NORTHERN IRON CORP.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED 30 SEPTEMBER 2013 AND 2012

Stated in Canadian Funds

TABLE OF CONTENT

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.

MNP, 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 Audit Committee and management to discuss their audit findings.

27 January 2014

"Basil Botha"
Basil Botha, CEO

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

To the Shareholders of Northern Iron Corp.:

We have audited the accompanying financial statements of Northern Iron Corp., which comprise the statement of financial position as at September 30, 2013 and 2012, and the statements of comprehensive loss, changes in equity, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2013 and 2012, and the results of its operations and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

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 significant doubt about the ability of Northern Iron Corp. to continue as a going concern.

MNP LLP

Vancouver, BC
January 27, 2014

ACCOUNTING › CONSULTING › TAX
2300, 1055 DUNSMUIR STREET, PO BOX 49148; VANCOUVER BC; V7X 1J1
1-877-688-8408 P: 604-685-8408 F: 604-685-8594 www.MNP.ca

NORTHERN IRON CORP.

Statement 1

Canadian Funds

STATEMENT OF FINANCIAL POSITION

	Note	As at 30 September 2013	30 September 2012
ASSETS			
Current Assets			
Cash		**$ 1,609,513**	$ 5,966,364
Amounts receivable		**95,688**	165,286
Prepaid amounts and other assets		**14,897**	86,121
		1,720,098	6,217,771
Non-current Assets			
Deposits		**204,614**	322,707
Intangible assets	(7)	**582**	-
Property and equipment	(8)	**503,314**	46,929
Exploration and evaluation assets	(9)	**9,511,011**	6,608,991
		10,219,521	6,978,627
		$ 11,939,619	$ 13,196,398
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities		**$ 342,567**	$ 424,192
Income tax payable		**-**	15,000
		342,567	439,192
Non-current Liabilities			
Deferred tax liabilities	(14)	**73,477**	440,621
		416,044	879,813
EQUITY			
Share capital		**13,767,827**	13,629,577
Options - Contributed surplus		**397,100**	395,600
Warrants - Contributed surplus		**715,307**	715,307
Deficit		**(3,356,659)**	(2,423,899)
		11,523,575	12,316,585
		$ 11,939,619	$ 13,196,398

Nature of operations and going concern	(1)	Capital management	(13)
Basis of preparation – Statement of compliance	(2)	Commitment	(15)
Related party transactions	(11)		

The financial statements were approved by the Board of Directors on 27 January 2014 and were signed on its behalf by:

"Gordon McCreary"
Gordon McCreary, Director

"Basil Botha"
Basil Botha, Director

Canadian Funds

STATEMENT OF COMPREHENSIVE LOSS

		Year ended 30 September 2013		Year ended 31 September 2012
CONTINUING OPERATIONS				
Revenue	$	**10,730**	$	-
Expenses				
Consulting fees		**558,560**		779,734
Shareholder relations		**202,621**		113,263
Amortization		**153,812**		12,443
Travel		**149,959**		205,032
Professional fees		**113,672**		118,289
Office and general		**90,885**		75,915
Transfer agent and filing fees		**51,542**		47,684
Insurance		**13,013**		20,441
Bank charges and interest		**8,355**		3,275
Share-based payments		**1,500**		204,422
Foreign exchange (gain) loss		**(368)**		2,307
Interest income		**(32,917)**		(109,063)
Loss from Continuing Operations	$	**1,299,904**	$	1,473,742
Income tax expense		**-**		15,000
Deferred tax recovery		**(367,144)**		(221,500)
Comprehensive Loss for the Year	$	**(932,760)**	$	(1,267,242)
Basic and Diluted Loss per Common Share	$	**(0.01)**	$	(0.02)
Weighted Average Number of Shares Outstanding		**76,499,190**		74,675,765

NORTHERN IRON CORP.

Statement 3

Canadian Funds

STATEMENT OF CHANGES IN EQUITY

	Shares	Amount	Options	Amount	Warrants	Amount	Deficit	Shareholders' Equity
BALANCE AT 1 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	600,000	114,000	-	-	-	-	-	114,000
Share-based payments	-	-	2,650,000	211,000	-	-	-	211,000
Stock options expired	-	-	(150,000)	-	-	-	-	-
Stock options exercised	350,000	35,000	(350,000)	-	-	-	-	35,000
Fair value of stock options exercised	-	26,400	-	(26,400)	-	-	-	-
Net loss for the year	-	-	-	-	-	-	(1,267,242)	(1,267,242)
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
BALANCE AT 1 OCTOBER 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	**1,650,000**	**138,250**	**-**	**-**	**-**	**-**	**-**	**138,250**
Stock options expired	**-**	**-**	**(525,000)**	**-**	**-**	**-**	**-**	**-**
Share-based payments	**-**	**-**	**100,000**	**1,500**	**-**	**-**	**-**	**1,500**
Warrants expired	**-**	**-**	**-**	**-**	**(40,644,077)**	**-**	**-**	**-**
Net loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(932,760)**	**(932,760)**
BALANCE AT 30 SEPTEMBER 2013	**76,629,875**	**$ 13,767,827**	**4,025,000**	**$ 397,100**	**-**	**$ 715,307**	**$ (3,283,182)**	**$ 11,523,575**

Canadian Funds

STATEMENT OF CASH FLOWS

		Year ended 30 September 2013		Year ended 30 September 2012
OPERATING ACTIVITIES				
Loss for the Year	$	(932,760)	$	(1,267,242)
Items not Affecting Cash				
Amortization		153,812		12,443
Share-based payments		1,500		204,422
Deferred tax recovery		(367,144)		(221,500)
		(1,144,592)		(1,271,877)
Net Change in Non-cash Working Capital				
Amounts receivable		69,598		26,668
Prepaid amounts and other assets		76,390		128,355
Non-current deposits		118,093		-
Accounts payable and accrued liabilities		(101,063)		(506,872)
		163,018		(351,849)
		(981,574)		(1,623,726)
INVESTING ACTIVITIES				
Acquisition of equipment		(603,788)		(4,044)
Acquisition of intangibles		(6,991)		-
Non-current deposits		-		(322,707)
Exploration and evaluation asset acquisition costs		(160,000)		(31,000)
Exploration and evaluation expenditures		(2,604,498)		(2,868,277)
		(3,375,277)		(3,226,028)
FINANCING ACTIVITIES				
Proceeds from option exercises		-		35,000
Net Increase (Decrease) in Cash		(4,356,851)		(4,814,754)
Cash position – beginning of year		5,966,364		10,781,118
Cash Position – End of Year	$	1,609,513	$	5,966,364
Schedule of Non-cash Investing and Financing Transactions				
Shares issued for resource property acquisition	$	138,250	$	114,000
Exploration and evaluation expenditures in accounts payable	$	4,438	$	335,556
Share-based payments capitalized as exploration and evaluation assets	$	-	$	6,578
Supplementary Disclosure of Cash Flow Information				
Exploration expenditures included in deposits	$	205,000	$	325,000
Cash paid for interest	$	-	$	-
Cash paid for income taxes	$	-	$	-

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 exploration and evaluation 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 limited sources 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.

Management has estimated that the Company has sufficient financing to complete current work plans; however, expanded and future development will require additional financing in order to complete all planned exploration and other programs during the year ending 30 September 2014 and thereafter. If funds are unavailable on terms satisfactory to the Company, some or all planned activities may be cancelled or postponed. Management believes it has available funds to continue operations for a period of one year.

(Rounded '000')	**30 September 2013**	**30 September 2012**
Working capital	**$ 1,378,000**	$ 5,779,000
Accumulated deficit	**$ (3,357,000)**	$ (2,424,000)

NOTES TO THE FINANCIAL STATEMENTS

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.

These financial statements were authorised for issue by the Board of Directors on 27 January 2014. These financial statements have been prepared under the historical cost convention, except for certain financial instruments, as set out in the accounting policies in note 3.

The preparation of 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 recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

3) Summary of significant accounting policies

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 amounts receivable, the useful life of equipment, and the deferred tax asset not recognized of deferred 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

NOTES TO THE FINANCIAL STATEMENTS

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 and service revenue</u>

Revenue from production and service 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.

NOTES TO THE FINANCIAL STATEMENTS

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.

NOTES TO THE FINANCIAL STATEMENTS

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 30 September 2013.

i) Cash

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

j) Intangible assets

Intangible assets are stated, in the statement of financial position, at cost less accumulated depreciation and accumulated impairment losses. Depreciation is charged so as to write off the cost of the asset over their estimated useful lives using the straight-line method as follows:

Computer Software	1-3 years

k) Property and equipment

Other assets are depreciated using the straight-line method based on estimated useful lives, which generally range from 3 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 asset 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

NOTES TO THE FINANCIAL STATEMENTS

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.

Depreciation is charged so as to write off the cost of the asset using the straight-line method over the estimated useful lives as follows:

Computer Equipment	1-3 years
Equipment	3-5 years
Camp Buildings	3-5 years

NOTES TO THE FINANCIAL STATEMENTS

l) 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.

m) Provision for reclamation and remediation

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.

n) 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.

o) 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 method. Under the statement of financial position 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

NOTES TO THE FINANCIAL STATEMENTS

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 enactment or 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. When the Company has a deferred tax asset that has not been recognized because it failed this recoverability test, the Company reassesses the position at the end of each subsequent reporting period. When the test is subsequently met, the asset is recognized at that later date.

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.

p) 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 financial 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
Amounts receivable	Loans and receivables
Income taxes payable	Other financial liabilities
Accounts payable and accrued liabilities	Other financial liabilities

q) 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 the premium is reversed when the tax benefits are renounced to shareholders. The difference between the amount originally recorded as a liability and the estimated income tax benefits on the date of renouncement is recognized in the statement of comprehensive loss. The tax effect of the renunciation is recorded at the time the Company files related forms to the tax authority.

r) 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.

s) 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

<u>Useful life of plant and equipment</u>

As discussed in note 3(k), 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 2013 and 2012.

<u>Share based payments</u>

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.

b) Key sources of judgement uncertainty

Going concern evaluation

As discussed on note 1, these financial statements have been prepared under the assumptions applicable to a going concern. 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.

The Company reviews the going concern assessment at the end of each reporting period. There were no material changes to the assessment as at 30 September 2013.

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.

NOTES TO 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) 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.

g) 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.

h) 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.

NOTES TO THE 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 2013 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 accrued liabilities, and taxes payable. As at 30 September 2013 and 30 September 2012, the carrying value of cash is fair value. Amounts receivable and accounts payable and accrued liabilities 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 not exposed to significant interest rate risk.

NOTES TO THE FINANCIAL STATEMENTS

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 on-going exploration expenditures. As at 30 September 2013 and 30 September 2012, the Company holds no cash denominated in foreign currency and therefore is not exposed to significant foreign currency risk.

g) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company controls liquidity risk by ensuring that it has sufficient cash resources to pay for its financial obligations. As at 30 September 2013, the Company had a cash balance of $1,609,513 to settle current liabilities of $342,567. The Company is not exposed to significant liquidity risk.

7) Intangible assets

Details are as follows:

		Computer Software
COST OR DEEMED COST		
Balance at 30 September 2012	$	5,521
Additions		**6,991**
Balance at 30 September 2013	**$**	**12,512**
DEPRECIATION		
Balance at 01 October 2012	$	5,521
Depreciation for the year		**6,409**
Balance at 30 September 2013	**$**	**11,930**
CARRYING AMOUNTS		
Balance at 30 September 2012	$	-
Balance at 30 September 2013	**$**	**582**

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

NOTES TO THE FINANCIAL STATEMENTS

8) Property and equipment

Details are as follows:

	Land	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	**75,000**	**-**	**528,788**	**603,788**
Balance at 30 September 2013	**$ 75,000**	**$ 7,797**	**$ 594,944**	**$ 677,741**
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 year	**-**	**3,050**	**144,353**	**147,403**
Balance at 30 September 2013	**$ -**	**$ 6,685**	**$ 167,742**	**$ 174,427**
CARRYING AMOUNTS				
At 30 September 2012	$ -	$ 4,162	$ 42,767	$ 46,929
At 30 September 2013	**$ 75,000**	**$ 1,112**	**$ 427,202**	**$ 503,314**

Property 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 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).

NOTES TO THE FINANCIAL STATEMENTS

9) 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 was subject to a 2% Net Smelter Royalty ("NSR") upon commencement of commercial production. In the first quarter of fiscal 2013, 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.

On 29 May 2013, the Company announced that OIMI had determined not to conclude the purchase of Northern Iron's El Sol properties at this time. The asset purchase agreement expired on 30 June 2013.

b) Griffith Mine property

100% interest in 27 mineral claims 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 21 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.

NOTES TO THE FINANCIAL STATEMENTS

d) Whitemud property

100% interest in 14 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. On 13 November 2012, the Company signed an asset purchase agreement under which OIMI will acquire 100% of the Whitemud Property. However, on 29 May 2013, the Company announced that OIMI had determined not to conclude the purchase of Northern Iron's Whitemud property at this time. The purchase agreement expired on 30 June 2013.

Date	Shares issued		Cash
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 (i)		-
31 May 2014	50,000		-
Total	2,650,000	$	100,000

(i) Issued
(ii) Paid

e) Papagonga property

100% interest in 21 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 FINANCIAL STATEMENTS

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
Dewatering		**1,043,858**
Geological and consulting		**745,879**
Drilling		**469,444**
Acquisition		**298,250** [(iii)]
Assaying		**119,438**
Admin and camp		**107,045**
Transportation		**57,823**
Staking		**34,986**
Reports and mapping		**22,250**
Geochemical		**3,047**
Total expenditures during the twelve month period	**$**	**2,902,020**
Total cumulative as at 30 September 2013	**$**	**9,511,011**

[(i)] Included in geological and consulting are share-based payments 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 $138,250.

NOTES TO THE FINANCIAL STATEMENTS

10) Share capital

a) Authorized: Unlimited common shares without par value.

b) Issued or allotted and fully paid:

On 15 May 2013, the Company issued 50,000 common shares in accordance with the Whitemud property agreement as detailed in Note 9.

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 9.

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 9.

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.

Stock option activity during the years ended 30 September 2013 and 2012 are is as follows:

STOCK OPTION ACTIVITY	30 September 2013		Weighted Average Exercise price	30 September 2012		Weighted Average Exercise price
Balance – beginning of year	**4,450,000**	**$**	**0.18**	2,300,000	$	0.12
Issued	**100,000**		**0.10**	2,650,000		0.21
Exercised	**-**		**-**	(350,000)		0.10
Expired	**(525,000)**		**0.22**	(150,000)		0.23
Balance – end of year	**4,025,000**	**$**	**0.16**	4,450,000	$	0.18

NOTES TO THE FINANCIAL STATEMENTS

Details of stock options outstanding as at 30 September 2013 are as follows:

Issuance Date	Expiry Date	Exercise Price	Fiscal 2013
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
13 October 2011	13 October 2016	0.30	200,000
21 December 2011	21 December 2016	0.30	1,000,000
23 May 2012	23 May 2017	0.10	500,000
10 July 2012	10 July 2017	0.15	725,000
			4,025,000

As at 30 September 2013, the outstanding options have a weighted average remaining life of 2.74 years and a weighted average exercise price of $0.16. All of the outstanding options have vested.

d) Warrants

Warrant activity during the years ended 30 September 2013 and 2012 is summarized as follows:

WARRANT ACTIVITY	30 September 2013		Weighted Average Exercise price	30 September 2012		Weighted Average Exercise price
Balance – beginning of period	**40,644,077**	**$**	**0.50**	40,644,077	$	0.50
Warrants expired	**(40,644,077)**		**0.50**	-		-
Balance – end of period	**-**	**$**	**-**	40,644,077	$	0.50

e) Share-based payments

Details of the Company's issued stock options to its directors, officers, and consultants and recognized share-based payments during the year ended 30 September 2013 and 2012 are as follows:

		30 September 2013		30 September 2012
Total options granted		**100,000**		2,650,000
Average exercise price	**$**	**0.10**	$	0.21
Estimated fair value of compensation – Expense	**$**	**1,500**	$	204,422
Estimated fair value of compensation – Exploration and evaluation	**$**	**-**	$	6,578
Estimated fair value per option	**$**	**0.02**	$	0.08

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

NOTES TO THE FINANCIAL STATEMENTS

	30 September 2013	30 September 2012
Risk free interest rate	**1.06%**	1.16% - 1.60%
Expected dividend yield	**0.00%**	0.00%
Expected stock price volatility	**67%**	100.00%
Expected option life in years	**4.60**	4.60

Share-based payments for the options that vested during the period is as follows:

	30 September 2013	30 September 2012
Number of options vested	**$ 50,000**	2,650,000
Total share-based payment	**$ 1,500**	$ 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 FINANCIAL STATEMENTS

11) Related party transactions

Transactions and balances with related parties not disclosed elsewhere in the financial statements are as follows for the year ended 30 September 2013 and 2012.

RELATED PARTY DISCLOSURE

Name and Principal Position	Period	Remuneration or fees(i)	Share-based awards	Amounts Receivable (Payable)
Basil Botha - President CEO and Director	**2013**	$ 200,000	$ -	$ -
	2012	245,000	-	(8,728)
G4G Resources Ltd. - a company with directors in common	**2013**	-	-	5,696
	2012	-	-	32,246
Golden Hammer – a company of which the VP of Exploration is an owner– consulting fees	**2013**	40,000	-	-
	2012	215,600	-	-
Clearline – a company of which the CFO is a director, professional fees	**2013**	48,868	-	(9,643)
	2012	60,406	-	(9,000)
Grant T. Smith – CFO	**2013**	-	-	-
	2012	-	12,244	-
OLF – a company in which a former director of the Company is a partner, for legal services	**2013**	-	-	-
	2012	13,542	-	-
1514380 Ontario Ltd. – a company owned or controlled by a Director	**2013**	119,500	-	-
	2012	170,000	-	(7,015)
Condor Precious Metals Inc. – a company with directors in common	**2013**	-	-	68,516
	2012	-	-	-
Director	**2013**	-	-	-
	2012	-	35,833	-
Director	**2013**	25,000	-	-
	2012	10,000	30,207	-
Director	**2013**	-	-	-
	2012	-	30,207	-
Director	**2013**	-	-	-
	2012	-	44,402	-
Former director	**2013**	-	-	-
	2012	-	21,779	-

(i) For the years ended 30 September 2013 and 2012.
(ii) 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.

NOTES TO THE FINANCIAL STATEMENTS

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 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.

14) 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 financial position as at 30 September 2013 and 30 September 2012:

	30 September 2013	30 September 2012
Income (loss) before income taxes	**$ (1,299,904)**	$ (1,488,740)
Statutory tax rate	**25.50%**	25.38%
Expected income tax (recovery)	**(331,493)**	(377,768)
Non-deductible items	**5,816**	61,558
Change in estimates	**(50,695)**	-
Flow-through share premium	**-**	(662,121)
Change in enacted tax rate	**9,229**	(16,889)
Flow-through shares renounced	**-**	1,459,063
Change in deferred tax asset not recognized	**-**	(685,343)
Total income taxes (recovery)	**$ (367,143)**	$ (221,500)

The British Columbia corporate tax rate has increased during the year, resulting in an increase in the Company's combined statutory rate.

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax values. Deferred tax assets (liabilities) at 30 September 2013 and 30 September 2012 are comprised of the following:

	30 September 2013	30 September 2012
Non capital loss carryforwards	**$ 1,243,718**	$ 765,860
Exploration and evaluation assets	**(1,562,990)**	(1,502,875)
Donation	**338**	-
Property and equipment	**40,577**	563
Financing costs	**204,880**	295,831
Net deferred tax asset (liability)	**$ (73,477)**	$ (440,621)

NOTES TO THE FINANCIAL STATEMENTS

The Company has non-capital loss carryforwards of approximately $4,783,530 (2012: $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
2030	$ 400,819
2031	1,019,425
2032	1,845,976
2033	1,517,310
Total	$ 4,783,530

15) Commitment

During the year ended 30 September 2011, the Company entered into a contract for office rent which expires 31 May 2014. The following table summarizes the Company's total annual obligations under this agreement:

Fiscal 2014	$ 27,916
Total	$ 27,916

16) Subsequent Event

On 23 December 2013, the Company announced that Rick Brown has resigned as the Chairman of the Board and as a director of the Company effective immediately.