Northern Iron Corp.

INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED

30 June 2011

Stated in Canadian Funds

To the Shareholders of Northern Iron Corp.:

Management is responsible for the preparation and presentation of the accompanying interim financial statements, including responsibility for significant accounting judgments and estimates in accordance with Generally Accepted Accounting Principles. 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 interim 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 fulfills these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Audit Committee has the responsibility of meeting with management, and 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 an audit of these 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.

29 August 2011

"Basil Botha"
Basil Botha, CEO

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

Statement 1

NORTHERN IRON CORP.

Unaudited

Canadian Funds

INTERIM STATEMENT OF FINANCIAL POSITION

	Note	As at 30 June 2011	As at 30 September 2010
ASSETS			
Current Assets			
Cash and cash equivalents		$ 16,617	$ 618,085
Amounts receivable		63,256	23,939
Prepaid amounts and other assets		6,175	91,461
Qualifying transaction costs	(6)	111,064	-
		197,112	733,485
Non-current Assets			
Resource property	(4)	2,304,828	1,558,891
Equipment	(5)	35,224	45,112
		2,340,052	1,604,003
		$ 2,537,164	$ 2,337,488
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	(8)	$ 482,852	$ 62,190
EQUITY			
Share capital	(7)	2,729,971	2,673,471
Contributed surplus–options	(7)	211,000	203,000
Deficit		(886,659)	(601,173)
		2,054,312	2,275,298
		$ 2,537,164	$ 2,337,488

	Note
Nature of Operations and Going Concern	(1)
Commitments	(10)
Subsequent Event	(12)

APPROVED ON BEHALF OF THE BOARD:

"Basil Botha" — Basil Botha, Director

"Rick Brown" — Rick Brown, Director

-- See Accompanying Notes --

NORTHERN IRON CORP.

Unaudited

Canadian Funds

INTERIM STATEMENT OF LOSS, COMPREHENSIVE LOSS AND DEFICIT

	Note	Nine months ended 30 June 2011	Three months ended 30 June 2011	Period ended 30 September 2010
CONTINUING OPERATIONS				
Expenses				
Consulting fees	(8)	$ 133,929	$ 35,699	$ 275,325
Professional fees	(8)	58,897	9,080	29,654
Travel		45,670	1,450	26,040
Office and general		18,426	3,204	9,804
Amortization		9,889	3,297	4,318
Shareholder relations		8,593	2,181	52,770
Insurance		5,749	2,113	433
Transfer agent and filing fees		4,399	102	-
Stock-based compensation	(7)	-	-	203,000
Bank charges and interest		(66)	1,065	(171)
Loss from Operating Activities		285,486	58,191	601,173
Loss and Comprehensive Loss		$ (285,486)	$ (58,191)	$ (601,173)
Deficit – beginning of period		(601,173)	(828,468)	-
Deficit – End of Year		(886,659)	(886,659)	(601,173)
Basic and Diluted Loss per Common Share		$ (0.01)	$ (0.00)	$ (0.04)
Weighted Average Number of Shares Outstanding		28,524,291	28,524,291	14,000,918

-- See Accompanying Notes --

Statement 3

NORTHERN IRON CORP.

Unaudited

Canadian Funds

INTERIM STATEMENT OF CASH FLOWS

	Note	Nine months ended 30 June 2011	Three months ended 30 June 2011	Period Ended 30 September 2010
OPERATING ACTIVITIES				
Loss for the Period		$ (285,486)	$ (58,191)	$ (601,173)
Items not Affecting Cash				
Amortization		9,888	3,297	4,318
Stock-based compensation	(7)	-	-	203,000
Shares issued for services		-	-	288,648
		(275,598)	(54,894)	(105,207)
Net Change in Non-cash Working Capital				
Amounts receivable		(39,317)	(38,021)	(23,939)
Prepaids amounts and other assets		85,286	3,046	(55,587)
Accounts payable and accrued liabilities		420,662	384,766	62,190
		466,631	349,791	(17,336)
INVESTING ACTIVITIES		191,033	294,897	(122,543)
Purchase of equipment		-	-	(49,430)
Resource property expenditures	(4)	(732,937)	(418,980)	(186,642)
		(732,937)	(418,980)	(236,072)
FINANCING ACTIVITIES				
Issuance of shares		51,500	-	976,700
Qualifying transaction costs		(111,064)	(41,064)	-
		(59,564)	(41,064)	976,700
Net Increase (Decrease) in Cash		(601,468)	(165,147)	(618,085)
Cash position – beginning of period		618,085	181,764	-
Cash Position – End of Period		$ 16,617	$ 16,617	$ (618,085)
Schedule of Non-cash Investing and Financing Transactions				
Shares issued for mineral property acquisition	(4)	$ 5,000	$ -	$ 1,372,249
Stock-based compensation capitalized as resource property	(4)	$ 8,000	$ -	$ -
Shares issued for services		$ 12,000	$ -	$ 288,648
Shares issued for prepaid and deposits		$ -	$ -	$ 35,874
Shares issued for share issuance costs		$ -	$ -	$ 13,229

-- See Accompanying Notes --

CONDENSED INTERIM 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, ON 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 a going concern basis, which assumes that the Company will be able to continue as a going concern and realize its assets and discharge its liabilities in the normal course of business. They do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern. The continued operations of the Company are dependent on its ability to find economically recoverable reserves to generate cash flows from operations and/or to obtain additional financing. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company.

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 balance sheet classifications used and such adjustments could be material.

		30 June 2011		30 September 2010
Working capital (deficit)	$	(285,740)	$	671,295
Accumulated deficit	$	(886,659)	$	(601,173)

2) Significant Accounting Policies

a) Basis of Presentation

The financial statements of the Company are prepared in accordance with Canadian generally accepted accounting principles.

b) Management's Estimates

The preparation of these financial statements 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. The Company's key estimates relate to recoverability of mineral property costs, asset retirement obligations, estimated useful life of equipment, stock-based compensation, fair value of shares issued in

exchange for services and on acquisition of property, and future income tax valuation allowances. Actual results may differ from those estimates.

c) Loss per Share

Basic earnings (loss) per share are calculated using the weighted-average number of shares outstanding during the period. The Company uses the treasury stock method to calculate diluted earnings per share, which assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. The effect on loss per share of the Company's outstanding options and warrants is anti-dilutive and, therefore, basic and diluted loss per share amounts are the same.

d) Resource Properties

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

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

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

e) Cash and Cash Equivalents

The Company considers cash and cash equivalents to include amounts held in banks and highly liquid investments with maturities at a point of purchase of 90 days or less.

f) Equipment

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

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

g) Future Income Taxes

The future income tax asset and liability method of accounting for income taxes is used, whereby future income tax assets and liabilities are recorded based on temporary differences between the carrying amounts of balance sheet items and their corresponding tax bases. Future income tax assets also arise from unused tax losses, subject to a valuation allowance, to the extent that it is more likely than not such losses ultimately will be utilized. This method also requires that the future income tax assets and liabilities be measured using the enacted rates and laws that are expected to apply when these assets and liabilities are either to be realized or settled.

h) Financial Instruments – Recognition and Measurement

All financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale assets or other financial liabilities. All financial instruments and derivatives are measured in the balance sheet at fair value, except for loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification. Held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income. Available-for sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired. The Company had no other comprehensive income or loss transactions.

The Company classified its cash as held-for-trading which is measured at fair value. Receivables and deposits are classified as loans and receivables and accounts payable and accrued liabilities are classified as other liabilities, all of which are measured at amortized cost.

i) 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. When flow-through expenditures are renounced to the investors, a portion of the future income tax assets that were not recognized in previous years, due to the recording of a valuation allowance, are recognized as a recovery of income taxes in the statement of operations.

j) Stock-Based Compensation

The Company uses the fair value method to measure compensation expense at the date of grant of stock options to employees. The fair value of options is determined using the Black-Scholes option pricing model and is amortized to earnings over the vesting period with an offset to contributed surplus. When options are exercised, the corresponding contributed surplus and the proceeds received by the Company are credited to share capital. Forfeitures of stock options are accounted for as incurred.

k) Asset Retirement Obligations

The Company applies the recommendations of CICA Handbook Section 3110 – *Asset Retirement Obligations*. This section requires recognition of a legal liability for obligations relating to retirement of property, plant, and equipment, and arising from the acquisition, construction, development, or normal operation of those assets. The liability for asset retirement obligations must be recognized at fair value in the period in which it is

incurred, when a reasonable estimate of fair value can be made. Such retirement costs are added to the carrying value of the asset, and amortized into income on a systematic basis over the useful life. Changes in estimates are accounted for prospectively commencing in the period the estimate is revised. The Company has determined that it has no asset retirement obligations as at 30 June 2011 and 30 September 2010.

l) Impairment of Long Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

m) Title to Resource 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.

n) Adoption of New Accounting Policies

International Financial Reporting Standards ("IFRS")

In 2006, the AcSB published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after 01 January 2011. The Company is required to adopt IFRS for its year end beginning 01 October 2011. The transition date of 01 October 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended 30 September 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

3) Financial Instruments

The Company's financial instruments consist of cash, receivables, deposits and accounts payable and accrued liabilities. The Company has no speculative financial instruments, derivatives, forward contracts or hedges.

Currency and credit risk – All of the Company's Canadian cash is held in an interest bearing account at a major bank and such balances earn interest at market rates. Accounts payable are settled in a timely manner. It is management's opinion that the Company is not exposed to significant currency risk.

Fair Value – As at 30 June 2011 and 30 September 2010, the carrying values of receivables, deposits, accounts payable and accrued liabilities approximate their fair values due to their short term to maturity. Cash is measured at fair value using level 1 inputs.

Liquidity risk - Liquidity risk is the risk that the Company will not be able to meet its obligations associated with its financial liabilities. The Company has relied or may in future rely upon equity financings, short-term debt

and the optioning of its mineral properties to other mining entities to satisfy its capital requirements and will continue to depend heavily upon these financing activities.

There can be no assurance the Company will be able to obtain required financing in the future on acceptable terms. The Company anticipated it will need additional capital in the future to finance on-going exploration of its properties, such capital to be derived from the exercise of outstanding stock options, warrants, the completion of other equity financings and or optioning its mineral properties to other mining entities. The Company has limited financial resources, has no source of operating income and has no assurance that additional funding will be available to it for future exploration and development of its projects, although the Company has been successful in the past in financing its activities through the previously mentioned financing activities. The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions and exploration success. In recent years, the securities markets have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. Any quoted market for the common shares may be subject to market trends generally, notwithstanding any potential success of the Company in creating revenue, cash flows or earnings.

It is management's opinion that the Company is not exposed to significant credit, interest rate, liquidity or market risks in respect of these financial instruments. The Company's policies and processes of managing all risks associated with its financial instruments have not changed during the current year.

4) Resource Properties

Details of mineral property activities are as follows:

20 November 2009	**$**	**-**
Acquisition		1,398,249
Assaying		2,282
Vehicle		17,031
Geological and consulting		92,980
Contractor services		27,530
Field expenses		2,537
Staking		14,940
Survey		3,342
30 September 2010	**$**	**1,558,891**
Acquisition[2]		28,060
Assaying		12,265
Vehicle		19,319
Drilling		371,905
Geological and consulting[1]		145,250
Consulting services		-
Field expenses		108,843
Staking		7,893
Survey		52,402
Total expenditures during the period	**$**	**745,937**
Total cumulative as at 30 June 2011	**$**	**2,304,828**

[1]Included in geological and consulting is stock-based compensation in the amount of $8,000.
[2]Included in acquisition is stock-based compensation in the amount of $5,000.

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

a) 100% interest in 4 mineral claims covering 1,024 hectares, known as the El Sol Property;

b) 100% interest in 11 mineral claims covering 1,776 hectares, known as the Griffith Mine Property;

c) 100% interest in 15 mineral claims covering 3,200 hectares, known as the Karas Property;

d) 100% interest in 22 mineral claims covering 5,168 hectares, known as Bluffy-Whitemud and Slate Lake 2 Property;

e) 100% interest in 1 mineral claims covering 224 hectares, known as Slate Lake 1 Property; and

f) 100% interest in 9 mineral claims covering 2,096 hectares, known as Avis and Currie Property.

As at 30 June 2011 and 30 September 2010, the Company is running an exploration program in these properties to define iron ore economic resources.

Red Lake Mineral Claims

By a letter dated 12 April 2010 and revised 01 August 2010, the Company entered into a purchase agreement to acquire certain mineral claims located in the Province of Ontario whereby the Company must complete the following:

	Issued Shares from Treasury			Cash Payments	
03 March 2010	500,000	(i)	$	-	
01 August 2010	-			15,000	(ii)
31 January 2011	-			20,000	(ii)
31 May 2011	50,000	(i)		-	
31 January 2012	-			25,000	
31 January 2013	-			40,000	
31 May 2013	50,000			-	
31 May 2015	50,000			-	
Total	650,000		$	100,000	

(i) Issued
(ii) Paid

5) Equipment

Details are as follows:

		Cost		Accumulated Amortization		Net Book Value
30 September 2010		-		-		-
Computer equipment	$	3,753	$	355	$	3,398
Computer software		5,521		1,380		4,141
Field equipment		40,156		2,583		37,573
	$	**49,430**	**$**	**4,318**	**$**	**45,112**
30 June 2011						
Computer equipment	$	3,753	$	1,502	$	2,251
Computer software		5,521		4,486		1,035
Field equipment		40,156		8,218		31,938
	$	**49,430**	**$**	**14,206**	**$**	**35,224**

6) Qualifying Transaction Costs

As at 30 June 2011, the Company incurred $111,064 (2010 - $Nil) in qualifying transaction costs, in connection with efforts to raise capital in an equity financing, which will be applied against share capital as issuance costs upon successful completion of the Qualifying Transaction.

7) Share Capital

a) Authorized: Unlimited common shares without par value.

b) Issued or allotted and fully paid:

	Number of Shares Issued		Shares Amount
Balance – 20 November 2009	**-**	**$**	**-**
Issuance of founders' shares, for cash	2,000,000		200
Issuance of shares for professional services	1,000,000		100,000
Issuance of shares for property acquisition	13,500,000		1,350,000
Issuance of shares to directors, officers and consultants for services	2,600,000		260,000
Issuance of shares on private placement, for cash	7,665,000		766,500
Issuance of flow-through shares on private placement, for cash	1,400,000		210,000
Share issuance costs, in cash	-		(13,229)
Balance – 30 September 2010	**28,165,000**	**$**	**2,673,471**
Issuance of shares for professional services	80,000		12,000
Issuance of shares for property acquisition	50,000		5,000
Issuance of flow-through shares on private placement, for cash	343,333		51,500
Share issuance costs, in common shares	-		(12,000)
Balance – 30 June 2011	**28,638,333**	**$**	**2,729,971**

On incorporation the Company issued 2,000,000 founders shares at $0.0001 for proceeds of $200.

On 03 March 2010 the Company issued 5,000,000 shares at a deemed value of $0.10 per share for a total value of $500,000 relating to the acquisition of the following properties:

- 2,000,000 shares to acquire 11 mineral claims known as the Griffith Mine Property;
- 2,500,000 shares to acquire 22 mineral claims known as the Bluffy-Whitemud and Slate Lake 2 properties, and;
- 500,000 shares as partial acquisition of 4 mineral claims known as the El Sol property.

On 01 May 2010 the Company issued 1,000,000 shares at a deemed value of $0.10 per share for a total value of $100,000 as payment for professional fees relating to share issuance and other legal costs.

On 07 June 2010 the Company completed a non-brokered private placement through the issuance of 7,665,000 shares at a price of $0.10 per share for total proceeds of $766,500.

Between 01 April 2010 and 22 June 2010, the Company issued 2,600,000 shares at nil proceeds as compensation for services performed by directors, officers and consultants. The shares were deemed to have a value of $0.10 each, and stock based compensation expense of $260,000 has been recognized in the income statement as a result of these transactions.

On 31 August 2010 the Company issued 8,500,000 shares at a value of $0.10 for a total value of $850,000 to complete acquisition of 4 mineral claims known as the El Sol property.

On 30 September 2010 the Company completed the first tranche of a flow-through share private placement 1,400,000 shares at $0.15 per share for gross proceeds of $210,000.

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

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

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

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

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 nine month period is summarized as follows:

	30 June 2011	**Weighted Average Exercise Price**	**30 September 2010**	**Weighted Average Exercise Price**
Balance - 30 September 2010	**2,600,000**	**$0.08**	-	-
Granted	**300,000**	**$0.30**	2,600,000	$0.08
Terminated	**(600,000)**	**$0.08**	-	-
Balance – 30 June 2011	**2,300,000**	**$0.13**	2,600,000	$0.08

Details of stock options outstanding as at 30 June 2011 are as follows:

Expiry Date	Exercise Price	2010
01 April 2015	$0.05	550,000
01 June 2015	0.10	25,000
11 June 2015	0.10	1,400,000
01 July 2015	0.10	25,000
28 March 2013	0.30	300,000
		2,300,000

The outstanding options have a weighted average remaining life of the 3.62 years. As at 30 June 2011 and 30 September 2011, all of these outstanding options had vested. Total exercisable is 2,300,000 with a weighted average exercise price of $0.13 as at 30 June 2011.

d) Stock-based compensation

Details of the Company's issued stock options to its directors, officers, and consultants and recognized stock-based compensation during the current fiscal period is as follows:

		30 June 2011		30 September 2010
Total options granted		**300,000**		2,600,000
Average exercise price	**$**	**0.30**	$	0.08
Estimated fair value of compensation[1]	**$**	**8,000**	$	203,000
Estimated fair value per option	**$**	**0.03**	$	0.08

[1] The $8,000 fair-value of compensation was awarded for resource property consulting services and capitalized accordingly.

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

	2011
Risk-free interest rate	**1.70%**
Expected dividend yield	**0.00%**
Expected stock price volatility	**100.00%**
Expected option life in years	**2.00**

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

		30 June 2011		30 September 2010
Number of options vested		**300,000**		2,600,000
Total share-based payment [1]	**$**	**8,000**	$	203,000

The Black-Scholes Option Pricing Model was created for use in estimating the fair value of freely tradable, fully transferable options. The Company's employee 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.

e) Contributed Surplus

		30 June 2011		30 September 2010
Balance - Beginning of Period	**$**	**203,000**	$	-
Share-based payments		**8,000**		203,000
Balance - End of Period	**$**	**211,000**	$	203,000

8) Related Party Transactions

Transactions and balances with related parties not disclosed elsewhere in the financial statements are as follows for the nine months ended 30 June 2011:

g) The Company paid or accrued consulting fees of $45,000 (30 September 2010 - $30,000) to the President, Chief Executive Officer and director of the Company, of which $27,851 is included in accounts payable and accrued liabilities.

h) The Company paid or accrued consulting fees of $20,000 (30 September 2010 - $30,000) to the former President, Chief Executive Officer and director of the Company through a company controlled by him.

i) The Company paid or accrued consulting fees of $56,400 (30 September 2010 - $53,400) to the Vice President of Exploration of the company or a company controlled by him, of which $19,968 is included in accounts payable and accrued liabilities.

j) The Company paid or accrued professional fees of $31,250 (30 September 2010 - $Nil) to a company controlled by the Chief Financial Officer, of which $14,875 is included in accounts payable and accrued liabilities.

k) The Company paid or accrued professional fees of $100,651 (30 September 2010 - $100,000) to a company in which the director of the company is a partner for legal services, of which $87,164 (2010 - $35,874) remain as prepaids. Included in accounts payable and accrued liabilities is $39,273.

The above transactions, occurring in the normal course of operations are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

9) Segmented Disclosure

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

10) Commitments

On 12 April 2010, the Company entered into a Purchase Agreement to acquire certain mineral claims located in the Province of Ontario. The Company has a commitment to the vendor to make both cash and share-based payments, details of which are outlined in Note 4.

11) 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, high 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.

12) Subsequent Event

On 25 August 2011 the Company announced that on 23 August 2011 it closed its initial public offering (the "Offering") of Non Flow-Through Units and Flow-Through Units for aggregate gross proceeds of $14,140,190 pursuant to a prospectus of the Company dated 11 August 2011. Pursuant to the Offering, 27,967,299 Non Flow-Through Units were sold at $0.30 per unit for gross proceeds of $8,390,190 and 17,424,243 Flow-Through Units were sold at $0.33 per unit for gross proceeds of $5,750,000. The number of securities sold includes 2,272,728 Flow-Through Units and 2,967,299 Non Flow-Through Units that were sold pursuant to the exercise of a 15% overallotment option that was included in the Offering.

Each Non Flow-Through Unit is comprised of one common share in the capital of the Company (a "Common Share") and one common share purchase warrant (a "Warrant"). Each Warrant entitles the holder thereof to purchase one Common Share at a purchase price of $0.50 for a period of 24 months from the closing of the Offering. Each Flow-Through Unit is comprised of one Common Share that qualifies as a "flow-through share" pursuant to the Income Tax Act (Canada) and one-half of one Warrant.

The syndicate for the Offering was led by MGI Securities Inc. and included Stonecap Securities Inc. (MGI Securities Inc. and Stonecap Securities Inc. being collectively referred to as the “Agents”) The Agents received a total cash commission of $1,131,215.19, equal to 8% of the gross proceeds from the Offering. The Company also granted to the Agents 3,631,323 agent warrants (the "Agent Warrants"), equal to 8% of the total number of Non Flow-Through Units and Flow-Through Units sold under the Offering. Each Agent Warrant will be exercisable for one Non Flow-Through Unit at a price of $0.30 for a period of 24 months from the closing of the Offering. The Company also paid MGI Securities Inc. a work fee of $25,000 and a corporate finance fee that consisted of $100,000 and 333,333 Agent Warrants. The Common Shares have not been, and will not be, registered under the United States Securities.