NORTHERN IRON CORP.

Financial Statements

For the Year Ended 30 September 2012

Stated in Canadian Funds

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To the Shareholders of Northern Iron Corp.:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and the Audit Committee are composed primarily of Directors who are neither management nor employees of the Company. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and the external auditors. The Audit Committee has the responsibility of meeting with management, and the external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Board is also responsible for recommending the appointment of Northern Iron's external auditors.

We draw attention to Note 1 in the financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

MNP LLP, an independent firm of Chartered Accountants, is appointed by the shareholders to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and Audit Committee and management to discuss their audit findings.

28 January 2013

"Basil Botha"	*"Grant T. Smith"*
Basil Botha, CEO	Grant T. Smith, CFO

MNP LLP

INDEPENDENT AUDITORS' REPORT

To the Shareholders of **Northern Iron Corp.**:

We have audited the accompanying financial statements of Northern Iron Corp., which comprise the statements of financial position as at September 30, 2012, September 30, 2011, and October 1, 2010, and the statements of loss and comprehensive loss, deficit and cash flows for the years ended September 30, 2012 and September 30, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Northern Iron Corp. as at September 30, 2012, September 30, 2011, and October 1, 2010, and the results of its financial performance and its cash flows for the years ended September 30, 2012 and September 30, 2011 in accordance with Canadian generally accepted accounting principles.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 of these financial statements, which states that Northern Iron Corp. incurred significant losses from operations, negative cash flows from operating activities and has an accumulated deficit. This, along with other matters described in Note 1, indicates the existence of a material uncertainty which may cast doubt about the ability of Northern Iron Corp. to continue as a going concern.

MNP LLP

January 28, 2013
Vancouver, British Columbia

Chartered Accountants

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Northern Iron Corp.

Statement 1

Canadian Funds

STATEMENT OF FINANCIAL POSITION

	Note	As at 30 September 2012	30 September 2011	01 October 2010
ASSETS				
Current Assets				
Cash		**$ 5,966,364**	$ 10,781,118	$ 618,085
Amounts receivable		**165,286**	191,954	23,939
Prepaid amounts and other assets		**86,121**	214,476	91,461
		6,217,771	11,187,548	733,485
Non-current Assets				
Deposits		**322,707**	-	-
Exploration and evaluation assets	(7)	**6,608,991**	3,203,580	1,558,891
Intangible assets	(8)	**-**	-	4,141
Equipment	(9)	**46,929**	55,328	40,971
		6,978,627	3,258,908	1,604,003
		$ 13,196,398	$ 14,446,456	$ 2,337,488
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities		**$ 424,192**	$ 560,508	$ 62,190
Income tax payable		**15,000**	-	-
		439,192	560,508	62,190
Non-Current Liabilities				
Deferred income tax liability	(14)	**440,621**	-	-
Flow-through share premium		**-**	662,121	70,000
		440,621	662,121	70,000
EQUITY				
Share capital *(statement 3)*		**13,629,577**	13,454,177	2,603,471
Contributed surplus – options *(statement 3)*		**395,600**	211,000	203,000
Contributed surplus – warrants *(statement 3)*		**715,307**	715,307	-
Deficit *(statement 3)*		**(2,423,899)**	(1,156,657)	(601,173)
		12,316,585	13,223,827	2,205,298
		$ 13,196,398	$ 14,446,456	$ 2,337,488

Nature of operations and going concern	(1)	Subsequent events	(15)
Related party transactions	(11)	IFRS adjustments	(16)
Capital management	(13)	Commitment	(17)

These financial statements were approved on behalf of the board of directors on 28 January 2013 and were signed on its behalf by:

"Basil Botha"
Basil Botha, Director

"Gordon A. McCreary"
Gordon A. McCreary, Director

-- See Accompanying Notes --

Northern Iron Corp.

Canadian Funds

Statement 2

STATEMENT OF COMPREHENSIVE LOSS AND DEFICIT

	Note		Year ended 30 September 2012		Year ended 30 September 2011
CONTINUING OPERATIONS					
Expenses (Recovery)					
Consulting fees	(11)	$	**779,734**	$	209,121
Travel			**205,032**		142,290
Stock-based compensation	(10,11)		**204,422**		-
Professional fees	(11)		**118,289**		153,161
Shareholder relations			**113,263**		43,670
Office and general			**75,915**		42,528
Transfer agent and filing fees			**47,684**		28,037
Insurance			**20,441**		9,355
Amortization	(8,9)		**12,443**		15,785
Bank charges and interest			**3,275**		(1,296)
Foreign exchange			**2,307**		-
Loss from Continuing Operations		$	**1,582,805**	$	642,651
Income tax expense			**15,000**		-
Deferred income tax recovery	(14)		**(221,500)**		(87,167)
Interest income			**(109,063)**		-
Comprehensive Loss for the Year			**(1,267,242)**		555,484
Basic and Diluted Loss per Common Share		$	**(0.02)**	$	(0.02)
Weighted Average Number of Shares Outstanding			**74,675,765**		33,298,119

-- See Accompanying Notes --

Northern Iron Corp.

Canadian Funds

Statement 3

STATEMENT OF CHANGES IN EQUITY

	Shares		Amount	Options		Amount	Warrants		Amount		Deficit		Shareholders' Equity
BALANCE 01 OCTOBER 2010	28,165,000	$	2,603,471	2,600,000	$	203,000	-	$	-	$	(601,173)	$	2,205,298
Shares for professional services	80,000		12,000	-		-	-		-		-		12,000
Issuance of flow-through shares	343,333		34,333	-		-	-		-		-		34,333
Share issuance costs	-		(12,000)	-		-	-		-		-		(12,000)
Net loss for the period	-		-	-		-	-		-		(101,578)		(101,578)
BALANCE AT 31 DECEMBER 2010	28,588,333	$	2,637,804	2,600,000	$	203,000	-	$	-	$	(702,751)	$	2,138,053
Shares on property acquisition	50,000		5,000	-		-	-		-		-		5,000
Stock options granted	-		-	300,000		8,000	-		-		-		8,000
Net loss for the period	-		-	-		-	-		-		(125,717)		(125,717)
BALANCE AT 31 MARCH 2011	28,638,333	$	2,642,804	2,900,000	$	211,000	-	$	-	$	(828,468)	$	2,025,336
Stock options expired	-		-	(600,000)		-	-		-		-		-
Net loss for the period	-		-	-		-	-		-		(58,191)		(58,191)
BALANCE AT 30 JUNE 2011	28,638,333	$	2,642,804	2,300,000	$	211,000	-	$	-	$	(886,659)	$	1,967,145
Issuance of shares	27,967,299		7,929,907	-		-	-		-		-		7,929,907
Issuance of flow-through shares	17,424,243		4,939,794	-		-	-		-		-		4,939,794
Issuance of purchase warrants	-		-	-		-	36,679,421		608,368		-		608,368
Issuance of agent's warrants	-		(106,939)	-		-	3,964,656		106,939		-		-
Share issuance costs	-		(1,951,389)	-		-	-		-		-		(1,951,389)
Net loss for the period	-		-	-		-	-		-		(269,998)		(269,998)
BALANCE AT 30 SEPTEMBER 2011	74,029,875	$	13,454,177	2,300,000	$	211,000	40,644,077	$	715,307	$	(1,156,657)	$	13,223,827

-- See Accompanying Notes --

Northern Iron Corp.

Canadian Funds

Statement 3

STATEMENT OF CHANGES IN EQUITY CONTINUED

	Shares		Amount	Options		Amount	Warrants		Amount		Deficit		Shareholders' Equity
BALANCE AT 01 OCTOBER 2011	74,029,875	$	13,454,177	2,300,000	$	211,000	40,644,077	$	715,307	$	(1,156,657)	$	13,223,827
Issuance of shares for property	500,000		100,000	-		-	-		-		-		100,000
Issuance of stock options	-		-	1,325,000		100,000	-		-		-		100,000
Net loss for the period	-		-	-		-	-		-		(414,420)		(414,420)
BALANCE AT 31 DECEMBER 2011	74,529,875	$	13,554,177	3,625,000	$	311,000	40,644,077	$	715,307	$	(1,571,077)	$	13,009,407
Issuance of shares for property	100,000		14,000	-		-	-		-		-		14,000
Net loss for the period	-		-	-		-	-		-		(380,417)		(380,417)
BALANCE AT 31 MARCH 2012	74,629,875	$	13,568,177	3,625,000	$	311,000	40,644,077	$	715,307	$	(1,951,494)	$	12,642,990
Issuance of stock options	-		-	600,000		61,000	-		-		-		61,000
Stock options exercised	350,000		35,000	(350,000)		-	-		-		-		35,000
Fair value of options exercised	-		26,400	-		(26,400)	-		-		-		-
Stock options expired	-		-	(150,000)		-	-		-		-		-
Net loss for the period	-		-	-		-	-		-		(384,803)		(384,803)
BALANCE AT 30 JUNE 2012	74,979,875	$	13,629,577	3,725,000	$	345,600	40,644,077	$	715,307	$	(2,336,297)	$	12,354,187
Issuance of stock options	-		-	725,000		50,000	-		-		-		50,000
Net income for the period	-		-	-		-	-		-		(87,602)		(87,602)
BALANCE AT 30 SEPTEMBER 2012	74,979,875	$	13,629,577	4,450,000	$	395,600	40,644,077	$	715,307	$	(2,423,899)	$	12,316,585

-- See Accompanying Notes --

Northern Iron Corp.

Canadian Funds

Statement 4

STATEMENT OF CASH FLOWS

	Note	Year ended 30 September 2012	Year ended 30 September 2011
OPERATING ACTIVITIES			
Loss for the Year		$ (1,267,242)	$ (555,484)
Items not Affecting Cash			
Deferred income tax recovery		(221,500)	(87,167)
Amortization	(8,9)	12,443	15,784
Stock-based compensation	(10)	204,422	-
		(1,271,877)	(626,867)
Net Change in Non-Cash Working Capital			
Amounts receivable		26,668	(168,015)
Prepaids amounts and other assets		128,355	(123,015)
Accounts payable and accrued liabilities		(506,872)	93,464
		(1,623,726)	(824,433)
INVESTING ACTIVITIES			
Acquisition of equipment	(9)	(4,044)	(26,000)
Resource property acquisition costs		(31,000)	(20,000)
Exploration and evaluation expenditures		(2,868,277)	(1,271,942)
Deposits		(322,707)	-
		(3,226,028)	(1,317,942)
FINANCING ACTIVITIES			
Proceeds from option exercises		35,000	-
Proceeds from share and unit issuances		-	14,191,690
Share issuance costs		-	(1,886,282)
		35,000	12,305,408
Net Increase (Decrease) in Cash		(4,814,754)	10,163,033
Cash position – beginning of year		10,781,118	618,085
Cash Position – End of Year		$ 5,966,364	$ 10,781,118
Schedule of Non-cash Investing and Financing Transactions			
Shares issued for resource property acquisition		$ 114,000	$ 5,000
Exploration and evaluation expenditures in accounts payable		$ 335,556	$ 339,747
Share issuance costs included in accounts payable		$ -	$ 65,107
Stock-based compensation capitalized as exploration and evaluation assets		$ 6,578	$ 8,000
Shares issued for share issuance costs		$ -	$ 12,000
Supplementary Disclosure of Cash Flow Information			
Exploration expenditures included in deposits		$ 325,000	$ 200,000
Cash paid for interest		$ -	$ 1,543
Cash paid for income taxes		$ -	$ -

-- See Accompanying Notes --

NOTES TO THE FINANCIAL STATEMENTS

1) Nature of Operations and Going Concern

The Company was incorporated pursuant to the Company Act (Ontario) by registration of its Memorandum and Articles on 20 November 2009. On 09 July 2010 the Company registered in British Columbia for extra provincial registration as the Company's administrative office is located in British Columbia. The Company is classified as a 'Junior Natural Resource-Mining' company.

The Company is in the business of acquiring and exploring mineral properties in Red Lake Mining Division, Ontario and other locations. There has been no determination whether properties held contain ore reserves, which are economically recoverable. The recoverability of valuations assigned to mineral properties is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the properties, the ability to obtain the necessary financing to complete development, and future profitable production or proceeds from disposition.

These financial statements have been prepared on the basis of the accounting principles applicable to a going concern, which assumes the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

There are several adverse conditions that cast significant doubt upon the soundness of this assumption. The business of mining and exploration 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 resource property expenditures is dependent upon several factors. These include the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these properties, and future profitable production or proceeds from disposition of mineral properties.

Consistent with other companies, in the sector of mineral exploration, the Company has incurred operating losses since inception, has no source of revenue, is unable to self-finance operations and has significant cash requirements to meet its overhead and maintain its mineral interests.

For the company to continue to operate as a going concern it must continue to obtain additional financing to maintain operations; although the Company has been successful in the past at raising funds, there can be no assurance that this will continue in the future.

If the going concern assumption were not appropriate for these financial statements then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the statement of financial position classifications used and such adjustments could be material.

		30 September 2012		30 September 2011		01 October 2011
Working capital	$	5,779,000	$	10,627,000	$	671,000
Accumulated deficit	$	(2,424,000)	$	(1,157,000)	$	(601,000)

2) Basis of Preparation – Statement of Compliance

These financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and related IFRS Interpretations Committee (“IFRICs”) as issued by the International Accounting Standards Board and effective for the year ending 30 September 2012.

These financial statements were authorized by the board of directors on 28 January 2013.

These first annual financial statements have been prepared in accordance with IFRS 1, First-Time Adoption of IFRS. Subject to certain transaction elections disclosed in note 16, the accounting policies disclosed in note 3 have been consistently applied in the opening Statement of Financial Position at 01 October 2010, and throughout all years presented. The disclosure concerning the transition from Canadian Generally Accepted Accounting Principles (“GAAP”) to IFRS are included in note 16.

3) Summary of significant accounting policies

The financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial instruments. The Company's principal accounting policies are outlined below:

a) Basis of presentation

The financial statements of the Company are prepared in accordance with International Financial Reporting Standards.

b) Measurement uncertainty

The preparation of these financial statements, in conformity with IFRS, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Significant areas that require estimates as the basis for determining the stated amounts include assumptions related to the recoverability of outstanding accounts receivable, fair values of financial instruments and the deferred tax asset not recognized of deferred income tax assets.

Depreciation and depletion of property, plant and equipment assets are dependent upon estimates of useful lives and reserve estimates, both of which are determined with the exercise of judgement. The assessment of any impairment of property, plant and equipment is dependent upon estimates of recoverable amount that take into account factors such as reserves, economic and market conditions and the useful lives of assets. Provisions for environmental rehabilitations are recognized in the period in which they arise and are stated as the fair value of estimated future costs.

The Company bases its estimates and assumptions on current facts, historical experience, and various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. These estimates require extensive judgement about the nature, cost and timing of the work to be completed, and may change with future changes to costs, environmental laws and regulations and remediation practices. The actual results experienced by the Company may differ materially and adversely from the Company’s estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected.

c) Foreign currency

The financial statements are presented in Canadian dollars, which is the functional and presentation currency.

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the end of reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates. Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences and other changes in the carrying amount of the security. Translation differences are recognized in the income statement and other changes in carrying amount are recognized in equity.

Translation differences on non-monetary financial assets, such as investments in equity securities, classified as available-for-sale are reported as part of the fair value gain or loss and are included in equity.

In respect of all foreign operations, any exchange differences that have arisen before 01 October 2010, the date of transition to IFRS, are deemed to be nil and will be excluded from the determination of any subsequent profit or loss on disposal.

d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. The following specific criteria must be met before revenue is recognized:

<u>Production revenue</u>

Revenue from production is recognized when all of the following conditions are satisfied:

- the specific risks and rewards of ownership have been transferred to the purchaser;
- the Company does not retain continuing managerial involvement to the degree usually associated with ownership or effective control over the product;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the sale can be measured reliably.

<u>Interest income</u>

Interest income is recognized in the income statement as it accrues, using the effective interest method.

e) Share-based payments

The Company grants stock options to buy common shares of the Company to directors, officers, employees and service providers. The board of directors grants such options for periods of up to five years, with vesting periods determined at its sole discretion and at prices equal to or greater than the closing market price on the day preceding the date the options were granted.

The fair value of the options is measured at grant date, using the Black-Scholes option pricing model, and is recognized during the period that the employees earn the options. The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as expense is adjusted to reflect the number of share options expected to vest. Forfeitures of stock options are accounted for as incurred.

f) Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing the net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting year. Diluted earnings per share is computed similar to basic earnings per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

g) Comprehensive income

Comprehensive income is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that would not normally be included in net profit such as unrealized gains or losses on available-for-sale investments, gains or losses on certain derivative instruments and foreign currency gains or losses related to self-sustaining operations. The Company's comprehensive income, components of other comprehensive income, and cumulative translation adjustments are presented in the Statements of Comprehensive Income and the Statements of Shareholders' Equity.

h) Exploration and Evaluation Assets

The Company is currently in the exploration stage with all of its mineral interests. Exploration and evaluation costs include the costs of acquiring licenses, costs incurred to explore and evaluate properties, and the fair value, upon acquisition, of mineral properties acquired in a business combination.

Costs of acquisition and exploration of mineral properties are capitalized until either commercial production is established or a property is abandoned. Once commercial production has commenced, the net costs of the applicable property are charged to operations using the unit-of-production method based on estimated proven and probable recoverable reserves. The net costs related to abandoned properties are charged to income. Office and administration costs not specifically related to mineral projects are expensed in the year in which they occur.

The Company reviews the carrying value of each property on an annual basis, as a minimum. This review generally is made by reference to the timing of exploration work, work programs proposed and the exploration results achieved by the Company and others. When the carrying value of a property is estimated to exceed its net recoverable amount, provision is made for the decline in fair value.

The amounts shown for the mineral properties represent costs incurred to date and do not reflect present or future values. The recoverability of these capitalized costs is dependent upon the existence of economically recoverable reserves and the ability of the Company to obtain necessary financing to successfully complete their exploration program.

From time to time, the Company may acquire or dispose of mineral interests pursuant to the terms of option agreements. Due to the fact that options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded in the period that the payments are made or received. The Company does not accrue costs to maintain mineral interests in good standing.

<u>Restoration provisions</u>

The Company recognizes liabilities for legal obligations associated with the reclamation or rehabilitation of mineral property interests that the Company is required to settle. The Company recognizes the fair value of liabilities for such obligations in the year in which they occur or in the year in which a reasonable estimate of such costs can be made. The obligation is recorded as a liability with a corresponding charge to operations. The Company has determined that it has no restoration obligations as at 30 September 2012.

i) Cash and cash equivalents

The Company considers cash and cash equivalents to include amounts held in banks and highly liquid investments with maturities at a point of purchase of three months or less.

j) Equipment

Other assets are depreciated using the straight-line method based on estimated useful lives, which generally range from 5 to 7 years. Land is not depreciated.

Where an item of plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of plant and equipment.

Expenditures incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized. Directly attributable expenses incurred for major capital projects and site preparation are capitalized until the ass et is brought to a working condition for its intended use. These costs include dismantling and site restoration costs to the extent these are recognized as a provision.

The costs of day-to-day servicing are recognized in profit or loss as incurred. These costs are more commonly referred to as "maintenance and repairs."

Financing costs directly associated with the construction or acquisition of qualifying assets are capitalized at interest rates relating to loans specifically raised for that purpose, or at the average borrowing rate where the general pool of group borrowings is utilized. Capitalization of borrowing costs ceases when the asset is substantially complete.

The depreciation method, useful life and residual values are assessed annually.

Leased assets

Leases in which the Company assumes substantially all risks and rewards of ownership are classified as finance leases. Finance leases are recognized at the lower of the fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

Subsequent costs

The cost of replacing part of an item within property, plant and equipment is recognized when the cost is incurred if it is probable that the future economic benefits will flow to the Company and the cost of the item can be measured reliably. All other costs are recognized as an expense as incurred.

Impairment

The Company's tangible and intangible assets are reviewed for an indication of impairment at each statement of financial position date. If indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit and loss for the period.

Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversal of impairment

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

Equipment is recorded at cost. Amortization is recorded at rates sufficient to write-off the cost of the assets over their estimated useful lives. Amortization rates are as follows:

Computer equipment	45% declining balance basis
Field equipment	20% declining balance basis
Computer software	100% declining balance basis

k) Share capital

Share capital issued for non-monetary consideration is recorded at an amount based on the quoted market value of the Company's shares at the time of issuance.

l) Environmental

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of property, plant and equipment when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates is capitalized along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as mining assets.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the period.

The costs of rehabilitation projects that were included in the rehabilitation provision are recorded against the provision as incurred. The cost of ongoing current programs to prevent and control pollution is charged against profit and loss as incurred.

m) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

n) Income Taxes

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in the statement of income and comprehensive income.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred taxes are recorded using the statement of financial position liability method. Under the statement of financial position liability method, deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled.

The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it provides a deferred tax asset not recognized against the excess.

The following temporary differences do not result in deferred tax assets or liabilities:

- the initial recognition of assets or liabilities that do not affect accounting or taxable profit
- goodwill

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

o) Financial instruments

All financial instruments must be recognized, initially, at fair value on the statement of financial position. The Company has classified each financial instrument into the following categories: "held for trading," "loans and receivables," "other liabilities", and "fair value through profit and loss". Subsequent measurement of the financial instruments is based on their respective classification. Unrealized gains and losses on held for trading instruments are recognized in earnings. The other categories of financial instruments are recognized at amortized cost using the effective interest method. The Company had made the following classifications:

Financial Assets or Liabilities	Category
Cash and cash equivalents	Fair value through profit and loss
Deposits	Loans and receivables
Amounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities

p) Flow-through shares

Canadian tax legislation permits a company to issue flow-through shares whereby the deduction for tax purposes relating to qualified resource expenditures is claimed by the investors rather than the Company. Recording these expenditures for accounting purposes gives rise to taxable temporary differences. A liability is recognized for the premium on the flow-through shares and is subsequently reversed as the Company incurs qualifying Canadian exploration expenses. When flow-through expenditures are renounced to the investors, a portion of the deferred income tax assets that were not recognized in previous years, due to the recording of a deferred tax asset not recognized, are recognized as a recovery of income taxes in the statement of operations.

q) Title to exploration and evaluation properties

Although the Company has taken steps to verify the title to resource properties 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 unregistered prior agreements or transfers.

r) Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expenses over the corresponding period. The effective interest rate is the rate that exactly discounts estimated future cash payments over the expected life of the financial liability, or, where appropriate, a shorter period.

The group derecognizes financial liabilities when, and only when, the group's obligations are discharged, cancelled or they expire.

4) Critical accounting judgements and key sources of estimation uncertainty

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

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

The following are the critical judgments and areas involving estimates, that management have made in the process of applying the Company's accounting policies and that have the most significant effect on the amount recognized in the financial statements.

a) Key sources of estimation uncertainty

Useful life of plant and equipment

As discussed in note 3(j), the Company reviews the estimated lives of its plant and equipment at the end of each reporting period. There were no material changes in the lives of plant and equipment for the years ended 30 September 2012 and 2011.

Share based payments

Management assesses the fair value of stock options granted in accordance with the accounting policy stated in note 3. The fair value of stock options granted is measured using the Black-Scholes option valuation model ("BkS"), which was created for use in estimating the fair value of freely tradable, fully transferable options. The Company's stock options have characteristics significantly different from those of traded options, and changes in the highly subjective input assumptions can materially affect the calculated values. The fair value of stock options granted using the BkS do not necessarily provide a reliable measure of the fair value of the Company's stock option awards.

Income Taxes

Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.

5) Accounting standards issued but not yet effective

a) IFRS 9, Financial Instruments

The Standard is effective for annual periods beginning on or after 01 January 2015, with earlier adoption permitted. The standard is the first part of a multi-phase project to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The Company is currently assessing the impact it will have on the financial statements.

b) IFRS 10, Consolidated Financial Statements

IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 supersedes IAS 27, *Consolidated and* 22 *Separate Financial Statements"* and Standing Interpretation Committee ("SIC")-12 *"Consolidation – Special Purpose Entities,* and is effective for annual periods beginning on or after 01 January 2013. Earlier application is permitted. The Company does not expect the standard to have a material impact on its financial statements.

c) IFRS 11, Joint Arrangements

IFRS 11 establishes principles for financial reporting by parties to a joint arrangement. IFRS 11 supersedes current IAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly Controlled Entities-Non – Monetary Contributions by Venturers* and is effective for annual periods beginning on or after 01 January 2013. Earlier application is permitted. The Company is currently assessing the impact it will have on the financial statements.

d) IFRS 12, Disclosure of Interests in Other Entities

IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. IFRS 12 is effective for annual periods beginning on or after 01 January 2013. Earlier application is permitted. The Company is currently evaluating the impact of this standard on its financial statements.

e) IFRS 13, Fair Value Measurements

IFRS 13 defines fair value, sets out in a single IFRS framework for measuring value and requires disclosures about fair value measurements. The IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except in specified circumstances. IFRS 13 is to be applied for annual periods beginning on or after 01 January 2013. Earlier adoption is permitted. The Company is currently evaluating the impact of the standard on its financial statements.

f) Amendments to IAS 1, Presentation of Financial Statements

The amendments introduce changes to presentation of items of other comprehensive income. The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit and loss in the future if certain conditions are met from those that would never be reclassified to profit and loss. The amendments are to be applied effective 01 July 2012 and may be early adopted. The amendments are to be applied retroactively in accordance with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*. The Company is currently evaluating the impact of the amendments on its financial statements.

g) IAS 19, Employee Benefits (amended standard)

The amended standard introduces various changes in accounting and disclosure requirements for defined benefit plans. The amended standard also finalizes proposals on accounting for termination benefits; under the amended standard the termination benefits are recognized at the earlier of when the entity recognizes costs for a restructuring within the scope of IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, that includes the payment of a termination benefit, and when the entity can no longer withdraw the offer of the termination benefit. The amended standard is to be applied for periods beginning on or after 01 January 2013. Early adoption is permitted. The amendments to the standard do not impact the Company's financial statements.

h) IAS 27, Separate financial statements

IAS 27, "*Separate financial statements*" (IAS 27) was re-issued by the IASB in May 2011 to only prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The consolidation guidance will now be included in IFRS 10. The amendments to IAS 27 are effective for annual periods beginning on or after 01 January 2013. The standard does not impact the financial statements.

i) IAS 28, Investments in Associates and Joint Ventures (amended standard)

The standard was updated to incorporate the accounting for joint ventures because the equity method is now applicable to both joint ventures and associates. The disclosure requirements from IAS 28 (as revised in 2003) have been included in IFRS 12. The Company is currently assessing the impact it will have on the financial statements.

j) IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine

IFRIC 20 is a new interpretation on the accounting for waste removal activities. The interpretation considers when and how to account separately for the benefits arising from a stripping activity, as well as how to measure such benefit. The interpretation generally requires that costs from a stripping activity which improve access to ore to be recognized as a non-current asset when certain criteria are met and should be accounted as an addition to the related asset. The Company does not expect the standard to impact its financial statements.

6) Financial Instruments and Risk Management

a) Financial instrument classification and measurement

Financial instruments of the Company carried on the Statement of Financial Position are carried at amortized cost with the exception of cash, which is carried at fair value. There are no significant differences between the carrying value of financial instruments and their estimated fair values as at 30 September 2012, 30 September 2011, and 01 October 2010.

The fair value of the Company's cash is quoted in active markets. The Company classifies the fair value of these transactions according to the following hierarchy.

- Level 1 – quoted prices in active markets for identical financial instruments.
- Level 2 – quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
- Level 3 – valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

The Company's cash has been assessed on the fair value hierarchy described above and classified as Level 1.

b) Fair values of financial assets and liabilities

The Company's financial instruments include cash, amounts receivable, accounts payable and due to related parties. At 30 September 2012, 30 September 2011, and 01 October 2010, the carrying value of cash is fair value. Accounts receivable, accounts payable and due to related parties approximate their fair value due to their short term nature.

c) Market risk

Market risk is the risk that changes in market prices will affect the Company's earnings or the value of its financial instruments. Market risk is comprised of commodity price risk and interest rate risk. The objective of market risk management is to manage and control exposures within acceptable limits, while maximizing returns. The Company is not exposed to significant market risk.

d) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its bank accounts. The Company's bank accounts are held with major banks in Canada accordingly the Company believes it not exposed to significant credit risk.

e) Interest rate risk

Interest rate risk is the risk of losses that arise as a result of changes in contracted interest rates. The Company is nominally exposed to interest rate risk.

f) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. To manage this risk the Company maintains only the minimum amount of foreign cash required to fund its ongoing exploration expenditures. As at 30 September 2012, 30 September 2011, and 01 October 2010, the Company holds no cash denominated in foreign currency and therefore is not exposed to significant foreign currency risk.

7) Exploration and Evaluation Assets

As at 30 September 2012, the Company is running an exploration program in the following properties to define iron ore economic resources.

The Company holds outright five contiguous mineral properties located in the Red Lake Mining Division.

a) El Sol property

100% interest in 4 mineral claims covering 1,024 hectares, known as the El Sol Property. This agreement is subject to a 2% Net Smelter Royalty ("NSR") upon commencement of commercial production. Subsequent to the year-end, the Company purchased this 2% NSR for $160,000 and signed an asset purchase agreement under which Ontario Iron Mining Inc. ("OIMI") will acquire 100% of the El Sol property, as disclosed in note 15. The Company has performed all of the requirements of the agreement, as detailed below:

Date	Shares Issued		Cash Payment
17 February 2010	500,000	(i)	-
17 February 2010	8,500,000	(i)	-

(i) Issued

b) Griffith Mine property

100% interest in 16 mineral claims covering 2,624 hectares, known as the Griffith Mine Property. The agreement is subject to a 1% NSR upon commencement of commercial production. On 17 December 2011, the Company entered into an agreement to acquire a 100% interest in 5 mineral claims located adjacent to the Griffith Mine property. These claims are also subject to a 1% NSR upon commencement of commercial production. The Company has performed all of the requirements of the agreement, as detailed below:

Date	Shares Issued		Cash Payment	
05 January 2010	-		6,000	(ii)
05 January 2010	2,000,000	(i)	-	
24 December 2011	-		6,000	(ii)
31 January 2012	100,000	(i)	-	

(i) Issued

(ii) Paid

c) Karas property

100% interest in 15 mineral claims covering 3,200 hectares, known as the Karas Property. For details on requirements relating to this property, see the table included with Whitemud property, below.

d) Whitemud property

100% interest in 28 mineral claims covering 5,168 hectares, known as Whitemud Property.

In order to keep the Karas and Whitemud property agreements in good standing, the Company must perform the following by the dates specified below. Subsequent to the year-end, the Company signed an asset purchase agreement under which OIMI will acquire 100% of the Whitemud property, as disclosed in note 15.

Date	Shares Issued			Cash payments	
03 March 2010	500,000	(i)	$	-	
03 March 2010	2,000,000	(i)		-	
01 August 2010	-			15,000	(ii)
31 January 2011	-			20,000	(ii)
31 January 2012	-			25,000	(ii)
30 June 2012	50,000	(i)		-	
31 January 2013	-			40,000	
31 May 2013	50,000			-	
31 May 2014	50,000			-	
Total	2,650,000		$	100,000	

(i) Issued

(ii) Paid

e) Papagonga property

100% interest in 10 mineral claims covering 2,096 hectares, known as the Papagonga Property. The Company has performed all of the requirements of the agreement, as detailed below:

Date	Shares Issued			Cash Payment	
26 April 2010	-		$	5,000	(ii)
26 May 2011	500,000	(i)		-	

(i) Shares were issued on 25 October 2011

(ii) Paid

f) Details of exploration and evaluation activities are as follows:

01 October 2010	$	1,558,891	
Drilling		945,452	
Admin and camp		272,835	
Geological and consulting		209,871	(i)
Assaying		70,662	
Survey		68,226	
Acquisition		25,000	(ii)
Transportation		35,313	
Geochemical		9,100	
Staking		8,230	
Total expenditures during the twelve month period	$	1,644,689	
Total cumulative as at 30 September 2011	$	3,203,580	
Drilling		**1,899,268**	
Geological and consulting		**858,867**	**(iii)**
Assaying		**221,210**	
Acquisition		**145,000**	**(iv)**
Admin and camp		**126,073**	
Staking		**84,998**	
Transportation		**69,395**	
Reports and mapping		**600**	
Total expenditures during the twelve month period	**$**	**3,405,411**	
Total cumulative as at 30 September 2012	**$**	**6,608,991**	

(i) Included in geological and consulting is stock-based compensation in the amount of $8,000.
(ii) Included in acquisition are stock issuances fair valued at $5,000.
(iii) Included in geological and consulting is stock-based compensation in the amount of $6,578.
(iv) Included in acquisition are stock issuances valued at $114,000.

8) Intangible Assets

Details are as follows:

		Computer Software
COST OR DEEMED COST		
Balance at 01 October 2010	$	5,521
Additions		-
Balance at 30 September 2011	$	5,521
Balance at 01 October 2011	$	5,521
Additions		-
Balance at 30 September 2012	$	5,521
DEPRECIATION		
Balance at 01 October 2010	$	1,380
Depreciation for the year		4,141
Balance at 31 September 2011	$	5,521
Balance at 01 October 2011	$	5,521
Depreciation for the year		-
Balance at 30 September 2012	$	5,521
CARRYING AMOUNTS		
At 01 October 2010	$	4,141
At 30 September 2011	$	-
At 30 September 2012	$	-

Intangible assets are stated, in the statement of financial position, at cost less accumulated depreciation and accumulated impairment losses. Assets in the course of construction are carried at cost, less any recognized impairment loss. Depreciation of these assets commences when the assets are ready for their intended use. The cost of intangible assets includes directly attributed incremental costs incurred in their acquisition and installation.

9) Equipment

Details are as follows:

	Computer Equipment	Field Equipment	Total
COST OR DEEMED COST			
Balance at 01 October 2010	$ 3,753	$ 40,156	$ 43,909
Additions	-	26,000	26,000
Balance at 30 September 2011	$ 3,753	$ 66,156	$ 69,909
Balance at 01 October 2011	$ 3,753	$ 66,156	$ 69,909
Additions	4,044	-	4,044
Balance at 30 September 2012	$ 7,797	$ 66,156	$ 73,953
DEPRECIATION			
Balance at 01 October 2010	$ 355	$ 2,583	$ 2,938
Depreciation for the year	1,529	10,114	11,643
Balance at 30 September 2011	$ 1,884	$ 12,697	$ 14,581
Balance at 01 October 2011	$ 1,884	$ 12,697	$ 14,581
Depreciation for the year	1,751	10,692	12,443
Balance at 30 September 2012	$ 3,635	$ 23,389	$ 27,024
CARRYING AMOUNTS			
At 01 October 2010	$ 3,398	$ 37,573	$ 40,971
At 30 September 2011	$ 1,869	$ 53,459	$ 55,328
At 30 September 2012	$ 4,162	$ 42,767	$ 46,929

Property, plant and equipment are stated, in the statement of financial position, at cost less accumulated depreciation and accumulated impairment losses. Assets in the course of construction are carried at cost, less any recognized impairment loss. Depreciation of these assets commences when the assets are ready for their intended use. The cost of property, plant, and equipment includes directly attributed incremental costs incurred in their acquisition and installation.

Assets held under capital lease are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease. The gain or loss arising on the disposal or retirement of an item of equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognized in the statement of comprehensive income (loss).

10) Share Capital

a) Authorized: Unlimited common shares without par value.

b) Issued or allotted and fully paid:

In June 2012, the Company issued 350,000 common shares upon the exercise of stock options at a price of $0.10 per option.

On 10 January 2012, the Company issued 100,000 shares at a value of $0.14 for a total value of $14,000 for the acquisition of a resource property, details of which are disclosed in Note 7.

With an effective date of 31 December 2011, the Company renounced $5,750,000 of flow-through share expenditures. This renunciation included all 17,424,243 flow-through shares issued in the Company's initial public offering, resulting in a deferred income tax adjustment of $221,500.

On 25 October 2011, the Company issued 500,000 shares at a value of $0.20 for a total value of $100,000 for the acquisition of a resource property, details of which are disclosed in Note 7.

During the fiscal year ended 30 September 2011, the Company renounced $261,500 of flow-through share expenditures, resulting in a deferred income tax adjustment of $87,167.

On 23 August 2011 the Company closed its initial public offering (the "Offering) of Non Flow-Through Units and Flow-Through Units for aggregate gross proceeds of $14,140,190. Pursuant to the Offering, 27,967,299 Non Flow-Through Units were sold at $0.30 per unit for gross proceeds of $8,390,190 and 17,424,243 Flow-Through Units were sold at $0.33 per unit for gross proceeds of $5,750,000. Each Non Flow-Through Unit is comprised of one common share in the capital of the Company (a "Common Share") and one common share purchase warrant (a "Warrant"). Each Warrant entitles the holder thereof to purchase one Common Share at a purchase price of $0.50 for a period of 24 months from the closing of the Offering. Each Flow-Through Unit is comprised of one Common Share that qualifies as a "flow-through share" and one-half of one Warrant. The funds raised include an 8% cash commission and 8% agent's warrants. Each Agent Warrant will be exercisable for one Non Flow-Through Unit at a price of $0.30 for a period of twenty-four months from the closing of the Offering. The Company also paid cash fees of $125,000 and 333,333 Agent Warrants.

On 31 January 2011 the Company issued 50,000 shares at a value of $0.10 for a total value of $5,000 for the acquisition of resource property.

On 16 November 2010 the Company issued 80,000 shares at a value of $0.15 for a total value of $12,000 for agent fees paid as commission.

On 15 November 2010 the Company completed the third tranche of a flow-through share private placement 300,000 shares at $0.15 per share for gross proceeds of $45,000.

On 08 October 2010 the Company completed the second tranche of a flow-through share private placement 43,333 shares at $0.15 per share for gross proceeds of $6,500.

c) Summary of stock option activity

The Company has adopted an incentive stock option plan to grant options to directors, officers, and consultants for up to 10% of the outstanding common shares. The Board of Directors determines the exercise price per share and the vesting period under the plan. The options can be granted for a maximum term of five years.

Details of stock options outstanding as at 30 September 2012 are as follows:

Issuance Date	Expiry Date	Exercise Price	2012
01 April 2010	01 April 2015	$0.05	500,000
01 April 2010	01 April 2015	0.10	25,000
11 June 2010	11 June 2015	0.10	1,050,000
01 July 2010	01 July 2015	0.10	25,000
28 March 2011	28 March 2013	0.30	300,000
13 October 2011	13 October 2016	0.30	200,000
21 December 2011	21 December 2016	0.30	1,025,000
23 May 2012	23 May 2017	0.10	600,000
10 July 2012	10 July 2017	0.15	725,000
			4,450,000

The outstanding options have a weighted average remaining life of the 3.54 years. As at 30 September 2012, all of these outstanding options had vested. Total exercisable is 4,450,000 with a weighted average exercise price of $0.17 as at 30 September 2012. As at 30 September 2011, exercisable options totalled 2,300,000 with a weighted average exercise price of $0.13.

d) Warrants

Warrant activity during the years ended 30 September 2012 and 2011 is summarized as follows:

WARRANT ACTIVITY	30 September 2012		Weighted average exercise price	30 September 2011		Weighted average exercise price
Balance – beginning of period	40,644,077	$	0.50	-	$	-
Warrants Issued	-		-	36,679,421		0.50
Agent Warrants Issued	-		-	3,964,656		0.50
Balance – end of period	40,644,077	$	0.50	40,644,077	$	0.50

(i) The number of warrants is expressed in equivalent number of common shares, which may be issuable upon exercise of the warrants.

Details of warrants outstanding as at 30 September 2012 are as follows:

Issued	Expiry		Exercise Price	30 September 2012
23 August 2011	25 August 2013	$	0.50	40,644,077

The fair value of the warrants were valued at $715,307 and recognized in the financial statements using the Black-Scholes Option-Pricing Model with the following weighted-average assumptions:

	2011
Risk-free interest rate	1.03%
Expected dividend yield	0.00
Expected stock price volatility	100.00%
Expected option life in years	2.00

e) Stock-based compensation

Details of the Company's issued stock options to its directors, officers, and consultants and recognized stock-based compensation during the year ended 30 September 2012 and the year ended 30 September 2011 are as follows:

		30 September 2012		30 September 2011
Total options granted		2,650,000		300,000
Average exercise price	$	0.21	$	0.30
Estimated fair value of compensation – Expense	$	204,422	$	-
Estimated fair value of compensation – Exploration and evaluation	$	6,578	$	8,000
Estimated fair value per option	$	0.08	$	0.03

The fair value of the stock-based compensation to be recognized in the accounts has been estimated using the Black-Scholes Option-Pricing Model with the following weighted-average assumptions:

	2012
Risk-free interest rate	1.16-1.60%
Expected dividend yield	0.00%
Expected stock price volatility	100.00%
Expected option life in years	4.60

Stock-based compensation for the options that vested during the period is as follows:

		30 September 2012		30 September 2011
Number of options vested		2,650,000		300,000
Total share-based payment	$	211,000	$	8,000

The Black-Scholes Option Pricing Model was created for use in estimating the fair value of freely tradable, fully transferable options. The Company's stock options have characteristics significantly different from those of traded options, and because changes in the highly subjective input assumptions can materially affect the calculated values, management believes that the accepted Black-Scholes model does not necessarily provide a reliable measure of the fair value of the Company's stock option awards.

11) Related Party Transactions

Transactions and balances with related parties not disclosed elsewhere in the financial statements are as follows for the years ended 30 September 2012 and 2011.

RELATED PARTY DISCLOSURE

Name and Principal Position	Period	Remuneration or fees [(1)]	Share-based awards	Accounts Receivable (Payable)
Basil Botha - President CEO and Director	**2012**	$ 245,000	$ -	$ (8,728)
	2011	65,000	-	(28,383)
G4G Resources Ltd. - a company of which the CEO is a director	**2012**	-	-	32,246
	2011	23,845	-	(6,165)
Peter Arendt Inc. – a company owned or controlled by the former President and CEO	**2012**	-	-	-
	2011	20,000	-	-
Golden Hammer – a company of which the VP of Exploration is an owner– consulting fees	**2012**	215,600	-	-
	2011	71,400	-	(11,354)
Clearline–a company of which the CFO is a director, professional fees	**2012**	60,406	-	(9,000)
	2011	51,840	-	(25,696)
Grant T. Smith – CFO	**2012**	-	12,444	-
	2011	-	-	-
OLF – a company in which a former director of the Company is a partner, for legal services	**2012**	13,542	-	-
	2011	386,172	-	(13,789)
1514380 Ontario Ltd. – a company owned or controlled by a Director	**2012**	170,000	-	(7,015)
	2011	-	-	-
Director	**2012**	-	35,833	-
	2011	-	-	-
Director	**2012**	10,000	30,207	-
	2011	-	-	-
Director	**2012**	-	30,207	-
	2011	-	-	-
Director	**2012**	-	44,402	-
	2011	-	-	-
Former director	**2012**	-	21,779	-
	2011	-	-	-

(1) Amounts disclosed were paid or accrued to the related party.

These transactions were in the normal course of operations and are measured at their exchange amount, which is the amount of consideration established and agreed to by the related parties.

12) Segmented Disclosure

The Company operates in only one industry segment, the exploration and development of resource properties, and holds assets only in Canada.

13) Capital Management

The Company's capital consists of shareholders' equity. The Company's objective when managing capital is to maintain adequate levels of funding to support the development of its businesses and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing, selling assets, and incurring debt. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. The Company invests all capital that is surplus to its immediate operational needs in short-term, highly liquid, high-grade financial instruments. There were no changes to the Company's approach to capital management during the period. The Company is not subject to externally imposed capital requirements. The Company does not currently have adequate s ources of capital to complete its exploration plan, current obligations and ultimately the development of its business, and will need to raise adequate capital by obtaining equity financing, selling assets and incurring debt. The Company may raise additional debt or equity financing in the near future to meet its current obligations.

14) Deferred Income Taxes

The following table reconciles the expected income taxes (recovery) at the Canadian statutory income tax rates to the amounts recognized in the statements of operations for the years ended 30 September 2012 and 2011:

	30 September 2012	30 September 2011
Income (loss) before income taxes	$ (1,488,740)	$ (642,651)
Statutory tax rate	25.38%	27.00%
Expected income tax (recovery)	(377,768)	(173,516)
Non-deductible items	61,558	3,934
Flow-through share premium	(662,121)	(87,167)
Change in enacted tax rate	(16,889)	46,599
Flow-through shares renouced	1,459,063	70,605
Share issuance cost	-	(530,115)
Change in deferred tax asset not recognized	(685,343)	582,493
Total income taxes (recovery)	$ (221,500)	$ (87,167)

Deferred income taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes. Deferred tax assets (liabilities) at 30 September 2012, 2011 and 2010 are comprised of the following:

	30 September 2012	30 September 2011	30 September 2010
Non capital loss carryforwards	$ 765,860	$ 355,061	$ 99,125
Mineral properties	(1,502,875)	(65,375)	-
Fixed assets	563	995	1,080
Financing costs	295,831	394,662	2,646
Deferred tax asset not recognized	-	(685,343)	(102,851)
Net deferred tax (liability)	$ (440,621)	$ -	$ -

The Company has non operating loss carryforwards of approximately $3,063,440 which may be carried forward to apply against future year income tax for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

Year of Expiry	**Taxable Loss**
2026	$ -
2027	-
2028	-
2029	-
2030	400,819
2031	1,019,425
2032	1,643,196
Total	$ 3,063,440

The deferred tax assets have not been recognized because at this stage of the Company's development, it is not determinable that Deferred taxable profit will be available against which the Company can utilize such deferred income tax assets.

Accounting for Uncertainty for Income Taxes

Effective month, date and year, the Company adopted the interpretation for accounting for uncertainty in income taxes which was an interpretation of the accounting standard accounting for income taxes. This interpretation created a single model to address accounting for uncertainty in tax positions. This interpretation clarifies the accounting for income taxes, by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements.

15) Subsequent Events

On 11 October 2012, the Company announced that it has acquired a 100% interest in four mineral claims located in the Red Lake mining district of Ontario (the "Karas Claims"). These claims are strategic and extend the Company's claims around the Karas property. In consideration for the 100% interest in the Karas Claims, the Company will issue to a vendor 100,000 common shares. In addition, the Company has acquired a 100% interest in two mining claims, along with surface rights, adjacent to the past producing Griffith Mine Property. In consideration, the Company will issue 1,500,000 common shares.

On 09 November 2012, the Company signed a purchase agreement with the optionors of the El Sol property Option Agreement whereby the Company purchased the 2% Net Smelter Royalty ("NSR") from the optionors for $160,000.

On 13 November 2012, the Company announced the signing of an asset purchase agreement under which OIMI will acquire 100% of the El Sol and Whitemud Properties from the Company for $5,000,000 cash. The full sale price will be paid on successful completion of OIMI's exclusive four month due diligence and transfer of property titles.

16) IFRS Adjustments

IFRS 1 First-time Adoption of International Financial Reporting Standards sets forth guidance for the initial adoption of IFRS. Under IFRS 1 the standards are applied retrospectively at the transitional statement of financial position date with all adjustment to assets and liabilities taken to retained earnings unless certain exemptions are applied. The Company has applied the following exemptions to its opening statement of financial position dated 01 October 2010:

a) Share-based payment transactions

IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2 Share-based Payment to equity instruments that were granted on or before 07 November 2002, or equity instruments that were granted subsequent to 07 November 2002 and vested before the later of the date of transition to IFRS and 01 January 2005. The Company has elected not to apply IFRS 2 to awards that vested prior to 01 October 2010.

IFRS 1 also outlines specific guidelines that a first-time adopter must adhere to under certain circumstances. The Company has applied the following guidelines to its opening statement of financial position dated 01 October 2010.

b) Income Taxes

Under Canadian GAAP, the Company recorded the proceeds received in a unit offering involving flow through shares to share capital, and then capitalized the related resource expenditures to mineral properties. The Company then renounced the tax benefits of the resource expenditures in accordance with income tax legislation, and recorded a future income tax liability in respect of the temporary taxable differences created by the renouncement as a reduction of share capital on the date on which the Company filed the renouncement. Under IFRS, at the time of issuing flow through shares, the Company allocates the proceeds of issuance to share capital as a liability based on the estimated premium, if any, an investor pays for the flow through common shares over the fair value of non-flow through shares issued as indicated by the quoted market price for common shares of the Company. When qualifying exploration expenditures are made and renounced, the Company records a related deferred tax expense and liability net of the share issue premium.

RECONCILIATION OF STATEMENT OF FINANCIAL POSITION AS AT 01 OCTOBER 2010

Canadian GAAP accounts		Canadian GAAP	Effect of transition	IFRS	IFRS Accounts
ASSETS					
Current Assets					
Cash		618,085	-	618,085	Cash
Amounts receivable		23,939	-	23,939	Amounts receivable
Prepaid amounts and other assets		91,461	-	91,461	Prepaid amounts and other assets
		733,485	-	733,485	
Non-current Assets					
Resource property		1,558,891	-	1,558,891	Exploration and evaluation assets
Equipment	(i)	45,112	(4,141)	40,971	Equipment
Intangible assets	(i)	-	4,141	4,141	Intangible assets
		1,604,003	-	1,604,003	
		2,337,488	-	2,337,488	
LIABILITIES					
Current Liabilities					
Accounts payable and accrued liabilities		62,190	-	62,190	Accounts payable and accrued liabilities
Non-current Liabilities					
Flow-through share premium	(ii)	-	70,000	70,000	Flow-through share premium
EQUITY					
Share capital	(ii)	2,673,471	(70,000)	2,603,471	Share capital
Contributed surplus – options		203,000	-	203,000	Contributed surplus – options
Deficit		(601,173)	-	(601,173)	Deficit
		2,275,298	(70,000)	2,205,298	
		2,337,488	-	2,337,488	

(i) This reclassification arises from a transfer of assets from tangible to intangible in accordance with IAS 1 P54, which dictates that intangible assets must be presented separately on the Statement of Financial Position. This change reflects computer software formerly classified as equipment.

(ii) This adjustment results from the flow-through share premium on the September 2010 issuance. The accounting treatment of the GAAP to IFRS transition is disclosed above in note 16b.

RECONCILIATION OF STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2011

Canadian GAAP accounts		Canadian GAAP	Effect of transition	IFRS	IFRS Accounts
ASSETS					
Current Assets					
Cash		10,781,118	-	10,781,118	Cash
Amounts receivable		191,954	-	191,954	Amounts receivable
Prepaid amounts and other assets		214,476	-	214,476	Prepaid amounts and other assets
		11,187,548	-	11,187,548	
Non-current Assets					
Resource property		3,203,580	-	3,203,580	Exploration and evaluation assets
Equipment		55,328	-	55,328	Equipment
		3,258,908	-	3,258,908	
		14,446,456	-	14,446,456	
LIABILITIES					
Current Liabilities					
Accounts payable and accrued liabilities		560,508	-	560,508	Accounts payable and accrued liabilities
Non-current Liabilities					
Flow-through share premium	(i)	-	662,121	662,121	Flow-through share premium
EQUITY					
Share capital	(i)	14,138,090	(683,913)	13,454,177	Share capital
Contributed surplus – options		211,000	-	211,000	Contributed surplus – options
Contributed surplus – warrants		715,307	-	715,307	Contributed surplus – warrants
Deficit	(i)	(1,178,449)	21,792	(1,156,657)	Deficit
		13,885,948	(662,121)	13,223,827	
		14,446,456	-	14,446,456	

(i) This adjustment results from the flow-through share premium on the August 2011 flow-through share issuance. The accounting treatment of the GAAP to IFRS transition is disclosed above in note 16b.

RECONCILIATION OF STATEMENT OF LOSS, COMPREHENSIVE LOSS AND DEFICIT FOR THE YEAR ENDED 30 SEPTEMBER 2011

Canadian GAAP accounts	Canadian GAAP	Effect of transition	IFRS	IFRS Accounts
Loss from Continuing Operations	642,651	-	642,651	**Loss from Continuing Operations**
Loss and Comprehensive Loss for the Year	577,276	(21,792)	555,484	**Loss and Comprehensive Loss for the Year**
Loss per share – Basic and Diluted	(0.02)	-	(0.02)	Loss per share – Basic and Diluted

Reconciliation of Statement of Cash Flows for the year ended 30 September 2011

Canadian GAAP Accounts		Canadian GAAP	Effect of transition	IFRS	IFRS Accounts
Operating Activities					
Net loss	(i)	(577,276)	21,792	(555,484)	Net loss
Items not involving cash					
Future income tax recovery	(i)	(65,375)	(21,792)	(87,167)	Deferred income tax recovery
Amortization		15,784	-	15,784	Amortization
		(626,867)	-	(626,867)	
Changes in non-cash working capital					
Amounts receivable		(168,015)	-	(168,015)	Amounts receivable
Prepaid amounts and other assets		(123,015)	-	(123,015)	Prepaid amounts and other assets
Accounts payable and accrued liabilities		93,464	-	93,464	Accounts payable and accrued liabilities
		(197,566)	-	(197,566)	
Investing Activities					
Purchase of equipment		(26,000)	-	(26,000)	Purchase of equipment
Resource property acquisition		(20,000)	-	(20,000)	Resource property acquisition
Resource property expenditures		(1,271,942)	-	(1,271,942)	Resource property expenditures
		(1,317,942)	-	(1,317,942)	
Financing Activities					
Proceeds from share and unit issuances		14,191,690	-	14,191,690	Proceeds from share and unit issuances
Share and unit issuance costs		(1,886,282)	-	(1,886,282)	Share and unit issuance costs
		12,305,408	-	12,305,408	
Net Increase in Cash		10,163,033	-	10,163,033	
Cash – beginning of year		618,085	-	618,085	
Cash – End of Year		10,781,118	-	10,781,118	

(i) This adjustment results from the deferred income tax impact of the flow-through share renunciation of the August 2011 flow-through share issuance. The accounting treatment of the GAAP to IFRS transition is disclosed above in note 16b.

17) Commitment

During the year ended 30 September 2012, the Company entered into a contract for office rent which expires 30 June 2015. The following table summarizes the Company's total annual obligations under this agreement:

2013	$	28,105
2014		28,105
2015		21,001
Total	$	77,211