Northern Iron Corp.

Condensed Interim Financial Statements

For the Three Months Ended 31 December 2012

Stated in Canadian Funds

Notice of no auditor review of

Condensed Interim Financial Statements

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

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MANAGEMENT'S RESPONSIBILITY

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.

The Company's independent auditor has not performed a review of these condensed interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

27 February, 2013

"Basil Botha"
Basil Botha, CEO

"Grant T. Smith"
Grant T. Smith, CFO

Northern Iron Corp.

Statement 1

Canadian Funds

Unaudited

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2012	30 September 2012
ASSETS			
Current Assets			
Cash		**$ 3,734,354**	$ 5,966,364
Amounts receivable		**445,518**	165,286
Prepaid amounts and other assets		**55,329**	86,121
		4,235,201	6,217,771
Non-current Assets			
Deposits		**256,892**	322,707
Exploration and evaluation assets	(6)	**8,294,108**	6,608,991
Equipment	(7,8)	**553,430**	46,929
		9,104,430	6,978,627
		$ 13,339,631	$ 13,196,398
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities		**$ 823,805**	$ 424,192
Income tax payable		**15,000**	15,000
		838,805	439,192
Non-current Liabilities			
Deferred income tax liability	(13)	**339,706**	440,621
		1,178,511	440,621
EQUITY			
Share capital		**13,789,577**	13,629,577
Share purchase warrants		**715,307**	395,600
Contributed surplus		**395,850**	715,307
Deficit		**(2,739,614)**	(2,423,899)
		12,161,120	12,316,585
		$ 13,339,631	$ 13,196,398

Nature of operations and going concern	(1)	Capital management	(12)
Basis of preparation – Statement of compliance	(2)	Commitment	(14)
Related party transactions	(10)	Subsequent events	(15)

The condensed interim financial statements were approved by the Board of Directors on 27 February 2013 and were signed on its behalf by:

"Gordon McCreary"
Gordon McCreary, Director

"Basil Botha"
Basil Botha, Director

-- See Accompanying Notes --

Northern Iron Corp.

Statement 2

Canadian Funds

Unaudited

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE LOSS

	Note		Three Months ended 31 December 2012		Three Months ended 31 December 2011
CONTINUING OPERATIONS					
EXPENSES (RECOVERY)					
Consulting fees	(10)	**$**	**164,700**	$	213,316
Travel			**82,313**		46,785
Shareholder relations			**77,634**		22,212
Professional fees	(10)		**34,897**		31,067
Office and general			**27,441**		10,378
Transfer agent and filing fees			**25,277**		21,769
Amortization	(7,8)		**16,378**		2,883
Insurance			**3,919**		5,190
Foreign exchange			**599**		926
Stock-based compensation	(9,10)		**250**		93,422
Bank charges and interest			**(16,778)**		(33,528)
Loss from Continuing Operations		**$**	**433,408**	$	380,892
Deferred income tax recovery	(13)		**(100,915)**		-
Comprehensive Loss for the Period		**$**	**315,715**	$	414,420
Basic and Diluted Loss per Common Share		**$**	**(0.01)**	$	(0.01)
Weighted Average Number of Shares Outstanding			**74,398,007**		74,394,005

-- See Accompanying Notes --

Northern Iron Corp.

Canadian Funds

Unaudited

Statement 3

Condensed Interim Statement of Changes in Equity

	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)	$ `
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
Issuance of shares for property	**1,600,000**	**160,000**	**-**	**-**	**-**	**-**	**-**	**160,000**
Issuance of stock options	**-**	**-**	**100,000**	**-**	**-**	**-**	**-**	**-**
Stock based compensation	**-**	**-**	**-**	**250**	**-**	**-**	**-**	**250**
Net loss for the period	**-**	**-**	**-**	**-**	**-**	**-**	**(315,715)**	**(315,715)**
Balance at 31 December 2012	**76,579,875**	**$ 13,789,577**	**4,550,000**	**$ 395,850**	**40,644,077**	**$ 715,307**	**$ (2,739,614)**	**$ 12,161,120**

-- See Accompanying Notes --

Northern Iron Corp.

Statement 4

Canadian Funds

Unaudited

CONDENSED INTERIM STATEMENT OF CASH FLOWS

	Note	Period Ended 31 December 2012	Period Ended 31 December 2011
OPERATING ACTIVITIES			
Loss for the Period		**$ (315,715)**	$ (414,420)
Items not Affecting Cash			
Deferred Income tax recovery		**(100,915)**	-
Amortization		**16,378**	2,884
Stock-based compensation		**250**	93,422
		(400,002)	(318,114)
Net Change in Non-cash Working Capital			
Amounts receivable		**(280,232)**	(149,719)
Prepaid amounts and other assets		**30,792**	(27,180)
Accounts payable and accrued liabilities		**107,135**	(241,527)
		(142,305)	(736,540)
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		**(6,991)**	-
Deposits		**65,815**	-
Resource property acquisition costs		**(160,000)**	(6,000)
Resource property expenditures		**(1,588,527)**	(871,633)
		(1,689,703)	(877,633)
Net Increase in Cash		**(2,232,010)**	(1,614,173)
Cash position – beginning of period		**5,966,364**	10,781,118
Cash Position – End of Period		**$ 3,734,354**	$ 9,166,945
Schedule of Non-cash Investing and Financing Transactions			
Shares issued for mineral property acquisition		**$ 160,000**	$ 100,000
Resource expenditures in accounts payable		**$ 223,410**	$ 239,826
Exploration expenditures included in deposits		**$ -**	$ 200,000
Cash paid for interest		**$ -**	$ -
Cash paid for income taxes		**$ -**	$ -

-- See Accompanying Notes --

NOTES TO THE CONDENSED INTERIM 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.

	31 December 2012	30 September 2012
Working capital	$ 3,396,000	$ 5,779,000
Accumulated deficit	$ (2,740,000)	$ (2,424,000)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

2) Basis of preparation – Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") and in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. The condensed interim consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Since the unaudited condensed interim consolidated financial statements do not include all disclosures required by the International Financial Reporting Standards ("IFRS") for annual financial statements, they should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended 30 September 2012.

The policies set out were consistently applied to all the periods presented unless otherwise noted below. The preparation of condensed interim consolidated financial statements in accordance with IAS 1 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies.

The preparation of condensed interim consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, profit and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

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) 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.

Restoration provisions

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 31 December 2012.

c) 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.

d) 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.

e) 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.

f) 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.

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.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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

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 as at 31 December 2012.

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) 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 31 December 2012 and 30 September 2012.

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. As at 31 December 2012 and 30 September 2012, 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 31 December 2012 and 30 September 2012, the Company holds no cash denominated in foreign currency and therefore is not exposed to significant foreign currency risk.

6) Exploration and evaluation assets

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. During the three month period ended 31 December 2012, 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. The Company has performed all of the requirements of the agreement, including the issuance of 9 million common shares.

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

Additionally, the Company acquired a 100% interest in two mining claims, along with surface rights, adjacent to the past producing Griffith Mine Property. In consideration, the Company issued 1,500,000 common shares

c) Karas property

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

Independent of the claims noted above, on 11 October 2012, the Company announced that it acquired a 100% interest in four mineral claims located in the Red Lake mining district of Ontario ("Karas B"). These claims are strategic and extend the Company's claims around the Karas A property. In consideration for the 100% interest in the Karas B claims, the Company issued 100,000 common shares.

d) Whitemud property

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

In order to keep the Karas A and Whitemud property agreements in good standing, the Company must perform the following by the dates specified below. During the three months ended 31 December 2012, the Company signed an asset purchase agreement under which OIMI will acquire 100% of the Whitemud Property. As at 31 December 2012 OIMI was conducting a due diligence assessment on the property.

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 (ii)
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, which included the issuance of 500,000 common shares and payment of $5,000 cash.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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

01 October 2011	$	3,203,580
Drilling		1,899,268
Geological and consulting		858,867 (i)
Assaying		221,210
Acquisition		145,000 (ii)
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
Drilling		**464,615**
Dewatering		**447,276**
Geological and consulting		**204,782**
Assaying		**90,111**
Acquisition		**320,000** iii
Admin and camp		**118,514**
Staking		**108,599**
Transportation		**36,884**
Reports and mapping		**-**
Total expenditures during the three month period	**$**	**1,685,117**
Total cumulative as at 31 December 2012	**$**	**8,294,108**

(i) Included in geological and consulting is stock-based compensation in the amount of $6,578.

(ii) Included in acquisition are stock issuances valued at $114,000.

(iii) Included in acquisition are stock issuances valued at $160,000.

7) Intangible assets

Details are as follows:

		Computer Software
COST OR DEEMED COST		
Balance at 01 October 2011 and 30 September 2012	$	5,521
Additions		**6,991**
Balance at 31 December 2012	**$**	**12,512**
DEPRECIATION		
Balance at 01 October 2011 and 30 September 2012	$	5,521
Depreciation for the period		**874**
Balance at 31 December 2012	**$**	**6,395**
CARRYING AMOUNTS		
At 01 October 2011 and 30 September 2012	$	-
At 31 December 2012	**$**	**6,117**

Intangible assets are stated, in the statement of financial position, at cost less accumulated depreciation and accumulated impairment losses.

8) Equipment

Details are as follows:

		Computer Equipment		Field Equipment		Total
COST OR DEEMED COST						
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
Balance at 01 October 2012	**$**	**7,797**	**$**	**66,156**	**$**	**73,953**
Additions		**-**		**515,888**		**515,888**
Balance at 31 December 2012	**$**	**7,797**	**$**	**582,044**	**$**	**589,841**
DEPRECIATION						
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
Balance at 01 October 2012	**$**	**3,635**	**$**	**23,389**	**$**	**27,024**
Depreciation for the period		**468**		**15,036**		**15,504**
Balance at 31 December 2012	**$**	**4,103**	**$**	**38,424**	**$**	**42,528**
CARRYING AMOUNTS						
At 01 October 2011	$	1,869	$	53,459	$	55,328
At 30 September 2012	$	4,162	$	42,767	$	46,929
At 31 December 2012	**$**	**3,694**	**$**	**543,619**	**$**	**547,313**

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).

9) Share capital

a) Authorized: Unlimited common shares without par value.

b) Issued or allotted and fully paid:

On 24 October 2012, the Company issued 100,000 common shares as compensation for a 100% interest in four mineral claims located in the Red Lake mining district of Ontario, strategically located around the Karas property. In addition the Company issued 1,500,000 common shares for a 100% interest in two mineral claims, along with surface rights, located adjacent to the Griffith property.

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.

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 31 December 2012 are as follows:

Issuance Date	Expiry Date	Exercise Price	Fiscal 2013
01 April 2010	01 April 2015	$0.10	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
01 December 2012	01 December 2014	0.07	100,000
			4,550,000

The outstanding options have a weighted average remaining life of the 3.26 years. As at 31 December 2012, 4,450,000 of these outstanding options had vested. Total exercisable is 4,550,000 with a weighted average exercise price of $0.17 as at 31 December 2012. As at 30 September 2012, exercisable options totalled 4,450,000 with a weighted average exercise price of $0.17.

d) Warrants

There was no warrant activity during the three month period ended 31 December 2012 and the year ended 30 September 2012.

Details of warrants outstanding as at 31 December 2012 are as follows:

Issued	Expiry		Exercise Price	31 December 2012
23 August 2011	25 August 2013	$	0.50	40,644,077

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 three month period ended 31 December 2012, and the year ended 30 September 2012 are as follows:

		31 December 2012		30 September 2012
Total options granted		**100,000**		2,650,000
Average exercise price	**$**	**0.07**	$	0.21
Estimated fair value of compensation – Expense	**$**	**3,000**	$	204,422
Estimated fair value of compensation – Exploration and evaluation	**$**	**-**	$	6,578
Estimated fair value per option	**$**	**0.03**	$	0.08

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	**1.06%**
Expected dividend yield	**0.00%**
Expected stock price volatility	**75%**
Expected option life in years	**2.00**

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

		31 December 2012		30 September 2012
Number of options vested		**-**		2,650,000
Total share-based payment	**$**	**250**	$	211,000

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.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

10) Related party transactions

Transactions and balances with related parties not disclosed elsewhere in the financial statements are as follows for the three month periods ended 31 December 2012 and 2011.

RELATED PARTY DISCLOSURE

Name and Principal Position	Period	Remuneration or fees(1)	Share-based awards	Accounts Receivable
Basil Botha - President CEO and Director	**2013**	$ **60,000**	$ -	$ -
	2012	80,000	-	-
Golden Hammer – a company of which the VP of Exploration is an owner– consulting fees	**2013**	**15,000**	-	-
	2012	80,000	-	-
1514380 Ontario – a company owned or controlled by a Director	**2013**	**37,500**	-	-
	2012	**-**	-	-
Clearline – a company of which the CFO is a director, professional fees	**2013**	**10,843**	-	-
	2012	15,803	-	-

(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.

11) Segmented disclosure

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

12) 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 sources 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.

13) 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 period ended 31 December 2012 and the year ended 30 September 2012:

	31 December 2012	30 September 2012
Income (loss) before income taxes	**$ (416,631)**	$ (1,488,740)
Statutory tax rate	**25.38**	25.38%
Expected income tax (recovery)	**(105,720)**	(377,768)
Non-deductible items	**3,314**	61,558
Flow-through share premium	**-**	(662,121)
Change in enacted tax rate	**1,514**	(16,889)
Flow-through shares renounced	**-**	1,459,063
Share issuance cost	**-**	-
Change in deferred tax asset not recognized	**-**	(685,343)
Total income taxes (recovery)	**$ (100,892)**	$ (221,500)

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 31 December 2012, 30 September 2012 are comprised of the following:

	31 December 2012	30 September 2012
Non capital loss carryforwards	**$ 965,484**	$ 765,860
Mineral properties	**(1,502,875)**	(1,502,875)
Fixed assets	**685**	563
Financing costs	**-**	295,831
Deferred tax asset not recognized	**197,000**	-
Net deferred tax (liability)	**$ (339,706)**	$ (440,621)

The Company has non-operating loss carryforwards of approximately $3,800,000 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
2029	$ 400,819
2030	1,019,425
2031	1,643,196
2032	798,496
Total	$ 3,861,936

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.

14) 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:

Fiscal 2013	$	21,000
Fiscal 2014		28,000
Fiscal 2015		21,000
Total	$	70,000

15) Subsequent events

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.