conditions. The Corporation, upon approval from its Board of Directors, will make changes to its capital structure as deemed appropriate under the specific circumstances.

The Corporation is not subject to any externally imposed capital requirements or debt covenants, and does not presently utilize any quantitative measures to monitor its capital. The Corporation's overall strategy with respect to management of capital remains unchanged from the period ended June 30, 2013.

15. FINANCIAL INSTRUMENTS

As at December 31, 2013, the Corporation carried cash at fair value and is considered Level 1, within the fair value hierarchy.

Risk Disclosures
The main risks the Corporation's financial instruments could be exposed to are credit risk, liquidity risk, foreign exchange risk, and interest rate risk.

Credit Risk
The Corporation's credit risk is primarily attributable to its cash. The Corporation places its cash with high quality financial institution and in reliable trust account in Canada, and as result, believes its exposure to credit risk is minimal.

Liquidity Risk
The Corporation's approach to managing liquidity is to ensure, as far a possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Corporation's reputation. To the extent that the Corporation does not believe it has sufficient liquidity to meet these obligations, management will consider securing additional funds through debt or equity transactions. The Corporation manages its liquidity risk by continuously monitoring forecast and actual cash flows from operations. In recent years, additional loans from directors/shareholders, and new equity financing have provided the necessary liquidity required. Trade and other payables are due within 12 months.

Foreign Currency Risk
The Corporation has long term debt denominated in US dollars. The carrying value of these items may change due to fluctuations in foreign exchange rates. The Corporation has cash and trade and payable denominated in US dollars. A five percent change in the US dollar to Canadian dollar exchange rate would not have a significant impact on their carrying values.

Interest Rate Risk
The Corporation is exposed to interest rate price risk to the extent that a portion of the long-term debt is at a fixed interest rate.

16. SUBSEQUENT EVENT

Subsequent to the fiscal year-end, a forest fire occurred on lands adjacent to one of the NAIC's drilling activities. In management's estimation NAIC may be responsible for costs related to the fire which could reach the low six figures. The investigations is still on going and at this time NAIC has not been advised of any liability.

The associated company referred to in Note 4 has proposed a new Debt Settlement Agreement whereby GRI will receive 4,204,560 common shares and 2,102,280 share purchase warrants. GRI accepted the proposed agreement on November 15, 2013.

(Amounts presented in Canadian Dollars)

17. SEGMENTED INFORMATION

As at December 31, 2013 the Corporation had a corporate head office and three business segments:

1. GRI, a private corporation, incorporated under the *Companies Act* of Nova Scotia, is a development stage enterprise in the process of exploring its mineral properties, held both directly and indirectly through its majority-owned subsidiary North Atlantic Iron Corporation.
2. NAIC, a private corporation, incorporated under the *Corporations Act* of Newfoundland and Labrador, is a development stage enterprise in the process of exploring its mineral properties in Newfoundland and Labrador, Canada. It is a majority owned subsidiary of GRI.
3. FSM, a private corporation, incorporated under the laws of Pennsylvania, operates a smelting plant in Forks Township, Pennsylvania. It is a wholly owned subsidiary of GRI.

The results of the segments are as follows:

	Corporate		GRI		NAIC		FSM		Eliminations		Consolidated	
	31-Dec-13	31-Dec-12	31-Dec-13	31-Dec-12	31-Dec-13	31-Dec-12	31-Dec-13	31-Dec-12	31-Dec-13	31-Dec-12	31-Dec-13	31-Dec-12
	$	$	$	$	$	$	$	$	$	$	$	$
Revenue - external customers	-	-	-	-	-	-	-	-	-	-	-	-
Revenue - intersegment	-	-	39,394	-	-	-	580,447	-	619,840		-	-
	-	-	39,394	-	-	-	580,447	-	619,840	-	-	-
Operating expenses	724,972	350,414	108,907	-	659,760	-	540,944	-	666,359	-	1,368,223	350,414
EBITDA	(724,972)	(350,414)	(69,513)	-	(659,760)	-	39,503	-	(46,519)	-	(1,368,223)	(350,414)
Share of income (loss) of associate	-	(121,571)	-	-	-	-	-	-	-	-	-	(121,571)
Depreciation and Amortization	(361)	(481)	(2,893)	-	(15,884)	-	18,261	-	18,261	-	(19,138)	(481)
Interest and bank charges	(75)	(357)	(5,845)	-	(5,845)	-	(8,081)	-	(1,371)	-	(18,475)	(357)
	(436)	(122,408)	(8,738)	-	(21,729)	-	10,180	-	16,890	-	(37,612)	(122,408)
Segment loss before taxes	(725,407)	(472,822)	(78,251)	-	(681,489)	-	49,683	-	(29,629)	-	(1,405,835)	(472,822)
Income tax (recovery)	-	-	-	-	-	-	-	-	-	-	-	-
	(725,407)	(472,822)	(78,251)	-	(681,489)	-	49,683	-	(29,629)	-	(1,405,835)	(472,822)

The Corporation's Board of Directors evaluates the performance of these segments and allocates resources to them based on certain performance measures (mainly earnings from operations and cash flow from operations). Segment earnings correspond to each business' earnings from operations. The Corporation's management reporting system evaluates performance based on a number of factors; however the primary profitability measure is the earnings from operations before depreciation, amortization, net financing income or expense and income taxes ("EBITDA").

(Amounts presented in Canadian Dollars)

Geographical segments

The above segments are managed on a worldwide basis, but operate in two principal geographical areas, namely, Canada and the United States.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

There are no revenues from external customers for the periods ending December 31, 2013 and December 31, 2012

Non-current assets:

	31-Dec-13 $	31-Dec-12 $
Canada	55,795,202	4,021,468
United State of America	1,903,183	-
Total non-current assets	57,698,386	4,021,468