NORTHERN IRON CORP.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2014

Stated in Canadian Funds

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

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

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

26 January 2015

"Basil Botha"
Basil Botha, CEO

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

To the Shareholders of Northern Iron Corp.:

We have audited the accompanying consolidated financial statements of Northern Iron Corp. and its subsidiaries, which comprise the consolidated statement of financial position as at September 30, 2014 and 2013, and the consolidated 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 Consolidated Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of Northern Iron Corp. and its subsidiaries as at September 30, 2014 and 2013, 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 consolidated 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 26, 2015

Chartered Accountants

NORTHERN IRON CORP.

Canadian Funds

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 September 2014	30 September 2013
ASSETS			
Current Assets			
Cash		**$ 599,149**	$ 1,609,513
Amounts receivable	(8)	**12,205**	95,688
Prepaid amounts and other assets		**13,727**	14,897
		625,081	1,720,098
Non-current Assets			
Deferred financing costs	(9)	**60,405**	-
Deposits	(10)	**200,000**	204,614
Intangible assets	(11)	**-**	582
Property and equipment	(12)	**304,388**	503,314
Exploration and evaluation assets	(13)	**9,610,510**	9,511,011
		10,175,303	10,219,521
		$ 10,800,384	$ 11,939,619
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities		**$ 70,044**	$ 342,567
Non-current Liabilities			
Deferred tax liabilities	(19)	**-**	73,477
		70,044	416,044
EQUITY *(Statement 3)*			
Share capital		**13,769,327**	13,767,827
Options - Contributed surplus		**426,100**	397,100
Warrants - Contributed surplus		**715,307**	715,307
Deficit		**(4,180,394)**	(3,356,659)
		10,730,340	11,523,575
		$ 10,800,384	$ 11,939,619

Nature of operations and going concern	(1)	Capital management	(17)
Basis of preparation – Statement of Compliance	(2)	Commitment	(18)
Related party transactions	(15)	Subsequent events	(20)

The consolidated financial statements were approved by the Board of Directors on 26 January 2015 and were signed on its behalf by:

"Paul Sargent"
Paul Sargent, Director

"Alberto Hassan"
Alberto Hassan, Director

NORTHERN IRON CORP.

Canadian Funds

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

			Year Ended 30 September 2014		Year Ended 30 September 2013
CONTINUING OPERATIONS					
Revenue		**$**	**-**	$	10,730
Operating Expenses					
Consulting fees			**311,967**		558,560
Amortization			**185,988**		153,812
Professional fees			**101,532**		113,672
Travel			**71,839**		149,959
Office and general			**54,150**		90,885
Transfer agent and filing fees			**38,882**		51,542
Share-based payments	(14)		**29,000**		1,500
Shareholder relations			**21,025**		202,621
Insurance			**8,737**		13,013
Bank charges and interest			**3,024**		8,355
Foreign exchange (gain)			**-**		(368)
Interest (income)			**(11,053)**		(32,917)
Loss from Continuing Operations		**$**	**815,091**	$	1,299,904
Deferred tax recovery	(19)		**(73,477)**		(367,144)
Bad debt expense	(8)		**80,793**		-
Loss on sale of equipment	(12)		**1,328**		-
Net Loss and Comprehensive Loss for the Year		**$**	**(823,735)**	$	(932,760)
Basic and Diluted Loss per Common Share		**$**	**(0.01)**	$	(0.01)
Weighted Average Number of Shares Outstanding			**76,639,327**		76,499,190

NORTHERN IRON CORP.

Canadian Funds

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Shares	Amount	Options	Amount	Warrants	Amount	Deficit	Shareholders' Equity
BALANCE AT 01 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	1,600,000	160,000	-	-	-	-	-	160,000
Issuance of stock options	-	-	100,000	250	-	-	-	250
Net loss for the period	-	-	-	-	-	-	(315,715)	(315,715)
BALANCE AT 31 DECEMBER 2012	76,579,875	$ 13,789,577	4,550,000	$ 395,850	40,644,077	$ 715,307	$ (2,739,614)	$ 12,161,120
Net loss for the period	-	-	-	-	-	-	(331,464)	(331,464)
BALANCE AT 31 MARCH 2013	76,579,875	$ 13,789,577	4,550,000	$ 395,850	40,644,077	$ 715,307	$ (3,071,078)	$ 11,829,656
Issuance of stock options	-	-	-	2,750	-	-	-	2,750
Net loss for the period	-	-	-	-	-	-	(170,928)	(170,928)
BALANCE AT 30 JUNE 2013	76,579,875	$ 13,789,577	4,550,000	$ 398,600	40,644,077	$ 715,307	$ (3,242,006)	$ 11,661,478
Adjustment for property acquisition	50,000	(21,750)	-	-	-	-	-	(21,750)
Fair value adjustment	-	-	-	(1,500)	-	-	-	(1,500)
Stock options expired	-	-	(300,000)	-	-	-	-	-
Stock options cancelled	-	-	(225,000)	-	-	-	-	-
Warrants expired	-	-	-	-	(40,644,077)	-	-	-
Net loss for the period	-	-	-	-	-	-	(259,782)	(259,782)
BALANCE AT 30 SEPTEMBER 2013	76,629,875	$ 13,767,827	4,025,000	$ 397,100	-	$ 715,307	$ (3,501,788)	$ 11,378,446

-- The accompanying notes form an integral part of the consolidated financial statements --

NORTHERN IRON CORP.

Canadian Funds

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY CONTINUED

	Shares	Amount	Options	Amount	Warrants	Amount	Deficit	Shareholders' Equity
BALANCE AT 01 OCTOBER 2013	**76,629,875**	**$ 13,767,827**	**4,025,000**	**$ 397,100**	**-**	**$ 715,307**	**$ (3,356,659)**	**$ 11,523,575**
Stock options cancelled	-	-	**(400,000)**	-	-	-	-	-
Net loss for the period	-	-	-	-	-	-	**(167,400)**	**(167,400)**
BALANCE AT 31 DECEMBER 2013	**76,629,875**	**$ 13,767,827**	**3,625,000**	**$ 397,100**	**-**	**$ 715,307**	**$ (3,524,059)**	**$ 11,356,175**
Stock options cancelled	-	-	**(350,000)**	-	-	-	-	-
Issuance of stock options	-	-	**1,550,000**	**29,000**	-	-	-	**29,000**
Net loss for the period	-	-	-	-	-	-	**(208,240)**	**(208,240)**
BALANCE AT 31 MARCH 2014	**76,629,875**	**$ 13,767,827**	**4,825,000**	**$ 426,100**	**-**	**$ 715,307**	**$ (3,732,299)**	**$ 11,176,935**
Net loss for the period	-	-	-	-	-	-	**(188,313)**	**(188,313)**
BALANCE AT 30 JUNE 2014	**76,629,875**	**$ 13,767,827**	**4,825,000**	**$ 426,100**	**-**	**$ 715,307**	**$ (3,920,612)**	**$ 10,988,622**
Issuance of shares for property	**50,000**	**1,500**	-	-	-	-	-	**1,500**
Net loss for the period	-	-	-	-	-	-	**(259,782)**	**(259,782)**
BALANCE AT 30 SEPTEMBER 2014	**76,679,875**	**$ 13,769,327**	**4,825,000**	**$ 426,100**	**-**	**$ 715,307**	**$ (4,180,394)**	**$ 10,730,340**

-- The accompanying notes form an integral part of the consolidated financial statements --

NORTHERN IRON CORP.

Canadian Funds

CONSOLIDATED STATEMENT OF CASH FLOWS

		Year Ended 30 September 2014	Year Ended 30 September 2013
OPERATING ACTIVITIES			
Loss for the Year		**$ (823,735)**	$ (932,760)
Items not Affecting Cash			
Amortization		**185,988**	153,812
Bad debt expense	(8)	**80,793**	-
Share-based payments	(14)	**29,000**	1,500
Deferred tax recovery	(19)	**(73,477)**	(367,144)
Gain on disposition of equipment		**1,328**	-
		(600,103)	(1,144,592)
Net Change in Non-cash Working Capital			
Amounts receivable		**2,690**	69,598
Prepaid amounts and other assets		**1,170**	76,390
Accounts payable and accrued liabilities		**(303,974)**	(101,063)
		(300,114)	44,925
		(900,217)	(1,099,667)
INVESTING ACTIVITIES			
Disposition of equipment	(12)	**12,192**	-
Deposits		**4,614**	118,093
Acquisition of equipment		**-**	(603,788)
Exploration asset acquisition costs		**-**	(160,000)
Acquisition of intangible assets		**-**	(6,991)
Exploration expenditures		**(95,799)**	(2,604,498)
		(78,993)	(3,257,184)
FINANCING ACTIVITIES			
Deferred financing costs		**(31,154)**	-
		(31,154)	-
Net (Decrease) in Cash		**(1,010,364)**	(4,356,851)
Cash position – beginning of year		**1,609,513**	5,966,364
Cash Position – End of Year		**$ 599,149**	$ 1,609,513
Schedule of Non-cash Investing and Financing Transactions			
Shares issued for resource property acquisition		**$ 1,500**	138,250
Supplementary Disclosure of Cash Flow Information			
Cash paid for interest		**$ -**	$ -
Cash paid for income taxes		**$ -**	$ -

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1) Nature of operations and going concern

Northern Iron Corp. (the "Company", or "Northern Iron") 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 consolidated statement of financial position classifications used and such adjustments could be material.

Subsequent to 30 September 2014, the Company completed a non-brokered private placement of 19,048,000 units at a price of $0.05 per unit for gross proceeds of $952,400 (see Note 20). Working capital, as at 30 September 2014, was $555,000 and with the remaining funds received subsequent to year-end from the private placement, the Company believes it will have sufficient capital resources to meet its obligations for at lease twelve months from the end of the reporting year.

(Rounded '000')	**30 September 2014**	30 September 2013
Working capital	**$ 555,000**	$ 1,378,000
Accumulated deficit	**$ (4,180,000)**	$ (3,357,000)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2) Basis of preparation – Statement of Compliance

These consolidated 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 ("IASB").

These consolidated financial statements were authorised for issue by the Board of Directors on 26 January 2015 and have been prepared under the historical cost convention, except for certain financial instruments, as set out in the summary of significant accounting policies (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.

3) Summary of significant accounting policies

a) Basis of presentation

These consolidated financial statements incorporate the financial statements of Northern Iron and the entities controlled by the Company, which consist of:

- Canadian Iron Metallics Inc. ("Canadian Iron"), which was incorporated on 11 September 2014 in Ontario, Canada, (owned 100% by Northern Iron).
- Griffith Iron Metallics Inc. ("Griffith Iron"), which was incorporated on 11 September 2014 in Ontario, Canada, (owned 100% by Canadian Iron).
- Karas Iron Metallics Inc. ("Karas Iron"), which was incorporated on 11 September 2014 in Ontario, Canada, (owned 100% by Canadian Iron).

Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant intercompany transactions and balances have been eliminated.

Non-controlling interest in the net assets of consolidated subsidiaries are identified separately from the Company's equity. Non-controlling interest consists of the non-controlling interest at the date of the original business combination plus the non-controlling interest's share of changes in equity since the date of acquisition. The Company has no non-controlling interests.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

b) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognized at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, which are recognized and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If the Company's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in profit or loss.

The interest of non-controlling shareholders in the acquiree is initially measured at the non-controlling shareholders' proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

c) Foreign currency

These consolidated financial statements are presented in Canadian dollars, which is the functional and presentation currency of the parent. Each entity determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Both the parent and its subsidiaries use the Canadian dollar as their functional 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 analyzed 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) Measurement uncertainty

The preparation of these consolidated 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 valuation of exploration and evaluation assets, the useful life of equipment, share-based payment valuation 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 judgment. 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 judgment about the nature, cost and timing of the work to be completed, and may change with future changes to costs, environmental laws and regulations and remediation practices. The actual results experienced by the Company may differ materially and adversely from the Company's estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected.

NOTES TO THE CONSOLIDATED 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) Deferred financing costs

Expenditures directly related to share issuances are recorded as a deferred financing cost until such time as the shares are issued. When the shares are issued, the deferred financing cost is recognized as a reduction of the net proceeds from the share issuance. If no shares are issued, these deferred financing costs are recognized as a component of comprehensive loss.

g) Loss per share

Basic loss per share is computed by dividing the net 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.

h) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

i) 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, at 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 exploration and evaluation assets represent costs incurred to date and do not reflect present or future values. Acquisition costs represent shares or cash paid to acquire the rights to the resource property, while exploration expenditures represent amounts paid to explore and develop the resource properties. 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.

j) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

k) Intangible assets

Intangible assets are stated, in the consolidated 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

l) 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 is comprised of 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 CONSOLIDATED FINANCIAL STATEMENTS

m) 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.

n) 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.

The Company has determined that it has no restoration obligations as at 30 September 2014.

o) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Income Taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the consolidated statement of comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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	Loans and receivables
Amounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

q) Flow-through shares

The Company will, from time to time, issue flow-through common shares to finance a portion of its exploration and development program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through proceeds into i) share capital, and ii) a flow-through liability, equal to the estimated premium, if any, investors pay for the flow-through feature. Once related expenditures are incurred or on filing of the "renouncement", the premium is recognized as other income. At this time, the Company also recognizes a deferred tax liability and tax provision at the enacted or substantively enacted tax rate, for the tax pool reduction renounced to the shareholders.

Proceeds received from the flow-through issue are restricted to be used only for Canadian resource property exploration expenditures within a two year period. The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable this tax is accrued as a financial liability until paid.

r) Financial liabilities and equity

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

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

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

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

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

4) Critical accounting judgements and key sources of estimation uncertainty

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

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

The following are the critical judgments and areas involving estimates, that management have made in the process of applying the Company's accounting policies and that have the most significant effect on the amount recognized in the consolidated 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 years ended 30 September 2014 or 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 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

Deferred tax assets are recognized for all deductable temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that probable that future taxable profit will be available against which the deductable temporary differences and carry-forward of unused tax assets and unused tax losses can be utilized. In addition, the valuation of tax credits receivable requires management to make judgements on the amount and timing of recovery.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Allowance for Doubtful Accounts

An allowance for doubtful accounts is established, as necessary, based on past experience and other factors which, in management's judgment, deserve current recognition in estimating bad debts. Such factors include growth and composition of amounts receivable, and current economic conditions. The determination of the collectability of amounts receivable requires management to make judgments regarding future events and trends. Based on a review of these factors, management establishes or adjusts the allowance for specific accounts.

b) Key sources of judgement uncertainty

Going concern evaluation

As discussed on note 1, these consolidated financial statements have been prepared under the assumptions applicable to a going concern. If the going concern assumption were not appropriate for these consolidated 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 2014.

c) Exploration evaluation assets

The Company makes certain estimates and assumptions regarding the recoverability of the carrying values of exploration and evaluation assets. The amounts shown for exploration and evaluation assets do not necessarily represent present or future values. The recoverability of the assets' carrying values is dependent upon the determination of economically recoverable reserves, the ability of the Company to obtain the necessary financing and permits to complete development and future profitable production or proceeds from the disposition thereof.

The Company has taken steps to verify title to exploration and evaluation assets in which it has or is in the process of earning an interest, including review of condition of title reports, vesting deeds, mining claim location notices and filings, and property tax and other public records and is not presently aware of any title defects. The procedures the Company has undertaken and may undertake in the future to verify title provide no assurance that the underlying properties are not subject to prior agreements or transfers of which the Company is unaware.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5) Recently adopted accounting standards

a) IFRS 7, Financial instruments: disclosures

IFRS 7 was amended in December 2011 to require more extensive disclosure about the offsetting of financial instruments and is effective for annual periods beginning on or after 1 January 2013, with earlier adoption permitted. The standard does not have a material impact on the consolidated 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 1 January 2013. Adoption of the standard had no material impact on these consolidated 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 1 January 2013. Adoption of the standard had no material impact on these consolidated 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 1 January 2013. Adoption of the standard had no material impact on these consolidated 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 1 January 2013. Adoption of the standard had no material impact on these consolidated financial statements.

f) IAS 1, Presentation of financial statements (amended standard)

The amendments to IAS 1 introduce changes to presentation of items of other comprehensive income. The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit and loss in the future if certain conditions are met from those that would never be reclassified to profit and loss. The amendments are to be applied effective for annual periods beginning on or after 1 July 2012 and may be early adopted. The amendments are to be applied retroactively in accordance with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors,* for annual periods beginning on or after 1 January 2013. Adoption of the standard had no material impact on these consolidated financial statements.

g) IAS 19, Employee benefits (amended standard)

The amended IAS 19 introduces various changes in accounting and disclosure requirements for defined benefit plans. The amended standard also finalizes proposals on accounting for termination benefits; under the amended standard the termination benefits are recognized at the earlier of when the entity recognizes costs for a restructuring within the scope of IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, that includes the payment of a termination benefit, and when the entity can no longer withdraw the offer of the termination benefit. IAS 19 is to be applied for annual periods beginning on or after 1 January 2013. Adoption of the standard had no material impact on these consolidated financial statements.

h) 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 1 January 2013. The amendments to the standard do not impact the Company’s consolidated financial statements.

i) IAS 28, Investments in associates and joint ventures (amended standard)

IAS 28 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 amendments to IAS 28 are effective for annual periods beginning on or after 1 January 2013. The amendments to the standard do not impact the Company’s consolidated financial statements.

6) 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 consolidated financial statements.

b) IAS 32, Financial instruments: presentation

IAS 32 provides further clarity around details relating to the right of set-off and the application of offsetting criteria under certain circumstances. The amendments to IAS 32 are effective for annual periods beginning on or after 1 January 2014. The Company is currently evaluating the impact of this standard on the consolidated financial statements.

c) IFRIC 21, Levies imposed by governments

In May 2013, the IASB issued IFRIC 21 which sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognized. The Company is currently assessing the impact of IFRIC 21 on its consolidated financial statements.

7) 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. There are no significant differences between the carrying value of financial instruments and their estimated fair values as at 30 September 2014 and 2013.

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.

b) Fair values of financial assets and liabilities

The Company's financial instruments include cash, amounts receivable, and accounts payable and accrued liabilities. As at 30 September 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.

NOTES TO THE CONSOLIDATED 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 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 come due. The Company controls liquidity risk by ensuring that it has sufficient cash resources to pay for its financial obligations. As at 30 September 2014, the Company had a cash balance of $599,149 to settle current liabilities of $70,044 which are due within one year. The Company is not exposed to significant liquidity risk.

8) Amounts receivable

Amounts receivable are comprised of:

	30 September 2014	30 September 2013
GST recoverable	**$ 12,205**	$ 20,843
Due from related parties (1)	**-**	74,845
	$ 12,205	$ 95,688

(1) Amounts owed from related parties are comprised of shared administrative costs among companies with directors in common.

During the year ended 30 September 2014, the Company recognized a bad debt expense of $80,793 (2013 - $Nil) with respect to a related party balance.

9) Deferred financing costs

The Company entered into financing discussions with a private equity group to provide the funding to develop the Karas and Griffith properties. As at 30 September 2014, the Company had incurred $60,405 (2013 - $Nil) in financing costs with respect to this transaction, (note 20).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10) Deposits

Deposits are comprised of non-current cash amounts prepaid to exploration vendors for work yet to be performed on the Company's exploration and evaluation assets.

CARRYING AMOUNTS		
Balance at 30 September 2013	$	204,614
Balance at 30 September 2014	**$**	**200,000**

11) Intangible assets

Details are as follows:

		Computer Software
COST OR DEEMED COST		
Balance at 01 October 2012	$	5,521
Additions		6,991
Balance at 30 September 2013 and 30 September 2014	$	12,512
DEPRECIATION		
Balance at 01 October 2012		5,521
Depreciation for the year		6,409
Balance at 30 September 2013	$	11,930
Depreciation for the year		**582**
Balance at 30 September 2014	**$**	**12,512**
CARRYING AMOUNTS		
Balance at 30 September 2013	$	582
Balance at 30 September 2014	**$**	**-**

Intangible assets are stated at cost less accumulated depreciation and accumulated impairment losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12) Property and equipment

Details are as follows:

	Land	Computer Equipment	Field Equipment	Total
COST OR DEEMED COST				
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
Dispositions	**-**	**-**	**(26,000)**	**(26,000)**
Balance at 30 September 2014	**$ 75,000**	**$ 7,797**	**$ 568,944**	**$ 651,741**
DEPRECIATION				
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	**$** 174,427
Depreciation for the year	-	**1,112**	**184,294**	**185,406**
Dispositions	-	**-**	**(12,480)**	**(12,480)**
Balance at 30 September 2014	**$ -**	**$ 7,797**	**$ 339,556**	**$ 347,353**
CARRYING AMOUNTS				
At 30 September 2013	**$** 75,000	$ 1,112	$ 427,202	$ 503,314
At 30 September 2014	**$ 75,000**	**$ -**	**$ 229,388**	**$ 304,388**

During the year ended 30 September 2014, the Company recorded dispositions of $26,000, recognizing gross proceeds of $12,192 and a realized loss on disposition of $1,328.

Property and equipment are stated, in the consolidated 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 loss.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13) 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.

b) Griffith Mine property

100% interest in 23 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 completed all of the requirements of the agreement, as detailed below:

Date	Shares Issued		Cash Payment
05 January 2010	2,000,000	$	6,000
24 December 2011	-		6,000
31 January 2012	100,000		-
Total	2,100,000	$	12,000

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 during the year ended 30 September 2013. This property is held in the wholly owned subsidiary, Griffith Iron.

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. This property is held in the wholly owned subsidiary, Karas Iron.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

d) Whitemud property

100% interest in 4 mineral claims covering 5,168 hectares, known as Whitemud Property. The Company has completed all of the contractual requirements to keep the Karas A and Whitemud property in good standing, as detailed below:

Date	Shares issued	Cash
03 March 2010	2,500,000	$ -
01 August 2010	-	15,000
31 January 2011	-	20,000
31 January 2012	-	25,000
30 June 2012	50,000	-
31 January 2013	-	40,000
31 May 2013	50,000	-
31 July 2014	50,000	-
Total	2,650,000	$ 100,000

e) Papagonga property

100% interest in 25 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 CONSOLIDATED FINANCIAL STATEMENTS

	Karas	Whitemud	Griffith	El Sol	Papagonga	Total
ACQUISITION						
Balance as at 01 October 2012	$ 176,400	$ 138,600	$ 248,249	$ 900,000	$ 105,000	$ 1,568,249
Additions	10,750	-	127,500	160,000	-	298,250
Balance as at 30 September 2013	$ 187,150	$ 138,600	$ 375,749	$ 1,060,000	$ 105,000	$ 1,866,499
Additions	1,500	-	-	-	-	1,500
Balance as at 30 September 2014	**$ 188,650**	**$ 138,600**	**$ 375,749**	**$ 1,060,000**	**$ 105,000**	**$ 1,867,999**
EXPLORATION EXPENDITURES						
Balance as at 30 September 2012	$ 3,577,878	$ 311,109	$ 1,059,574	$ -	$ 92,181	$ 5,040,742
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
Balance as at 30 September 2013	$ 4,456,176	$ 338,570	$ 2,757,585	$ -	$ 92,181	$ 7,644,512
Admin and camp	**-**	**-**	**19,174**	**-**	**-**	**19,174**
Assaying	**5,564**	**-**	**-**	**-**	**-**	**5,564**
Dewatering	**-**	**-**	**4,533**	**-**	**-**	**4,533**
Drilling	**2,654**	**-**	**-**	**-**	**-**	**2,654**
Geological and consulting	**-**	**-**	**8,262**	**365**	**-**	**8,627**
Staking	**-**	**32,490**	**1,440**	**2,755**	**12,825**	**49,510**
Transportation	**-**	**-**	**7,937**	**-**	**-**	**7,937**
Balance as at 30 September 2014	**$ 4,464,394**	**$ 371,060**	**$ 2,798,931**	**$ 3,120**	**$ 105,006**	**$ 7,742,511**
CARRYING AMOUNTS						
Balance at 30 September 2013	$ 4,643,326	$ 477,170	$ 3,133,334	$ 1,060,000	$ 197,181	$ 9,511,011
Balance at 30 September 2014	**$ 4,653,044**	**$ 509,660**	**$ 3,174,680**	**$ 1,063,120**	**$ 210,006**	**$ 9,610,510**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14) Share capital

a) Authorized: Unlimited common shares without par value.

b) Issued or allotted and fully paid:

On 24 July 2014, the Company issued 50,000 common shares in accordance with the Whitemud property agreement as detailed in Note 13(d).

On 15 May 2013, the Company issued 50,000 common shares in accordance with the Whitemud property agreement as detailed in Note 13(d).

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. On the same date, 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.

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 year ended 30 September 2014 and the year ended 30 September 2013 are as follows:

STOCK OPTION ACTIVITY	**30 September 2014**	**Weighted Average Exercise price**	30 September 2013	Weighted Average Exercise price
Balance – beginning of year	**4,025,000**	**$ 0.17**	4,450,000	$ 0.18
Issued	**1,550,000**	**0.05**	100,000	0.10
Cancelled	**(750,000)**	**0.14**	(225,000)	0.12
Expired	**-**	**-**	(300,000)	0.30
Balance – end of year	**4,825,000**	**0.14**	4,025,000	$ 0.16

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Details of stock options outstanding as at 30 September 2014 are as follows:

Issuance Date	Expiry Date	Exercise Price	Fiscal 2014
01 April 2010	31 March 2015	0.10	500,000
01 April 2010	31 March 2015	0.10	25,000
11 June 2010	10 June 2015	0.10	700,000
13 October 2011	12 October 2016	0.30	200,000
21 December 2011	20 December 2016	0.30	950,000
23 May 2012	22 May 2017	0.10	500,000
10 July 2012	09 July 2017	0.15	400,000
28 February 2014	27 February 2019	0.05	1,550,000
			4,825,000

As at 30 September 2014, the outstanding options have a weighted average remaining life of 2.60 years and a weighted average exercise price of $0.14. All of the outstanding options have vested. No options were in the money as at 30 September 2014.

d) Warrants

40,664,077 warrants expired unexercised during the year ended 30 September 2013. There has been no warrant activity during the year ended 30 September 2014. As at 30 September 2014, there are no warrants outstanding.

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 2014 and year ended 30 September 2013 are as follows:

	30 September 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 per option	**$ 0.02**	$ 0.02

NOTES TO THE CONSOLIDATED 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:

	30 September 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 year are as follows:

	30 September 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15) Related party transactions

Transactions and balances with related parties not disclosed elsewhere in the consolidated financial statements are as follows for the year ended 30 September 2014 and 30 September 2013.

RELATED PARTY DISCLOSURE

Name and Principal Position	Period[(i)]	Remuneration or fees[(ii)]	Share-based awards	Amounts Receivable (Payable)
Basil Botha - President CEO and Director, consulting fees	**2014**	$ 132,000	$ 6,548	$ -
	2013	200,000	-	-
Clearline – a company of which the CFO is a director, professional fees	**2014**	42,119	2,806	(995)
	2013	48,868	-	(9,643)
1514380 Ontario Ltd. – a company owned or controlled by a former Director	**2014**	50,450	-	-
	2013	119,500	-	-
Golden Hammer – a company of which the VP of Exploration is an owner – consulting fees	**2014**	500	-	-
	2013	40,000	-	-
Director (1)	**2014**	1,750	5,613	-
	2013	-	-	-
Directors (2)	**2014**	1,750	2,806	-
	2013	-	-	-
Former director (1)	**2014**	-	-	-
	2013	25,000	-	-
Former director (1)	**2014**	-	2,806	-
	2013	-	-	-

(i) For the years ended 30 September 2014 and 30 September 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.

16) Segmented disclosure

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

17) 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.

18) Commitment

During the year ended 30 September 2014, the Company entered into a contract for office rent which expires 30 April 2016. The following table summarizes the Company's total annual minimum lease payments under this agreement:

Fiscal 2015	$	18,262
Fiscal 2016		10,653
Total	$	28,915

19) 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 2014 and 30 September 2013:

		30 September 2014		30 September 2013
Net loss and comprehensive loss for the year	**$**	**(897,212)**	$	(1,299,904)
Statutory tax rate		**26.00%**		25.50%
Deferred tax (recovery)		**(233,275)**		(331,493)
Non-deductible items		**9,595**		5,816
Change in estimates		**(20,225)**		(50,695)
Change in enacted tax rate		**-**		9,229
Change in deferred tax asset not recognized		**170,431**		-
Income (loss) before tax	**$**	**(73,474)**	$	(367,143)

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 2014 and 30 September 2013 are comprised of the following:

		30 September 2014		30 September 2013
Non capital loss carryforwards	**$**	**446,021**	$	1,243,718
Exploration and evaluation assets		**(463,524)**		(1,562,990)
Donation		**403**		338
Property and equipment		**88,576**		40,577
Financial instrument		**(15,705)**		-
Financing costs		**114,660**		204,880
Deferred tax asset not recognized		**(170,431)**		-
Net deferred tax asset (liability)	**$**	**-**	$	(73,477)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Company has non-capital loss carryforwards of approximately $1,715,464 (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, expiring in the following years:

Year of Expiry	Taxable Loss
2032	$ 124,556
2033	1,590,908
Total	$ 1,715,464

20) Subsequent events

On 16 October 2014, the Company announced that it has entered into an investment agreement with OMC Investments Limited ("OMC"), of Hong Kong. The transaction closed on 28 November 2014, and the Company issued 19,048,000 units of the Company ("Units") by way of private placement at a price of $0.05 per unit, for aggregate proceeds of $952,400. OMC now holds approximately 19.9% of the issued and outstanding shares of the Company. Each Unit consists of one common share in the capital of Northern Iron and one common share purchase warrant (a "Warrant"). Each Warrant is exercisable for a period of three years from the date of closing of the Private Placement at an exercise price of $0.05. The Company also issued 15 common shares of its subsidiary Canadian Iron Metallics Inc. ("CIM") to OMC, reducing its ownership share from 100% to 85%. CIM holds the Company's interests in the Karas and Griffith's properties. The value attributed to the non-controlling interest in CIM on the closing date is nil.

In addition, the shareholders' agreement with OMC will allow OMC to progressively earn additional equity in CIM, up to a total of 70% of CIM's issued and outstanding shares, as follows:

- an additional 30% for $8.2 million in funding from OMC for dewatering, resource drilling and environmental permitting ("Resource Definition Funding");
- an additional 5% for $2 million in total funding for a preliminary economic assessment, funded 70% by OMC and 30% by Northern Iron; and
- an additional 20% for $20 million in total funding for a feasibility study, funded 70% by OMC and 30% by Northern Iron, and assuming the feasibility study establishes technical and economic viability.

Should either party not fully contribute its share of funding to both the preliminary economic assessment and feasibility study, it may face dilution.

In connection with this transaction, Northern Iron has also agreed to enter into an option agreement with OMC on its other mineral properties. Should OMC fund the full $8.2 million Resource Definition Funding, it has the right to acquire an 80% interest in either the El Sol, Whitemud and Papaonga properties. This may be increased to 90%, if within a five year period after earning 80%, OMC funds an additional $1.5 million in expenditures on the property chosen.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

This private placement is subject to final acceptance by the TSX Venture Exchange, and all of the securities issued in connection with it are subject to a statutory hold period expiring on 29 March 2015.