CAP-EX VENTURES LTD.

CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2012

EXPRESSED IN CANADIAN DOLLARS

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To the Shareholders of Cap-Ex Ventures Ltd.

We have audited the accompanying consolidated financial statements of Cap-Ex Ventures Ltd. and its subsidiary, which comprise the consolidated statements of financial position as at August 31, 2012, August 31, 2011 and September 1, 2010, and the consolidated statements of comprehensive loss, consolidated statements of cash flows and consolidated statements of changes in shareholders' equity for the years ended August 31, 2012 and 2011, 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.

Auditor's 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 auditor's 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 Cap-Ex Ventures Ltd. and its subsidiary as at August 31, 2012, August 31, 2011 and September 1, 2010, and their financial performance and cash flows for the years ended August 31, 2012 and 2011 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that the Company has not yet advanced any of its properties to commercial production and accordingly it's ability to finance day to day activities is dependent upon its ability to secure new sources of financing. This condition indicates the existence of a material uncertainty that may cast doubt about the Company's ability to continue as a going concern.

McGOVERN, HURLEY, CUNNINGHAM, LLP

Chartered Accountants
Licensed Public Accountants

TORONTO, Canada
November 22, 2012

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CAP-EX VENTURES LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(EXPRESSED IN CANADIAN DOLLARS)

	August 31, 2012 $	August 31, 2011 * $	September 1, 2010 * $
ASSETS			
Current			
Cash	2,944,809	8,921,687	595,690
Restricted cash	120,000	57,500	-
Amounts receivable (Note 4)	1,146,723	513,210	7,443
Prepaid expenses	75,027	65,328	-
Total current assets	4,286,559	9,557,725	603,133
Prepaid exploration and evaluation	531,500	-	-
Property and equipment (Note 5)	728,309	77,443	-
Exploration and evaluation properties (Note 6)	25,471,945	10,961,650	74,600
TOTAL ASSETS	**31,018,313**	**20,596,818**	**677,733**
LIABILITIES			
Current			
Accounts payable and accrued liabilities	2,187,332	476,243	24,195
Loan - current portion (Note 7)	70,000	-	-
Loan due to relared party	-	-	33,122
Flow-through premium liability	-	637,000	-
	2,257,332	1,113,243	57,317
Loan - long term portion (Note 7)	200,141	-	-
TOTAL LIABILITIES	**2,457,473**	**1,113,243**	**57,317**
SHAREHOLDERS' EQUITY			
Share capital (Note 8)	27,694,679	18,474,602	871,787
Reserves (Note 9)	9,655,852	6,044,636	168,508
Deficit	(8,789,691)	(5,035,663)	(419,879)
TOTAL SHAREHOLDERS' EQUITY	28,560,840	19,483,575	620,416
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**31,018,313**	**20,596,818**	**677,733**

NATURE AND CONTINUANCE OF OPERATIONS (Note 1)
COMMITMENTS AND CONTINGENCEIS (Notes 6 and 13)
(*) RESTATED IN ACCORDANCE WITH IFRS (Note 16)

Approved and authorized by the Board on November 22, 2012.
On behalf of the Board:

/s/ "Andrew Bowering" — Director

/s/ "Francois Laurin" — Director

The accompanying notes are an integral part of these consolidated financial statements.

CAP-EX VENTURES LTD.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(EXPRESSED IN CANADIAN DOLLARS)

	For the years ended	
	August 31, 2012	August 31, 2011
	$	$
Expenses		
Consulting fees (Note 10)	1,633,424	487,718
Depreciation	23,982	16,843
Investor relations	604,600	359,056
Office and administration	323,036	85,922
Professional fees (Note 10)	230,407	266,662
Share-based compensation (Notes 9 and 10)	1,297,894	2,916,806
Travel and related costs	387,579	280,871
Loss before other items	(4,500,922)	(4,413,878)
Other items		
Interest income	109,196	40,924
Reversal of flow-through premium liability	637,000	-
Write down of exploration and evaluation properties (Note 6)	-	(242,830)
	746,196	(201,906)
Net loss for the year before income taxes	(3,754,726)	(4,615,784)
Deferred income taxes (Note 15)	(336,870)	-
Net loss and comprehensive loss for the year	(4,091,596)	(4,615,784)
Basic and diluted loss per share	(0.08)	(0.19)
Weighted average number of common shares outstanding	52,911,884	24,694,764

The accompanying notes are an integral part of these consolidated financial statements.

CAP-EX VENTURES LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(EXPRESSED IN CANADIAN DOLLARS)

	For the years ended	
	August 31, 2012	**August 31, 2011**
	$	**$**
Cash flows from operating activities		
Loss for the year	(4,091,596)	(4,615,784)
Items not affecting cash:		
Depreciation	23,982	16,843
Share-based compensation	1,297,894	2,916,806
Reversal of flow-through premium liability	(637,000)	-
Deferred income tax	336,870	-
Write down of exploration and evaluation property	-	242,830
Changes in non-cash working capital items		
(Increase) in amounts recoverable	(633,513)	(505,767)
(Increase) in prepaid expenses	(9,698)	(65,328)
(Decrease) increase in accounts payable and accrued liabilities	195,100	62,987
	(3,517,961)	(1,947,413)
Cash flows from investing activities		
Acquisition of property and equipment	(751,418)	(94,286)
Exploration and evaluation property expenditures	(12,782,736)	(4,142,497)
Prepaid exploration and evaluation	(531,500)	-
	(14,065,654)	(4,236,783)
Cash flows for financing activities		
Repayment of advances and loans	-	(33,122)
Restricted cash	(62,500)	(57,500)
Loan received	281,808	-
Loan repaid	(11,668)	-
Proceeds from share issuances	10,211,249	15,068,000
Share issuance costs	(34,211)	(1,052,870)
Proceeds from exercise of stock options	26,250	85,000
Proceeds from exercise of warrants	1,195,809	500,685
	11,606,737	14,510,193
Net change in cash and cash equivalents	(5,976,878)	8,325,997
Cash, beginning of the year	8,921,687	595,690
Cash, end of the year	2,944,809	8,921,687
Supplemental cash flow information		
Exploration and evaluation property expenditures included in accounts payable and accrued liabilities	1,883,651	389,061
Depreciation capitalized in exploration and evaluation property expenditures	76,570	-
Shares issued for acquisition costs of exploration and evaluation property	135,000	6,598,323

The accompanying notes are an integral part of these consolidated financial statements.

CAP-EX VENTURES LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(EXPRESSED IN CANADIAN DOLLARS)

	Number of Shares Issued	Share Capital	Reserves	Deficit	Total Shareholders' Equity
	#	$	$	$	$
Balance at September 1, 2010	**14,872,727**	**871,787**	**168,508**	**(419,879)**	620,416
Share subscriptions received	-	18,000	-	-	18,000
Shares issued for cash	19,090,476	11,490,046	2,922,954	-	14,413,000
Share issuance costs	271,500	(1,052,871)	-	-	(1,052,871)
Share issuance costs - non cash	-	(225,768)	225,768	-	-
Shares issued for exploration and evaluation property	5,897,595	6,598,323	-	-	6,598,323
Share-based compensation	-	-	2,916,806	-	2,916,806
Stock options exercised	340,000	156,523	(71,523)	-	85,000
Warrants exercised	3,277,600	618,562	(117,877)	-	500,685
Net loss for the year	-	-	-	(4,615,784)	(4,615,784)
Balance at August 31, 2011	**43,749,898**	**18,474,602**	**6,044,636**	**(5,035,663)**	**19,483,575**
Shares issued for cash	12,013,234	7,342,226	2,869,023	-	10,211,249
Share issuance costs	-	(34,211)	-	-	(34,211)
Shares issued for exploration and evaluation property	300,000	135,000	-	-	135,000
Share-based compensation	-	-	1,297,894	-	1,297,894
Warrants exercised	3,145,727	1,391,854	(196,045)	-	1,195,809
Options expired	-	-	(337,568)	337,568	-
Stock options exercised	105,000	48,338	(22,088)	-	26,250
Deferred income tax related to share issue costs	-	336,870	-	-	336,870
Net loss for the year	-	-	-	(4,091,596)	(4,091,596)
Balance at August 31, 2012	**59,313,859**	**27,694,679**	**9,655,852**	**(8,789,691)**	**28,560,840**

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE AND CONTINUANCE OF OPERATIONS

Cap-Ex Ventures Ltd. (the “Company”) was incorporated under the Canada Business Corporations Act (CBCA) on February 27, 2007 and is listed for trading on the TSX Venture Exchange (“TSX-V”) under the symbol V.CEV. The Company's business is to acquire, explore and develop interests in mining projects.

The Company’s registered office is 2000-1177 West Hastings Street, Vancouver, BC, V6E 2K3, Canada. The Company maintains an executive office at 2000 McGill College Avenue, Suite 250, Montreal, QC, H3A 3H3, Canada.

The Company’s exploration and evaluation properties are at the exploration and evaluation stage and are without a known body of commercial ore. The business of exploring for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. Major expenses may be required to establish ore reserves, to develop metallurgical processes, to acquire construction and operating permits and to construct mining and processing facilities. The amounts shown as exploration and evaluation property costs represent acquisition, holding and deferred exploration costs and do not necessarily represent present or future recoverable values. The recoverability of the amounts shown for exploration and evaluation property costs is dependent upon the Company obtaining the necessary financing to complete the exploration and evaluation properties, the discovery of economically recoverable reserves and future profitable operations.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of operations of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory and environmental requirements. The Company’s assets may also be subject to increases in taxes and royalties, renegotiation of contracts, political uncertainty and currency exchange fluctuations and restrictions.

These consolidated financial statements have been prepared on the assumption that the Company and its subsidiary will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at August 31, 2012, the Company had not advanced any of its properties to commercial production and is not able to finance day to day activities through operations. The Company’s continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. Management intends to finance operating costs over the next twelve months with current cash on hand, proceeds from exercise of warrants/stock options, and further private placements.

These financial statements were reviewed, approved and authorized for issue by the Board of Directors on November 22, 2012.

2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies used in the preparation of these consolidated financial statements.

Statement of compliance and conversion to International Financial Reporting Standards

These consolidated financial statements of the Company and its subsidiary were prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB"). These financial statements represent the Company's initial presentation of its results and financial position under IFRS, and accordingly were prepared in accordance with International Accounting Standard ("IAS") 1, Presentation of Financial Statements and by IFRS 1, First-time Adoption of IFRS. The policies set out below were consistently applied to all the periods presented unless otherwise noted below.

Note 16 discloses the impact of the transition to IFRS on the Company's statements of financial position as at September 1, 2010 and August 31, 2011.

Basis of presentation

The consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The consolidated financial statements are presented in Canadian dollars unless otherwise noted.

Basis of consolidation

These consolidated financial statements include the accounts of the Company, and its wholly owned subsidiary, Schefferville Iron Ore Exploration Corp. (incorporated under the Business Corporations Act of British Columbia on February 2, 2011). All significant intercompany accounts and transactions between the Company and its subsidiary have been eliminated upon consolidation.

Foreign currency translation

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its subsidiary is the Canadian dollar. The reporting currency of the Company is the Canadian dollar. Transactions in currencies other than the Canadian dollars are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the period end exchange rate while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in comprehensive loss.

Use of estimates

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Areas requiring a significant degree of estimation and judgment relate to the determination of the useful lives of property and equipment, the recoverability of the carrying value of exploration and evaluation properties, fair value measurements for financial instruments and share-based compensation and other equity-based payments, the recognition and valuation of provisions for restoration and environmental liabilities, and the recoverability and measurement of deferred tax assets and liabilities. Actual results may differ from those estimates and judgments.

Exploration and evaluation property properties

Once a license to explore an area has been secured, expenditures on exploration and evaluation activities are capitalized to exploration and evaluation properties. Exploration and evaluation expenditures related to the initial search for deposits with economic potential and to detailed assessments of deposits or other projects that have been identified as having economic potential.

Subsequent recovery of the resulting carrying value depends on successful development or sale of the undeveloped project. If a project does not prove viable, all irrecoverable costs associated with the project net of any impairment provisions are written off.

Development
When economically viable reserves have been determined and the decision to proceed with development has been approved, the expenditures related to construction are capitalized as construction-in-progress and classified as a development property. Costs associated with the commissioning of new assets, in the period before they are operating in the way intended by management, are capitalized, net of any pre-production revenues. Interest on borrowings related to the construction and development of assets are capitalized until substantially all the activities required to make the asset ready for its intended use are complete.

Mine properties, plant and equipment
Upon completion of mine construction, the assets are transferred into mine properties, plant and equipment or mine properties. Items of property, plant and equipment and mine properties are stated at cost, less accumulated depreciation and accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the rehabilitation obligation, and for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalized value of a finance lease is also included within property, plant and equipment.

When a mine construction project moves into the production stage, the capitalization of certain mine construction costs ceases and costs are either regarded as inventory or expensed, except for costs which qualify for capitalization relating to mining asset additions or improvements, underground mine development or mineable reserve development.

Depletion
Accumulated mine development costs are depleted on a unit-of-production basis over the estimated economically recoverable reserves of the mine concerned.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restoration and environmental obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to mineral property interests along with a corresponding increase in the restoration 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 restoration asset will be depreciated on the same basis as other mining assets.

The Company's estimates of restoration costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related asset with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in amount and timing of the Company's estimates of reclamation costs, are charged to profit and loss for the period.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

As at August 31, 2012, August 31, 2011, and September 1, 2010, there were no significant restoration and environmental obligations.

Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received.

The Company operates an employee stock option plan. The corresponding amount is recorded to the stock option reserve. The fair value of options is determined using the Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. On exercise of a stock option, any amount related to the initial value of the stock option, along with the proceeds from exercise are recorded to share capital. On expiry of a stock option, any amount related to the initial value of the stock option is recorded to deficit.

Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statements of comprehensive loss during the financial period in which they are incurred. When parts of an item of equipment have different useful lives, they are accounted for as a separate item (major components) of equipment.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment (continued)

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

Depreciation is calculated using a declining balance method to write off the cost of the assets. The depreciation rates applicable to each category of property and equipment are as follows:

Asset	Basis	%
Computer hardware/software	Declining balance	55%
Drilling equipment	Declining balance	20%
Equipment	Declining balance	20%
Vehicles	Declining balance	30%

Financial instruments

Financial assets
The Company classifies its financial assets into one of the following categories as follows:

Fair value through profit or loss - This category comprises derivatives and financial assets acquired principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost using the effective interest method less any provision for impairment. The Company classifies its cash, amounts receivable as loans and receivables.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method less any provision for impairment.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in other comprehensive income (loss). Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from accumulated other comprehensive income (loss) and recognized profit or loss.

All financial assets except those measured at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Financial liabilities
The Company classifies its financial liabilities into one of two categories as follows:

Fair value through profit or loss - This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

Other financial liabilities: This category consists of liabilities carried at amortized cost using the effective interest method, and includes accounts payable and accrued liabilities, and loans.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

As at August 31, 2012 and August 31, 2011, the Company did not have any derivative financial assets and liabilities.

Income taxes

Current income tax:
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the country where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax:
Deferred income tax is provided using the asset and liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Flow-through shares:
On the issuance of flow-through shares, any premium received in excess of the closing market price of the Company's common shares is initially recorded as a flow-through premium liability and included as a current liability. When the Company has renounced the related expenditures, the flow-through premium liability is recognized in profit or loss as other items – reversal of flow through premium liability.

The Company indemnifies the subscribers of flow-through shares against certain tax related amounts that become due related to their flow-through subscriptions.

Impairment of non-financial assets

The carrying amount of the Company's assets (which include property and equipment and exploration and evaluation properties) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statements of comprehensive loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets (continued)

The recoverable amount of assets is the greater of an asset's fair value less cost 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 the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years. Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Earnings / (Loss) per share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) 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.

Accounting pronouncements not yet adopted

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning after September 1, 2011 or later periods. Updates that are not applicable or are not consequential to the Company have been excluded thereof.

IFRS 9, Financial Instruments Classification and Measurement ("IFRS 9") was issued November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. This standard is required to be applied for accounting periods beginning on or after January 1, 2015 (amended December 2011), with early adoption permitted. Management anticipates that this standard will be adopted in the Company's consolidated financial statements for the period beginning September 1, 2015. The Company has not yet determined the potential impact of the amendments to IFRS 9 on its financial statements.

IFRS 10, Consolidated Financial Statements ("IFRS 10") provides a single model to be applied in the control analysis for all investees, including entities that currently are special purpose entities in the scope of SIC 12. In addition, the consolidation procedures are carried forward substantially unmodified from IAS 27 Consolidated and Separate Financial Statements. The Company intends to adopt IFRS 10 in its consolidated financial statements for the annual period beginning September 1, 2013. The Company has not yet determined the impact of the amendments to IFRS 10 on its consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting pronouncements not yet adopted (continued)

IFRS 13, Fair Value Measurement converges IFRS and US GAAP on how to measure fair value and the related fair value disclosures. The new standard creates a single source of guidance for fair value measurements, where fair value is required or permitted under IFRS, by not changing how fair value is used but how it is measured. The focus will be on an exit price. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company has not yet determined the impact of the amendments to IFRS 13 on its consolidated financial statements.

IAS 1 Presentation of Financial Statements (“IAS 1”) was amended by the IASB in June 2011 in order to align the presentation of items in other comprehensive income with US GAAP standards. Items in other comprehensive income will be required to be presented in two categories: items that will be reclassified into profit and loss and those that will not be reclassified. The flexibility to present a statement of comprehensive income remains unchanged. The amendments to IAS 1 are effective for annual periods beginning on or after June 1, 2012.

3. CRITICAL JUDGEMENTS AND ESTIMATION UNCERTAINTIES

The preparation of consolidated financial statements in conformity with IFRS requires the Company’s management to make judgments, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the financial statements. Although these estimates are based on management’s best knowledge of the amount, event or actions, actual results may differ from those estimates and these differences could be material.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

- Assets’ carrying values and impairment charges
  In the determination of carrying values and impairment charges, management looks at the higher of recoverable amount or fair value less costs to sell in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

- Capitalization of exploration and evaluation costs
  Management has determined that exploration and evaluation costs incurred during the year have future economic benefits and are economically recoverable. In making this judgement, management has assessed various sources of information including but not limited to the geologic and metallurgic information, history of conversion of mineral deposits to proven and probable mineral reserves, scoping and feasibility studies, proximity of operating facilities, operating management expertise and existing permits. See Note 5 for details of capitalized exploration and evaluation costs.

- Mineral reserve estimates
  The figures for mineral reserves and mineral resources are determined in accordance with National Instrument 43-101, “Standards of Disclosure for Mineral Projects”, issued by the Canadian Securities Administrators. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Company’s control. Such estimation is a subjective process, and the accuracy of any mineral reserve or mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Differences between management’s assumptions including economic assumptions such as metal prices and market conditions could have a material effect in the future on the Company’s financial position and results of operation.

3. CRITICAL JUDGEMENTS AND ESTIMATION UNCERTAINTIES (CONTINUED)

- Impairment of exploration and evaluation properties
  While assessing whether any indications of impairment exist for exploration and evaluation properties, consideration is given to both external and internal sources of information. Information the Company considers includes changes in the market, economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of exploration and evaluation properties. Internal sources of information include the manner in which exploration and evaluation properties are being used or are expected to be used and indications of expected economic performance of the assets. Estimates include but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Company's mining properties, costs to sell the properties and the appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's exploration and evaluation properties.

- Share-Based Payments and Warrants
  Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Similar calculations are made in order to value warrants. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

- Income taxes and recoverability of potential deferred tax assets
  In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

4. AMOUNTS RECEIVABLE

	August 31, 2012	August 31, 2011
	$	$
Sales tax receivable	1,131,939	512,806
Other	14,784	404
	1,146,723	513,210

5. PROPERTY AND EQUIPMENT

	Computer hardware/ Software	Drilling equipment	Equipment	Vehicle	Total
	$	$	$	$	$
Cost:					
At August 31, 2011	4,516	-	22,760	67,010	94,286
Additions	24,948	487,344	-	239,126	751,418
At August 31, 2012	**29,464**	**487,344**	**22,760**	**306,136**	**845,704**
Depreciation:					
At August 31, 2011	4,516	-	2,276	10,051	16,843
Charge for the period	2,797	48,734	4,097	44,924	100,552
At August 31, 2012	**7,313**	**48,734**	**6,373**	**54,975**	**117,395**
Net book value:					
At August 31, 2011	-	-	20,484	56,959	77,443
At August 31, 2012	**22,151**	**438,610**	**16,387**	**251,161**	**728,309**

	Computer hardware	Drilling equipment	Equipment	Vehicle	Total
	$	$	$	$	$
Cost:					
At September 1, 2010	-	-	-	-	-
Additions	4,516	-	22,760	67,010	94,286
At August 31, 2011	**4,516**	**-**	**22,760**	**67,010**	**94,286**
Depreciation:					
At September 1, 2010	-	-	-	-	-
Charge for the period	4,516	-	2,276	10,051	16,843
At August 31, 2011	**4,516**	**-**	**2,276**	**10,051**	**16,843**
Net book value:					
At September 1, 2010	-	-	-	-	-
At August 31, 2011	**-**	**-**	**20,484**	**56,959**	**77,443**

6. EXPLORATION AND EVALUATION PROPERTIES

	Tay-LP	Schefferville	Lac Connelly	Total
	$	$	$	$
Balance, August 31, 2011	-	7,702,943	3,258,707	10,961,650
Property acquisition and staking costs	-	471,334	37,375	508,709
Exploration expenditures:				
Legal services	-	162,003	-	162,003
Consulting	-	934,541	94,146	1,028,687
Data analysis	-	177,951	7,538	185,489
Drilling	-	6,867,872	12,448	6,880,320
Helicopter and transporation	-	1,826,523	-	1,826,523
Equipment rental	-	437,571	-	437,571
Geological	-	717,095	10,069	727,164
Mapping/survey	-	631,476	32,817	664,293
Sampling	-	402,560	2,230	404,790
Supplies	-	1,388,350	41,749	1,430,099
Rail feasibility study	-	100,000	-	100,000
Preliminary economic assessment	-	154,647	-	154,647
	-	14,271,923	238,372	14,510,295
Balance, August 31, 2012	**-**	**21,974,866**	**3,497,079**	**25,471,945**

	Tay-LP	Schefferville	Lac Connelly	Total
	$	$	$	$
Balance, August 31, 2010	74,600	-	-	74,600
Property acquisition and staking costs	75,000	5,061,969	2,729,486	7,866,455
Exploration expenditures:				
Consulting	4,000	122,238	23,693	149,931
Data analysis	-	15,093	6,570	21,663
Drilling	-	1,352,065	1,841	1,353,906
Equipment rental	-	54,472	-	54,472
Geological	-	96,227	10,974	107,201
Mapping/survey	89,230	734,577	450,478	1,274,285
Sampling	-	9,780	382	10,162
Supplies	-	256,522	35,283	291,805
	242,830	7,702,943	3,258,707	11,204,480
Write down	(242,830)	-	-	(242,830)
Balance, August 31, 2011	**-**	**7,702,943**	**3,258,707**	**10,961,650**

6. EXPLORATION AND EVALUATION PROPERTIES (CONTINUED)

Schefferville Properties

In February 2011, the Company entered into an option agreement with Kal Malhi (the “Optionor”) to acquire a 100% interest in the Redmond Properties in the area of Schefferville, Quebec (“Option Agreement”). The Company closed this agreement on March 18, 2011.

Under the terms of the Option Agreement, the Company is required to make payments to the Optionor, to earn an initial 51% interest, as follows:

Payments to the Optionor:	Payments	Value of Shares	Work Commitment
	$	$	$
On signing (paid)	10,000	-	-
On TSXV Exchange approval (paid)	90,000	179,117	-
On first year anniversary (paid) (i)	-	300,000	200,000
On second year anniversary	-	-	300,000
On third year anniversary (ii)	-	500,000	500,000
	100,000	979,117	1,000,000

In March 2011, the Company signed an Amendment Agreement to the Option Agreement to determine the exact number of shares to be issued on TSX Venture Exchange approval, and the option to make cash payments in lieu of the shares to be issued on the first and third year anniversary.

(i) The number of shares which is equal to $300,000 divided by the weighted closing trading price average for the ten trading days prior to the first anniversary date or 333,333 shares, whichever is less.
(ii) The number of shares which is equal to $500,000 divided by the weighted closing trading price average for the ten trading days prior to the third anniversary date or 555,555 shares, whichever is less.

Upon completion of these payments and expenditures, the Company will own a 51% interest in the Redmond Properties. The Company must pay the vendor an additional $500,000 in cash or common shares prior to the fifth year anniversary of the Option Agreement for the remaining 49% interest in the Redmond Properties. The vendor retained a 2% net smelter return royalty 50% of which may be purchased for $1,000,000 in cash prior to the five year anniversary of the Option Agreement.

In February 2011, the Company signed a finder’s fee agreement related to the Redmond Properties. The agreement calls for a finder’s fee equal to 5% of the cash and share issuances paid under the Option Agreement. All cash and share portions of the finder’s fee are payable to the finder concurrently with the payments made to the Optionor of the Option Agreement.

In March 2011, the Company acquired 100% of the interests in a group of Labrador / Quebec Iron Ore properties, of which a portion is Lac Connelly, from Mandu Resources Ltd. (“Mandu”), Bedford Resources Partners Inc. and 743584 Ontario Inc. (collectively, “BP&N”). In order to earn the interest, the Company paid a $49,000 non-refundable cash deposit upon execution of the agreement, paid an additional $226,000 and issued a total of 5,000,000 shares to Mandu upon closing of the agreement. Mandu and BP&N retained a 1.8% royalty on iron ore produced, which is limited to $1.60 per ton of ore produced. The Company has the right to purchase 0.5% of the royalty for $1,000,000 for a period of 24 months from closing. The Company allocated the acquisition costs based on the total hectares per property. Of the total acquisition costs, approximately 54% has been allocated to the iron ore properties known as the Schefferville Property.

6. EXPLORATION AND EVALUATION PROPERTIES (CONTINUED)

Schefferville Properties (continued)

In April 2011, the Company acquired a 100% right, title and interest in and to a Newfoundland / Labrador property. Under the terms of the agreement, the Company paid $10,000 and issued 15,000 shares to the vendor. The vendor retained a 1.5% royalty on the property, which is limited to $1.60 per ton of ore. The Company has the right to repurchase 0.5% (one-third) of the royalty for $1,000,000 for 4 years after the acquisition.

In April 2011, the Company acquired 100% of two properties that adjoin the Company's existing property near Schefferville, Quebec. Under the terms of the agreement, the Company paid $500,000 and issued 500,000 shares to the vendor. The vendor retained a 1% NSR on the properties, which can be reduced to 0.5%, by a payment of $1,000,000 at any time.

In April 2011, the Company acquired a 100% right, title and interest in and to a Newfoundland / Labrador property. Under the terms of the agreement, the Company paid $20,000 and issued 100,000 shares to the vendor. The vendor retained a 2.0% royalty on the claims. Beginning in 2016, the Company is required to make annual advance royalty payments of $5,000, for a period of 5 years. The Company may acquire 50% of the royalty (effectively 1.0%) for $1,000,000 any time prior to commencement of commercial production.

In April 2011, the Company acquired 100% right, title and interest in and to a Newfoundland / Labrador property. Under the terms of the agreement, the Company paid a total of $20,000 and issued 100,000 shares to the vendors. The vendors retained, collectively, a 2.0% royalty on the claims. Beginning in 2016, the Company is required to make annual advance royalty payments of $5,000, for a period of 5 years. The Company may acquire 50% of the royalty (effectively 1.0%) for $1,000,000 any time prior to commencement of commercial production.

In May 2012, the Company entered in a definitive exploration agreement with Innu Takuaikan Uashat Mak Mani-Utenam ("ITUM"). Pursuant to the terms of the agreement, the Company issued 300,000 common shares to ITUM. In addition, the Company has agreed to make annual payments to ITUM conditional upon the Company completing certain levels of exploration activities on its properties during the previous year. In consideration for the benefits received by ITUM under the exploration agreement, ITUM has given its consent to the Company's exploration activities on its properties. The 300,000 common shares were issued on June 16, 2012 with an estimated value of $135,000 based on the market price of the shares.

Lac Connelly Property

As part of the agreement with Mandu and BP&N, the Company acquired certain iron ore properties located in Quebec. The initial acquisition costs were pro-rated based on the total hectares per property and approximately 46% has been allocated to the iron ore properties known as the Lac Connelly Property.

Tay-LP Property

In March 2010, the Company entered into an option agreement with Canarc Resource Corp. (the "Optionor") to acquire a 50% interest in the Tay-LP Property within the Tintina Gold Belt in the Yukon Territory ("Option Agreement"). Under the terms of the Option Agreement, the Company was required to make payments to the Optionor and fulfill the Optionor's obligations pursuant to the underlying Ross River Agreement, which the Optionor had previously entered into with a third party to acquire up to a 100% interest in the TAY-LP Property.

In March 2011, the Company terminated its option agreement with the Optionor on the Tay-LP Property and as a result wrote off related exploration and evaluation property expenditures of $242,830.

7. LOAN PAYABLE

On June 12, 2012, the Company entered a credit facility agreement with its commercial bank to arrange a $350,000 credit facility to finance the purchase of equipment. On June 26, 2012, the Company drew down $281,808 of the loan facility agreement. The facility will mature on June 27, 2017 and bears interest at the commercial bank's prime rate + 3%. The loan is secured by a general pledge over all the assets owned by the Company. The loan can be repaid at any time at the Company's discretion without penalty. Principal and interest are payable by consecutive monthly principal payment of $5,833 plus interest based on a 60 month amortization. Consequently, the Company has classified $70,000 of the loan as due within a year and $200,141 as long term in the Statement of Financial Position as at August 31, 2012.

8. SHARE CAPITAL

Authorized share capital

Unlimited common shares without par value.

Issued share capital

On March 3, 2011, the Company completed a non-brokered private placement of 6,000,000 units at $0.30 per unit for gross proceeds of $1,800,000. Each unit consists of one common share and one half warrant. Each full warrant entitles the holder to purchase one common share of the Company for a price of $0.60 for a period of 18 months. The private placement also consisted of 1,500,000 flow-through units at a price of $0.40 per unit for gross proceeds of $600,000. Each flow-through unit consists of one common share and one half warrant. Each full warrant entitles the holder to purchase one common share of the Company for a price of $0.60 for a period of 18 months. The flow-through units had an associated flow-through premium liability of $150,000 on issuance. The Company issued a total of 271,500 finders units at a value of $81,450 and paid cash of $6,800 for finders' fees. The finders units have the same underlying terms as the private placement.

On March 3, 2011, the Company issued 5,000,000 common shares valued at $5,350,000 to Mandu Resources Ltd. as per an agreement related to the Schefferville Properties (Note 6).

On March 16, 2011, the Company issued 173,900 common shares valued at $179,117 to a vendor as per the option agreement on the Redmond Property (Note 6). The Company also issued 8,695 common shares with a value of $8,956 as a finder's fee per an agreement related to the Schefferville Properties (Note 6).

On March 30, 2011, the Company completed a private placement of 9,190,476 non flow-through units at $1.05 per unit for gross proceeds of $9,650,000. Each unit consists of one common share and one half warrant. Each full warrant entitles the holder to purchase one common share of the Company for a price of $1.30 for a period of 24 months. The private placement also consisted of 2,400,000 flow-through units at a price of $1.25 per unit for gross proceeds of $3,000,000. Each flow-through unit consists of one common share and one half warrant. Each full warrant entitles the holder to purchase one common share of the Company for a price of $1.35 for a period of 24 months. The flow-through units had an associated flow-through premium liability of $487,000 on issuance. The Agent was paid a cash commission of $885,500 equal to 7.0% of the total gross proceeds of the offering and expense reimbursements of $110,000.

On April 13, 2011, the Company issued 15,000 common shares valued at $23,250 to a vendor as per an agreement related to the Schefferville Properties (Note 6).

On April 18, 2011, the Company issued 100,000 common shares valued at $150,000 to a vendor as per an agreement related to the Schefferville Properties (Note 6).

8. SHARE CAPITAL (CONTINUED)

On April 18, 2011, the Company issued 500,000 common shares valued at $750,000 to a vendor as per an agreement related to the Schefferville Properties (Note 6).

On April 21, 2011, the Company issued 100,000 common shares valued at $137,000 to two vendors as per an agreement related to the Schefferville Properties (Note 6).

On December 21, 2011, the Company completed the first tranche of a non-brokered private placement comprised of 3,110,810 flow-through units and 805,000 non flow-through units at a price of $0.85 per unit for gross proceeds of $3,328,439. Each unit consists of one flow-through common share or one common share respectively, and one share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company for a price of $0.95 for a period of 24 months.

On January 13, 2012, the Company completed the second tranche of a non-brokered private placement comprised of 8,097,424 non flow-through units at $0.85 per unit for gross proceeds of $6,882,810. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company for a price of $0.95 for a period of 24 months.

As at August 31, 2012, the Company has 2,269,636 shares subject to escrow pursuant to the requirements of the TSX Venture Exchange ("TSX-V"), which will be released through August 2013. In addition, as at August 31, 2012, 3,120,000 shares are subject to voluntary pooling and will be released through April 2014.

The aggregate flow through premium of $637,000 assigned to flow-through units issued during the fiscal year-ended August 31, 2011 was reversed through profit and loss during the year ended August 31, 2012.

9. RESERVES

Stock Options

The Company has a stock option plan ("the Plan") whereby it can grant options to directors, officers, employees, and technical consultants of the Company. The maximum number of shares that may be reserved for issuance under the Plan is limited to 10% of the issued common shares of the Company. Vesting is determined by the board of directors in accordance with the Plan and the policies of the TSX-V.

A summary of stock option activity is as follows:

On October 19, 2010, the Company granted 1,400,000 five-year stock purchase options exercisable at $0.25 per share. The fair value of these options, $50,134, was estimated using the Black-Scholes pricing model with the following assumptions: estimated life of five years, risk free interest rate of 0.92%, volatility of 125%, forfeiture rate of nil, and nil forecasted dividend yield. All options vested immediately on grant.

On March 4, 2011, the Company granted 1,400,000 five-year stock purchase options exercisable at $1.17 per share of which 850,000 vested immediately, with the balance vesting every 3 months in instalments of 137,500 options. As at February 29, 2012, the vested options were valued at $1,378,298, estimated using the Black-Scholes pricing model with the following assumptions: estimated life of five years, risk free interest rate of 0.92%, volatility of 125%, forfeiture rate of nil, and nil forecasted dividend yield.

On April 5, 2011, the Company granted 1,300,000 five-year stock purchase options exercisable at $1.24 per share. The fair value of these options, $1,356,807, was estimated using the Black-Scholes pricing model with the following assumptions: estimated life of five years, risk free interest rate of 0.98%, volatility of 125%, forfeiture rate of nil, and nil forecasted dividend yield. All options vested immediately on grant.

9. RESERVES (CONTINUED)

On November 8, 2011, the Company granted 600,000 five-year stock purchase options exercisable at $0.81 per share of which 490,000 vested immediately, with the balance vesting every 3 months in installments of 27,600 options. As at August 31, 2012, the vested options were valued at $338,284 and the unvested options were valued at $25,604, estimated using the Black-Scholes pricing model with the following assumptions: estimated life of five years, risk free interest rate of 0.89%, volatility of 125%, forfeiture rate of nil, and nil forecasted dividend yield.

On February 7, 2012, the Company granted 1,325,000 five-year stock purchase options exercisable at $0.99 per share of which 441,666 vested immediately, with the balance vesting every 12 months in installments of 441,666 options. As at August 31, 2012, the vested options were valued at $593,740 and the unvested options were valued at $593,740, estimated using the Black-Scholes pricing model with the following assumptions: estimated life of five years, risk free interest rate of 1.04%, volatility of 108%, forfeiture rate of nil, and nil forecasted dividend yield.

On June 14, 2012, the Company granted 250,000 five-year stock purchase options exercisable at $0.50 per share of which 83,333 vested immediately, with the balance vesting every 12 months in installments of 83,333 options. As at August 31, 2012, the vested options were valued at $87,143 and the unvested options were valued at $47,852, estimated using the Black-Scholes pricing model with the following assumptions: estimated life of five years, risk free interest rate of 1.2%, volatility of 126%, forfeiture rate of nil, and nil forecasted dividend yield.

	Number of options	Weighted average exercise price	Value of options
	#	$	$
Balance, September 1, 2010	-	-	-
Granted	4,100,000	0.88	2,916,806
Exercised	(340,000)	0.25	(71,523)
Balance, August 31, 2011	3,760,000	0.93	2,845,283
Granted	2,175,000	0.88	1,297,894
Exercised	(105,000)	0.25	(22,088)
Expired	(340,000)	1.17	(337,568)
Balance, August 31, 2012	**5,490,000**	**0.91**	3,783,521

9. RESERVES (CONTINUED)

A summary of the stock options outstanding and exercisable at August 31, 2012 is as follows:

Exercise Price	Number Outstanding	Number Exercisable	Grant Date	Expiry Date	Grant Date estimated fair value vested	Expected Volatility	Expected life years	Expected dividend yield	Risk-free interest rate
$					$				
0.25	955,000	955,000	18-Oct-10	18-Oct-15	200,896	125%	5.00	0.00%	0.92%
1.17	1,160,000	1,160,000	04-Mar-11	04-Mar-16	1,142,018	125%	5.00	0.00%	0.92%
1.24	1,220,000	1,220,000	05-Apr-11	05-Apr-16	1,269,149	125%	5.00	0.00%	0.98%
0.81	580,000	552,500	08-Nov-11	08-Nov-16	392,134	125%	5.00	0.00%	0.89%
0.99	1,325,000	441,667	07-Feb-12	07-Feb-17	742,176	108%	5.00	0.00%	1.04%
0.5	250,000	83,333	14-Jun-12	14-Jun-17	37,148				
0.94	5,490,000	4,412,500			3,783,521				

Warrants

A summary of share purchase warrant activities is as follows:

	Number of warrants	Weighted average exercise price	Value of warrants
	#	$	$
Balance, September 1, 2010	4,772,727	0.15	168,508
Issued	10,753,321	1.01	3,148,722
Exercised	(3,277,600)	0.15	(117,877)
Balance, August 31, 2011	12,248,448	0.90	3,199,353
Issued	12,013,234	0.95	2,869,023
Exercised	(3,145,727)	0.38	(196,045)
Balance, August 31, 2012	**21,115,955**	**1.01**	5,872,331

A summary of the share purchase warrants outstanding at August 31, 2012 is as follows:

Exercise price	Number outstanding	Grant date	Expiry date	Grant date estimated fair value	Expected volatility	Expected life years	Expected dividend yield	Risk-free interest rate
$				$				
0.60	2,274,250	03-Mar-11	03-Sep-12	199,151	125%	1.50	0.00%	0.92%
0.35	221,900	03-Mar-11	03-Sep-12	27,390	125%	1.50	0.00%	0.92%
1.30	4,595,238	30-Mar-11	30-Mar-13	1,783,790	125%	2.00	0.00%	0.92%
1.35	1,200,000	30-Mar-11	30-Mar-13	459,092	125%	2.00	0.00%	0.92%
1.05*	811,333	30-Mar-11	30-Mar-13	533,886	125%	2.00	0.00%	0.92%
0.95	3,915,810	21-Dec-11	21-Dec-13	934,545	95%	2.00	0.00%	0.95%
0.95	8,097,424	13-Jan-12	13-Jan-14	1,934,477	95%	2.00	0.00%	1.03%
0.95	**21,115,955**			**5,872,331**				

* Compensation Options are exercisable into one non flow-through unit at an exercise price of $1.05 per unit. Each non flow-through unit consists of one common share and one half warrant. Each full warrant (405,666 warrants potentially to be issued in total) entitles the holder to purchase one common share of the Company for a price of $1.30 for a period of 24 months from the date of issue.

10. RELATED PARTY TRANSACTIONS

During the year ended August 31, 2012, the Company entered into the following transactions with related parties, not disclosed elsewhere in these financial statements:

i. Incurred drilling expenditures of $6,545,225 (August 31, 2011 - $1,332,760) to a company controlled by the spouse of a director of the Company. Included in accounts payable and accrued liabilities at August 31, 2012 is $708,927 (August 31, 2011 - $Nil) owing to this corporation and included in drilling deposits is $400,000 (August 31, 2011 - $Nil) owing from this related corporation.
ii. Incurred rent expenses of $93,000 (August 31, 2011 - $32,000) with respect to the Company's Vancouver office to a company related by way of common directors.
iii. Officers and directors of the Company subscribed for a total of 860,000 flow-through units and 75,000 non flow-through units of the December 21, 2011 private placement. In addition, officers and directors of the Company subscribed for a total of 227,646 non flow-through units of the January 13, 2012 private placement.
iv. Incurred professional fees of $69,600 (August 31, 2011 - $140,400) and exploration and evaluation property expenditures of $34,400 (August 31, 2011 - $Nil) to a company related by way of common director.
v. Incurred rent expenses of $7,900 (August 31, 2011 - $Nil) with respect to the Company's Montreal office to a company related by way of common directors. Included in accounts payable and accrued liabilities at August 31, 2012 is $7,900 (August 31, 2011 - $Nil) owing to this corporation.

Summary of key management personnel compensation:

	For the year ended,	
	August 31, 2012	**August 31, 2011**
	$	$
Consulting fees	1,250,327	439,870
Exploration and evaluation property expenditures	45,260	3,000
Share-based compensation	531,188	1,681,846
	1,826,775	**2,124,716**

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including directors (executive and non-executive) of the Company.

11. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The Company's financial instruments consist of cash, restricted cash, amounts receivable, accounts payable and accrued liabilities and loans. The fair value of these financial instruments, approximates their carrying values due to the short-term nature of these instruments. The Company does not hold any financial instruments carried at fair value to classify in the fair value hierarchy.

The Company is exposed to a variety of financial risks by virtue of its activities including currency, credit, interest rate, liquidity and commodity price risk.

a) Currency risk
The Company is exposed to currency risk by incurring certain expenditures in currencies other than the Canadian dollar. The Company has determined that there is very limited currency risk at this time.

b) Credit risk
Credit risk is risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's cash is held in large Canadian financial institutions. Financial instruments included in accounts receivable consists of sales taxes due from the Government of Canada. The Company's financial instruments are not exposed to significant credit risk.

c) Interest rate risk
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to limited interest rate risk as it only holds cash and does not have any significant interest bearing debt.

d) Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its obligations as they come due. The Company's ability to continue as a going concern is dependent on management's ability to raise the required capital through future equity or debt issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning, and approval of significant expenditures and commitments.

e) Commodity price risk
The ability of the Company to explore and evaluate its exploration and evaluation properties and the future profitability of the Company are directly related to the price of iron. The Company monitors iron prices to determine the appropriate course of action to be taken.

12. CAPITAL MANAGEMENT

The Company considers its capital structure to include the components of shareholders' equity and loans. Management's objective is to ensure that there is sufficient capital to minimize liquidity risk and to continue as a going concern. As the Company's properties are in the exploration and evaluation stage, the Company is currently unable to self-finance its operations. Although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future, or that the terms of such financings will be favourable.

The Company's share capital is not subject to any external restrictions other than discussed in Note 7. The Company did not change its approach to capital management during the period.

13. COMMITMENTS AND CONTINGENCIES

Management Contracts

The Company is party to certain management contracts. These contracts require that additional payments of up to approximately $2,538,000 be made upon the occurrence of certain events such as a change of control. As a triggering event has not taken place, the contingent payments have not been reflected in these financial statements. Minimum commitments remaining under these contracts are approximately $1,500,667, all due within one year.

First Nations

The Company has undertaken a program of community consultation with the Aboriginal First Nations communities living in or adjacent to, or having an interest in or claims to, historic land or treaty rights in the area of the Company's properties or who may be impacted by activities related to the Company's properties.

The Company has, or expects to, enter into agreements that will establish the processes and sharing of benefits which will ensure an ongoing positive relationship between the Company and the respective Aboriginal First Nation community. The Aboriginal First Nations communities and their members are expected to benefit through training, employment and business opportunities. See note 6 - Schefferville Properties.

Rail Feasibility Study

The Company entered into a collaboration framework agreement with Canadian National Railway Company ("CN") to participate in the feasibility study of CN's proposed rail line to serve the Quebec and Labrador Iron Ore Trough. Under the terms of the agreement, the Company will commit to fund $1.75 million over the next twelve months for the completion of the feasibility study and to secure capacity on the new rail line. The funds would be refunded to the Company under certain circumstances. To the date of these financial statements, $100,000 had been paid of the total commitment.

14. SUBSEQUENT EVENTS

On September 3, 2012, 2,274,250 warrants with a strike price of $0.60 and 221,900 warrants with a strike price of $0.35 expired unexercised.

On September 27, 2012, the Company announced that it had closed the first tranche of a non-brokered private placement financing through the sale of 10,000,000 common shares on a flow-through basis at a price of $0.35 per flow-through common share for gross proceeds of $3,500,000.

On October 12, 2012, the Company announced that it had closed the second tranche of a non-brokered private placement financing through the sale of 1,180,213 common shares on a flow-through basis at a price of $0.35 per flow-through common share and 2,966,942 units at a price of $0.32 per unit, for gross proceeds of approximately $1.36 million. Each unit is comprised of one common share and one-half of one common share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company at an exercise price of $0.40 for a period of 24 months from the date of issue.

On November 20, 2012, the Company announced that it had closed the third tranche of a non-brokered private placement financing through the sale of 2,114,285 common shares on a flow-through basis at a price of $0.35 per flow-through common share for gross proceeds of approximately $740,000.

In aggregate, the three tranches of the non-brokered private placement have resulted in gross proceeds of approximately $5.6 million.

The Company will pay a finders' fee of 6% of the gross proceeds of subscriptions from subscribers who were introduced to the private placement by certain persons who are at arm's length to the Company as compensation for those persons for introducing subscribers to the private placement. The Company will also grant such finders compensation warrants equal to 6% of the aggregate number of flow-through common shares and units sold pursuant to the non-brokered private placement. Each compensation warrant will be exercisable into one common share of the Company at an exercise price of $0.32 for a period of two years from the closing date.

All shares issued pursuant to the above private placements are subject to a four month hold period.

15. INCOME TAX

a) Major items causing the Company's income tax rate to differ from the statutory rate of approximately 27% (2011 – 29%) are as follows:

	2012 $	2011 $
(Loss) before income taxes	(3,754,726)	(4,615,784)
Expected income tax recovery based on statutory rate	(1,011,000)	(1,338,577)
Adjustment to expected income tax benefit:		
Stock-based compensation	349,000	(82,199)
Non-deductible items	-	941,185
Flow through	1,329,000	-
Differences in tax rates	(67,000)	-
Recognition of previously unrecognized deferred tax assets	(263,130)	-
Benefit of tax assets not recognized	-	479,591
Deferred income tax provision (recovery) recognized in operations	336,870	-
Deferred taxation recognized in equity	(336,870)	-
Total taxation for the year	-	-

b) Deferred tax balances:

	2012 $	2011 $
Recognized deferred tax assets and liabilities		
Non-capital loss carry-forwards	386,000	-
Share issue costs	200,000	-
Mineral property costs	(586,000)	-
	-	-
Unrecognized deferred tax assets		
Non-capital loss carry-forwards	286,000	537,000
Share issue costs	-	273,000
Mineral property costs	-	69,000
Property and equipment	29,000	5,000
	315,000	884,000

16. FIRST TIME ADOPTION OF IFRS

The accounting policies as described in Note 2 have been applied in preparing the consolidated financial statements as at and for the years ended August 31, 2012 and August 31, 2011, and the opening IFRS statement of financial position on September 1, 2010, (the "Transition Date"). The effect of the transition on the financial position of the Company as at the Transition Date and as at and for the year ended August 31, 2011 are disclosed below.

In preparing the opening IFRS statement of financial position at the Transition Date and the financial statements as at and for the years ended August 31, 2012 and 2011, the Company has adjusted amounts reported previously in financial statements that were prepared in accordance with Canadian GAAP. An explanation of how the transition from Canadian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows for the periods presented in these financial statements is set out in the following tables. The guidance for the first time adoption of IFRS is set out in IFRS 1. IFRS 1 provides for certain mandatory exceptions and optional exemptions for first time adopters of IFRS. The Company elected to take the following IFRS 1 optional exemptions:

a) to apply the requirements of IFRS 2, Share-based payment, only to equity instruments granted after November 7, 2002 which had not vested as of the Transition Date;

b) to apply the requirements of IFRS 3, Business combinations, prospectively from the Transition Date;

c) to apply the requirements of IAS 27, Consolidated and separate financial statements, prospectively from the Transition Date; and

d) to apply the requirements of IAS 23, Borrowing costs, prospectively from Transaction Date.

Additionally, in accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous Canadian GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of September 1, 2010 are consistent with its Canadian GAAP estimates for the same date.

There are no significant differences between IFRS and Canadian GAAP in connection with the Company's statement of cash flows and statement of comprehensive loss for the year ended August 31, 2011.

16. FIRST TIME ADOPTION OF IFRS (CONTINUED)

The reconciliation between Canadian GAAP and IFRS consolidated statements of financial position as at September 1, 2011 and August 31, 2011 is provided below:

		September 1, 2010		
	Note	GAAP	Effect of transition to IFRS	IFRS
		$	$	$
ASSETS				
Current				
Cash and cash equivalents		595,690	-	595,690
Accounts receivable		7,443	-	7,443
Total Current Assets		603,133	-	603,133
Exploration and evaluation properties		74,600	-	74,600
TOTAL ASSETS		**677,733**	**-**	**677,733**
LIABILITIES				
Current				
Accounts payable and accrued liabilities		24,195	-	24,195
Loan due to relared party		33,122	-	33,122
TOTAL LIABILITIES		**57,317**	**-**	**57,317**
SHAREHOLDERS' EQUITY				
Share capital	b,d	1,040,295	(168,508)	871,787
Reserves	b, c	29,327	139,181	168,508
Deficit	b	(449,206)	29,327	(419,879)
TOTAL SHAREHOLDERS' EQUITY		620,416	-	620,416
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**677,733**	**-**	**677,733**

16. FIRST TIME ADOPTION OF IFRS (CONTINUED)

		August 31, 2011		
	Note	GAAP	Effect of transition to IFRS	IFRS
		$	$	$
ASSETS				
Current				
Cash and cash equivalents		8,921,687	-	8,921,687
Accounts receivable		57,500	-	57,500
Sales tax receivable		513,210	-	513,210
Prepaid expenses		65,328	-	65,328
Total Current Assets		9,557,725	-	9,557,725
Property and equipment		77,443	-	77,443
Exploration and evaluation properties		13,318,757	(2,357,107)	10,961,650
TOTAL ASSETS		**22,953,925**	**(2,357,107)**	**20,596,818**
LIABILITIES				
Current				
Accounts payable and accrued liabilities		476,243	-	476,243
Flow-through premium liability		-	637,000	637,000
Total Current Liabilties		476,243	637,000	1,113,243
Deferred income tax liability		2,357,107	(2,357,107)	-
TOTAL LIABILITIES		**2,833,350**	**(1,720,107)**	**1,113,243**
SHAREHOLDERS' EQUITY				
Share capital	b,d	21,474,246	(2,999,644)	18,474,602
Reserves	b, c	3,711,319	2,333,317	6,044,636
Deficit	b	(5,064,990)	29,327	(5,035,663)
TOTAL SHAREHOLDERS' EQUITY		20,120,575	(637,000)	19,483,575
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**22,953,925**	**(2,357,107)**	**20,596,818**

16. FIRST TIME ADOPTION OF IFRS (CONTINUED)

a) Deferred tax on mineral properties

Under Canadian GAAP, the Company recorded a future income tax liability of $2,357,107 on the acquisition of the Schefferville Properties and Lac Connelly properties in a transaction which was not a business combination and affected neither accounting profit (loss) nor taxable profit (loss). IAS 12, Income Taxes ("IAS 12"), does not permit the recognition of deferred taxes on such asset acquisition transactions.

As of August 31, 2011, the Company derecognized the impact of all future taxes which had previously been recognized on the initial acquisition of mineral properties through transactions not considered business combinations and affecting neither accounting profit (loss) nor taxable profit (loss).

b) Share-based payments

The Company grants stock options that have a graded vesting schedule. Under IFRS, unlike Canadian GAAP, the Company treats each installment as its own award. Therefore, each installment is measured and recognized separately.

Under Canadian GAAP, the Company valued non-compensatory warrants issued as part of financing units, comprising of a common share and a whole or partial warrant, using the residual value method. Under IFRS, the Company is using the relative fair value method to value these warrants.

In addition, on transition to IFRS, the Company has chosen to apply a modified version of the Black- Scholes option pricing model to value options and warrants issued in conjunction with financings. This modified version takes into account the offer price of equity issuances as well as trading prices of the Company's shares.

On transition to IFRS the Company will adjust share-based payments and warrants whereby amounts recorded for expired unexercised stock options are transferred to deficit. Previously, the Company's Canadian GAAP policy was to leave such amounts in contributed surplus.

c) Reserves

Under Canadian GAAP, amounts recorded in relation to the fair value of stock options granted and warrants issued were recorded to contributed surplus. Under IFRS, these amounts have been reclassified as reserves.

d) Flow-through shares

Flow-through shares are a unique Canadian tax incentive which is the subject of specific guidance under Canadian GAAP. Under Canadian GAAP the Company accounted for the issue of flow-through shares in accordance with the provisions of CICA Emerging Issues Committee Abstract 146 "Flow through Shares". At the time of issue, the funds received are recorded as share capital. At the time of the filing of the renunciation of the qualifying flow-through expenditures to investors, the Company recorded a future income tax liability with a charge directly to shareholders' equity. Also under Canadian GAAP the Company recorded any deferred tax recovery eligible to be recognized to offset the deferred tax charge to equity as a tax recovery in the statement of operations.

IFRS does not contain explicit guidance pertaining to this tax incentive. Therefore, the Company has adopted a policy whereby the premium paid for flow-through shares in excess of the market value of the shares without the flow-through features at the time of issue is initially recorded as a flow-through premium liability and included as a current liability. When the Company has renounced the related expenditures, the flow-through premium liability is recognized in profit or loss as other income. The renunciation creates a deferred tax liability, to the extent that the Company has suitable unrecognized deductible temporary differences, an offsetting recovery of deferred income taxes would be recorded.