

# **NORTHERN IRON CORP.**

## **CONDENSED INTERIM FINANCIAL STATEMENTS**

**FOR THE SIX MONTHS ENDED 31 MARCH 2014**

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 condensed interim 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.

28 May 2014

*"Basil Botha"*

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Basil Botha, CEO

*"Grant T. Smith"*

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Grant T. Smith, CFO

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## CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

	Note	As at 31 March 2014	30 September 2013
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash		\$ 969,242	\$ 1,609,513
Amounts receivable		86,296	95,688
Prepaid amounts and other assets		7,082	14,897
		<b>1,062,620</b>	1,720,098
<b>Non-current Assets</b>			
Deposits		205,264	204,614
Intangible assets	(7)	291	582
Property and equipment	(8)	408,011	503,314
Exploration and evaluation assets	(9)	9,541,557	9,511,011
		<b>10,155,123</b>	10,219,521
		<b>\$ 11,217,743</b>	\$ 11,939,619
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities		\$ 40,808	\$ 342,567
<b>Non-current Liabilities</b>			
Deferred tax liabilities	(14)	-	73,477
		<b>40,808</b>	416,044
<b>EQUITY</b>			
Share capital		13,767,827	13,767,827
Options - Contributed surplus		426,100	397,100
Warrants - Contributed surplus		715,307	715,307
Deficit		(3,732,299)	(3,356,659)
		<b>11,176,935</b>	11,523,575
		<b>\$ 11,217,743</b>	\$ 11,939,619
Nature of operations and going concern	(1)	Capital management	(13)
Basis of preparation – Statement of compliance	(2)	Commitment	(15)
Related party transactions	(11)	Subsequent event	(16)

The condensed interim financial statements were approved by the Board of Directors on 28 May 2014 and were signed on its behalf by:

“Paul Sargent”  
Paul Sargent, Director

“Alberto Hassan”  
Alberto Hassan, Director

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### CONDENSED INTERIM STATEMENT OF COMPREHENSIVE LOSS

	Six Months Ended 31 March 2014	Six Months Ended 31 March 2013	Three Months Ended 31 March 2014	Three Months Ended 31 March 2013
<b>CONTINUING OPERATIONS</b>				
<b>Expenses</b>				
Consulting fees	\$ 171,750	\$ 347,765	\$ 62,450	\$ 183,065
Amortization	95,594	32,755	47,797	16,377
Professional fees	43,912	87,010	28,190	52,113
Office and general	38,113	59,729	16,110	32,288
Travel	34,002	111,115	17,231	28,802
Share-based payments	29,000	250	29,000	-
Transfer agent and filing fees	27,901	39,745	18,816	14,468
Shareholder relations	8,519	169,508	4,455	91,874
Insurance	4,373	7,137	2,134	3,218
Interest expense (income)	(4,047)	(4,862)	(943)	11,317
<b>Loss from Continuing Operations</b>	<b>\$ 449,117</b>	<b>\$ 850,152</b>	<b>\$ 225,240</b>	<b>\$ 433,522</b>
Deferred tax recovery	(73,477)	(202,973)	(17,000)	(102,058)
<b>Comprehensive Loss for the Period</b>	<b>\$ 375,640</b>	<b>\$ 647,179</b>	<b>\$ 208,240</b>	<b>\$ 331,464</b>
<b>Basic and Diluted Loss per Common Share</b>	<b>\$ (0.00)</b>	<b>\$ (0.01)</b>	<b>\$ (0.00)</b>	<b>\$ (0.01)</b>
<b>Weighted Average Number of Shares Outstanding</b>	<b>76,629,875</b>	<b>76,175,479</b>	<b>76,629,875</b>	<b>76,579,875</b>

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## CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

	Shares	Amount	Options	Amount	Warrants	Amount	Deficit	Shareholders' Equity
<b>BALANCE AT 01 OCTOBER 2012</b>	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	250	-	-	-	250
Net loss for the period	-	-	-	-	-	-	(315,715)	(315,715)
<b>BALANCE AT 31 DECEMBER 2012</b>	76,579,875	\$ 13,789,577	4,550,000	\$ 395,850	40,644,077	\$ 715,307	\$ (2,739,614)	\$ 12,161,120
Issuance of shares for property	-	-	(300,000)	-	-	-	-	-
Net loss for the period	-	-	-	-	-	-	(331,464)	(331,464)
<b>BALANCE AT 31 MARCH 2013</b>	76,579,875	\$ 13,789,577	4,250,000	\$ 395,850	40,644,077	\$ 715,307	\$ (3,071,078)	\$ 11,829,656
Issuance of stock options	-	-	200,000	-	-	-	-	-
Stock based compensation	-	-	-	2,750	-	-	-	2,750
Net loss for the period	-	-	-	-	-	-	(170,928)	(170,928)
<b>BALANCE AT 30 JUNE 2013</b>	76,579,875	\$ 13,789,577	4,450,000	\$ 398,600	40,644,077	\$ 715,307	\$ (3,342,006)	\$ 11,661,478
Adjustment for property acquisition	50,000	(21,750)	-	-	-	-	-	(21,750)
Fair value adjustment	-	-	-	(1,500)	-	-	-	(1,500)
Stock options expired	-	-	(425,000)	-	-	-	-	-
Warrants expired	-	-	-	-	(40,644,077)	-	-	-
Net income for the period	-	-	-	-	-	-	(114,653)	(114,653)
<b>BALANCE AT 30 SEPTEMBER 2013</b>	76,629,875	\$ 13,767,827	4,025,000	\$ 397,100	-	\$ 715,307	\$ (3,356,659)	\$ 11,523,575
<b>BALANCE AT 01 OCTOBER 2013</b>	76,629,875	\$ 13,767,827	4,025,000	\$ 397,100	-	\$ 715,307	\$ (3,356,659)	\$ 11,523,575
Option expiration	-	-	(400,000)	-	-	-	-	-
Net loss for the period	-	-	-	-	-	-	(167,400)	(167,400)
<b>BALANCE AT 31 DECEMBER 2013</b>	76,629,875	\$ 13,767,827	3,625,000	\$ 397,100	-	\$ 715,307	\$ (3,524,059)	\$ 11,356,175
Option expiration	-	-	(350,000)	-	-	-	-	-
Issuance of stock options	-	-	1,550,000	29,000	-	-	-	29,000
Net loss for the period	-	-	-	-	-	-	(208,240)	(208,240)
<b>BALANCE AT 31 MARCH 2014</b>	76,629,875	\$ 13,767,827	4,825,000	\$ 426,100	-	\$ 715,307	\$ (3,732,299)	\$ 11,176,935

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## CONDENSED INTERIM STATEMENT OF CASH FLOWS

	Six Months Ended 31 March 2014	Six Months Ended 31 March 2013	Three Months Ended 31 March 2014	Three Months Ended 31 March 2013
<b>OPERATING ACTIVITIES</b>				
<b>Loss for the Period</b>	\$ (375,640)	\$ (647,179)	\$ (208,240)	\$ (331,464)
<b>Items not Affecting Cash</b>				
Amortization	95,594	32,755	47,797	16,377
Share-based payments	29,000	250	29,000	-
Deferred tax recovery	(73,477)	(202,973)	(17,000)	(102,058)
	<b>(324,523)</b>	<b>(817,147)</b>	<b>(148,443)</b>	<b>(417,145)</b>
<b>Net Change in Non-cash Working Capital</b>				
Amounts receivable	9,467	(298,517)	6,673	(18,285)
Prepaid amounts and other assets	7,815	66,297	1	35,505
Accounts payable and accrued liabilities	(303,334)	151,872	(8,404)	44,737
	<b>(286,052)</b>	<b>(80,348)</b>	<b>(1,730)</b>	<b>61,957</b>
	<b>(610,575)</b>	<b>(897,495)</b>	<b>(150,173)</b>	<b>(355,188)</b>
<b>INVESTING ACTIVITIES</b>				
Acquisition of equipment	-	(585,888)	-	(585,888)
Acquisition of intangible assets	-	(6,991)	-	-
Deposits	(650)	65,815	-	-
Exploration asset acquisition costs	-	(160,000)	-	-
Exploration expenditures	(29,046)	(2,288,656)	(19,393)	(700,129)
	<b>(29,696)</b>	<b>(2,975,720)</b>	<b>(19,393)</b>	<b>(1,286,017)</b>
<b>Net Increase (Decrease) in Cash</b>	<b>(640,271)</b>	<b>(3,873,215)</b>	<b>(169,566)</b>	<b>(1,641,205)</b>
Cash position – beginning of period	1,609,513	5,966,364	1,138,808	3,734,354
<b>Cash Position – End of Period</b>	<b>\$ 969,242</b>	<b>\$ 2,093,149</b>	<b>\$ 969,242</b>	<b>\$ 2,093,149</b>
<b>Supplementary Disclosure of Cash Flow Information</b>				
Cash paid for interest	\$ 1,684	\$ -	\$ 1,684	\$ -
Cash paid for income taxes	\$ -	\$ -	\$ -	\$ -

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## 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 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')	31 March 2014	30 September 2013
Working capital	\$ 1,022,000	\$ 1,378,000
Accumulated deficit	\$ (3,732,000)	\$ (3,357,000)



## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

### 2) Basis of preparation – Statement of compliance

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (“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 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 financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Since the unaudited condensed interim 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 financial statements for the year ended 30 September 2013.

The policies set out were consistently applied to all the periods presented unless otherwise noted below. The preparation of condensed interim 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 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

The accounting policies and methods of computation followed in preparing these condensed interim financial statements are the same as those followed in preparing the most recent audited annual financial statements. For a complete summary of significant accounting policies, please refer to the Company’s audited annual financial statements for the year ended 30 September 2013.

#### 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.

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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 March 2014.

### c) 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

### 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 method. Under the statement of financial position method, deferred tax assets and liabilities are recognized for future tax consequences attributable to

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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 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.

### e) 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.

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 condensed interim 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 for the six month period ended 31 March 2014 or the year ended 30 September 2013.

#### 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

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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 condensed interim financial statements have been prepared under the assumptions applicable to a going concern. If the going concern assumption were not appropriate for these condensed interim 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 31 March 2014.

### **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 condensed interim 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 condensed interim financial statements.

**NOTES TO THE CONDENSED INTERIM 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 31 March 2014 and 30 September 2013.

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 31 March 2014 and 30 September 2013, 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.

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#### 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 31 March 2014 and 30 September 2013, 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 31 March 2014, the Company had a cash balance of \$969,242 to settle current liabilities of \$40,808. The Company is not exposed to significant liquidity risk.

#### 7) Intangible assets

Details are as follows:

	Computer Software
<b>COST OR DEEMED COST</b>	
<b>Balance at 30 September 2012</b>	\$ 5,521
Additions	6,991
<b>Balance at 30 September 2013</b>	\$ 12,512
Additions	-
<b>Balance at 31 March 2014</b>	<b>\$ 12,512</b>
<b>DEPRECIATION</b>	
<b>Balance at 30 September 2012</b>	5,521
Depreciation for the year	6,409
<b>Balance at 30 September 2013</b>	\$ 11,930
Depreciation for the period	<b>291</b>
<b>Balance at 31 March 2014</b>	<b>\$ 12,221</b>
<b>CARRYING AMOUNTS</b>	
<b>Balance at 30 September 2013</b>	\$ 582
<b>Balance at 31 March 2014</b>	<b>\$ 291</b>

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

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### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

#### 8) Property and equipment

Details are as follows:

	Land	Computer Equipment	Field Equipment	Total
<b>COST OR DEEMED COST</b>				
<b>Balance at 30 September 2012</b>	\$ -	\$ 7,797	\$ 66,156	\$ 73,953
Additions	75,000	-	528,788	603,788
<b>Balance at 30 September 2013</b>	\$ 75,000	\$ 7,797	\$ 594,944	\$ 677,741
Additions	-	-	-	-
<b>Balance at 31 March 2014</b>	\$ 75,000	\$ 7,797	\$ 594,944	\$ 677,741
<b>DEPRECIATION</b>				
<b>Balance at 30 September 2012</b>	\$ -	\$ 3,635	\$ 23,389	\$ 27,024
Depreciation for the year	-	3,050	144,353	147,403
<b>Balance at 30 September 2013</b>	\$ -	\$ 6,685	\$ 167,742	\$ 174,427
Depreciation for the period	-	556	94,747	95,303
<b>Balance at 31 March 2014</b>	\$ -	\$ 7,241	\$ 262,489	\$ 269,730
<b>CARRYING AMOUNTS</b>				
<b>At 30 September 2013</b>	\$ 75,000	\$ 1,112	\$ 427,202	\$ 503,314
<b>At 31 March 2014</b>	\$ 75,000	\$ 556	\$ 332,455	\$ 408,011

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).

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### NOTES TO THE CONDENSED INTERIM 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 <sup>(ii)</sup>
05 January 2010	2,000,000 <sup>(i)</sup>	-
24 December 2011	-	6,000 <sup>(ii)</sup>
31 January 2012	100,000 <sup>(i)</sup>	-
<b>Total</b>	<b>2,100,000</b>	<b>\$ 12,000</b>

<sup>(i)</sup> Issued

<sup>(ii)</sup> 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.



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### NOTES TO THE CONDENSED INTERIM 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 <sup>(i)</sup>	\$ -
03 March 2010	2,000,000 <sup>(i)</sup>	-
01 August 2010	-	15,000 <sup>(ii)</sup>
31 January 2011	-	20,000 <sup>(ii)</sup>
31 January 2012	-	25,000 <sup>(ii)</sup>
30 June 2012	50,000 <sup>(i)</sup>	-
31 January 2013	-	40,000 <sup>(ii)</sup>
31 May 2013	50,000 <sup>(i)</sup>	-
31 May 2014	50,000	-
<b>Total</b>	<b>2,650,000</b>	<b>\$ 100,000</b>

<sup>(i)</sup> Issued  
<sup>(ii)</sup> 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.

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### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

Details of exploration and evaluation activities are as follows:

	Karas	Whitemud	Griffith	El Sol	Papagonga	Total
<b>EXPLORATION EXPENDITURES</b>						
<b>Balance as at 30 September 2012</b>	\$ 3,754,278	\$ 449,709	\$ 1,307,823	\$ 900,000	\$ 197,181	\$ 6,608,991
Acquisition	10,750	-	127,500	160,000	-	298,250
Admin and camp	33,205	-	73,840	-	-	107,045
Assaying	119,438	-	-	-	-	119,438
Dewatering	-	-	1,043,858	-	-	1,043,858
Drilling	469,444	-	-	-	-	469,444
Geochemical	-	-	3,047	-	-	3,047
Geological and consulting	231,372	-	514,507	-	-	745,879
Reports and mapping	6,902	-	15,348	-	-	22,250
Staking	-	27,461	7,525	-	-	34,986
Transportation	17,937	-	39,886	-	-	57,823
<b>Balance as at 30 September 2013</b>	\$ 4,643,326	\$ 477,170	\$ 3,133,334	\$ 1,060,000	\$ 197,181	\$ 9,511,011
Admin and camp	2,762	-	2,763	-	-	5,523
Assaying	5,564	-	-	-	-	5,564
Dewatering	-	-	1,056	-	-	1,056
Drilling	131	-	-	-	-	131
Geological and consulting	-	-	4,405	-	-	4,405
Staking	-	-	-	-	12,825	12,825
Transportation	-	-	1,042	-	-	1,042
<b>Balance as at 31 March 2014</b>	\$ 4,651,783	\$ 477,170	\$ 3,142,600	\$ 1,060,000	\$ 210,006	\$ 9,541,557

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## NOTES TO THE CONDENSED INTERIM 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.

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.

#### 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 six month period ended 31 March 2014 and the year ended 30 September 2013 are as follows:

<b>STOCK OPTION ACTIVITY</b>	<b>31 March 2014</b>	<b>Weighted Average Exercise price</b>	<b>30 September 2013</b>	<b>Weighted Average Exercise price</b>
<b>Balance – beginning of year</b>	<b>4,025,000</b>	<b>\$ 0.16</b>	4,450,000	\$ 0.18
Issued	<b>1,550,000</b>	<b>0.05</b>	100,000	0.10
Exercised	-	-	-	-
Expired	<b>(750,000)</b>	<b>0.14</b>	(525,000)	0.22
<b>Balance – end of year</b>	<b>4,825,000</b>	<b>\$ 0.13</b>	4,025,000	\$ 0.16

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### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

Details of stock options outstanding as at 31 March 2014 are as follows:

Issuance Date	Expiry Date	Exercise	
		Price	Fiscal 2014
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	700,000
13 October 2011	13 October 2016	0.30	200,000
21 December 2011	21 December 2016	0.30	950,000
23 May 2012	23 May 2017	0.10	500,000
10 July 2012	10 July 2017	0.15	400,000
28 February 2014	28 February 2019	0.05	1,550,000
			4,825,000

As at 31 March 2014, the outstanding options have a weighted average remaining life of 3.10 years and a weighted average exercise price of \$0.13. All of the outstanding options have vested. No options were in the money as at 31 March 2014.

#### d) Warrants

Warrant activity during the six month period ended 31 March 2014 and the year ended 30 September 2013 is summarized as follows:

WARRANT ACTIVITY	31 March 2014	Weighted Average Exercise price	30 September 2013	Weighted Average Exercise price
Balance – beginning of period	-	\$ -	40,644,077	\$ 0.50
Warrants expired	-	-	(40,644,077)	0.50
Balance – end of period	-	\$ -	-	\$ -

#### 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 six month period ended 31 March 2014 and year ended 30 September 2013 are as follows:

	31 March 2014	30 September 2013
Total options granted	1,550,000	100,000
Average exercise price	\$ 0.05	\$ 0.10
Estimated fair value of compensation – Expense	\$ 29,000	\$ 1,500
Estimated fair value of compensation – Exploration and evaluation	\$ -	\$ -
Estimated fair value per option	\$ 0.02	\$ 0.02

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### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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:

	31 March 2014	30 September 2013
Risk free interest rate	1.18%	1.06%
Expected dividend yield	0.00%	0.00%
Expected stock price volatility	116%	67%
Expected option life in years	3.12	4.60

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

	31 March 2014	30 September 2013
Number of options vested	\$ 1,550,000	50,000
Total share-based payment	\$ 29,000	\$ 1,500

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

### 11) Related party transactions

Transactions and balances with related parties not disclosed elsewhere in the condensed interim financial statements are as follows for the six month periods ended 31 March 2014 and 31 March 2013.

#### RELATED PARTY DISCLOSURE

Name and Principal Position	Period	Remuneration or fees <sup>(i)</sup>	Share-based awards	Amounts Receivable (Payable)
Basil Botha - President CEO and Director	2014	\$ 60,000	\$ 6,548	\$ -
	2013	120,000	-	-
Clearline – a company of which the CFO is a director, professional fees	2014	18,225	2,806	(3,150)
	2013	31,368	-	-
1514380 Ontario Ltd. – a company owned or controlled by a former Director	2014	50,450	-	-
	2013	75,000	-	-
Condor Precious Metals Inc. – a company with directors in common	2014	-	-	75,875
	2013	-	-	-
Directors (1)	2014	-	5,613	-
	2013	-	-	-
Directors (3)	2014	-	2,806	-
	2013	-	-	-

(i) For the six month periods ended 31 March 2014 and 31 March 2013.

(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.

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### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

#### 12) Segmented disclosure

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

#### 13) Capital management

The Company's capital consists of shareholders' equity. The Company's objective when managing capital is to maintain adequate levels of funding to support the development of its businesses and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing, selling assets, and incurring debt. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. The Company invests all capital that is surplus to its immediate operational needs in short-term, highly liquid, high-grade financial instruments. There were no changes to the Company's approach to capital management during the period. The Company is not subject to externally imposed capital requirements. The Company does not currently have adequate 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 31 March 2014 and 30 September 2013:

	31 March 2014	30 September 2013
Income (loss) before income taxes	\$ (449,000)	\$ (1,299,904)
Statutory tax rate	25.50%	25.50%
Expected income tax (recovery)	(114,000)	(331,493)
Non-deductible items	8,000	5,816
Change in estimates	-	(50,695)
Change in enacted tax rate	-	9,229
Deferred tax asset not recognized	106,000	-
Total income taxes (recovery)	\$ -	\$ (367,143)

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 31 March 2014 and 30 September 2013 are comprised of the following:

	31 March 2014	30 September 2013
Non capital loss carryforwards	\$ 1,313,000	\$ 1,243,718
Exploration and evaluation assets	(1,533,000)	(1,562,990)
Donation	-	338
Property and equipment	27,000	40,577
Financing costs	201,000	204,880
Deferred tax asset not recognized	(8,000)	-
Net deferred tax asset (liability)	\$ -	\$ (73,477)

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### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

The Company has non-capital loss carryforwards of approximately \$5,147,170 (2013: \$4,783,530) 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.

#### 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	<u>\$ 8,146</u>
<b>Total</b>	<b>\$ 8,146</b>

#### 16) Subsequent event

On 7 May 2014, the Company signed a co-operation agreement with Danieli Centro Metallics. Danieli will act as the Company's technology partner and exclusive engineering and procurement supplier and promote the Griffith project to strategic partners, financiers and final product off-takers.