Northern Abitibi

Mining Corp.

2010
Annual Report

NORTHERN ABITIBI MINING CORP.
President's Message

Dear Shareholders;

Your Company has ambitious plans to build shareholder value during 2011 by significantly increasing the inferred resource at our key gold asset, the Viking property. Management of Northern Abitibi is looking forward to an active 2011 exploration season, that will move the Viking Gold project from its initial discovery stage to a larger defined gold resource. With the strong gold market and our planned aggressive exploration program, we are well-positioned to reach our objective of enhancing shareholder value through discovery.

The Company's flagship exploration property, the Viking Gold Project is located in the mining friendly jurisdiction of Newfoundland and Labrador. During 2010, Northern Abitibi drilled 9,735 metres of core in 58 holes, bringing the total metres drilled at the project to 13,922 metres in 103 holes. A large mineralized zone has been delineated along the Thor Trend and this zone remains open along strike and to depth. An independent resource estimate study on the Thor Trend was completed in March 2011 and defined an uncut Inferred Mineral Resource of 6,293,000 tonnes at a grade of 0.65 g/t gold (131,511 ounces). The resource model shows excellent potential to add significant additional high grade gold resources by specifically targeting higher grade zones within the deposit envelope and expanding them to depth and along strike.

The goal of exploration during 2011 will be to maximize high grade resources along the Thor Trend, identify additional areas on the claim block where resources can be defined, and test a number of new structural targets on the Viking property. Infill and expansion drilling along the Thor Trend is expected to add new ounces at a low cost per ounce and significantly increase the average grade of the deposit. An updated resource estimate will be commissioned at the end of the infill and expansion drilling program.

In April 2011 the company undertook an equity financing and raised $987,000. This financing, along with money on hand, is sufficient to fully fund the planned 2011 exploration program and resource update.

In August 2010 and March 2011 Northern Abitibi sold its property interest in 78 mining claims in the Douay district, Quebec, in two separate transactions. Northern Abitibi retains a 1.5% net smelter royalty on 76 of the claims at Douay, ensuring the company will see significant value should the claims advance to production.

On behalf of the board of Directors, I would like to thank our stakeholders for their continued support, enabling Northern Abitibi to continue to focus on exploration that will unlock the value of our Viking gold project. We look forward to a successful future for our project, the Corporation, and our shareholders.

Respectfully submitted on
behalf of the Board of Directors

"Shane Ebert"

Dr. Shane Ebert, Ph.D., P.Geo.
President

Northern Abitibi Mining Corp.
Consolidated Financial Statements
September 30, 2010

Contents

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December 8, 2010

Auditors' Report

To the Shareholders of
Northern Abitibi Mining Corp.

We have audited the consolidated balance sheets of Northern Abitibi Mining Corp. (the "Company") as at September 30, 2010 and 2009 and the consolidated statements of net and comprehensive loss and deficit and cash flows for each of the years in the two year period ended September 30, 2010. These consolidated financial statements are the responsibility of the Company's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2010 and 2009 and the results of its operations and its cash flows for each of the years in the two year period ended September 30, 2010 in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants
Calgary, Alberta

Northern Abitibi Mining Corp.

Consolidated Balance Sheets

September 30	2010	2009
ASSETS		
Current		
Cash and cash equivalents (Note 3)	**$ 880,620**	$ 647,347
Accounts receivable	**99,469**	20,695
Due from related parties (Note 12)	**2,107**	-
Government grants receivable	**100,000**	100,000
Prepaid expenses	**21,856**	12,556
Short-term investments (Note 4)	**54,000**	-
	1,158,052	780,598
Exploration advances	**25,000**	-
Mineral properties and equipment (Note 5)	**2,664,994**	1,730,164
	$ 3,848,046	$ 2,510,762
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**$ 210,137**	$ 166,100
Due to related parties (Note 12)	**35,841**	16,793
	245,978	182,893
Asset retirement obligation (Note 6)	**43,300**	24,375
	289,278	207,268
SHAREHOLDERS' EQUITY		
Capital stock (Note 7)	**12,780,424**	11,268,086
Warrants (Note 7)	**743,577**	302,000
Contributed Surplus (Note 7)	**914,500**	789,980
Deficit	**(10,887,733)**	(10,056,572)
Accumulated other comprehensive income (Note 8)	**8,000**	-
	3,558,768	2,303,494
	$ 3,848,046	$ 2,510,762

Nature and continuance of operations (Note 1)
Commitments (Note 13)

Approved by the Board

"Shane Ebert" Director

"Lesley Hayes" Director

See accompanying notes to the financial statements.

Northern Abitibi Mining Corp.
Consolidated Statements of Net and Comprehensive Loss and Deficit

Years Ended September 30	**2010**	2009
Expenses		
General and administrative (Note 10)	**$ 229,706**	$ 217,405
Professional fees	**38,589**	34,915
Reporting to shareholders	**23,883**	22,237
Stock exchange and transfer agent fees	**11,905**	11,725
Amortization of capital assets	**13,915**	8,929
Accretion of asset retirement obligation (Note 6)	**2,925**	875
	(320,923)	(296,086)
Other Income (Expense)		
Interest and other income	**2,787**	3,088
Gain on sale of mineral property	**86,000**	-
Write-down of mineral properties (Note 5)	**(674,025)**	-
Loss before income taxes	**(906,161)**	(292,998)
Future income tax recovery (Note 11)	**75,000**	200,000
Net Loss	**(831,161)**	(92,998)
Other Comprehensive Income		
Unrealized gain on available-for-sale investments	**8,000**	-
Comprehensive Loss	**$ (823,161)**	$ (92,998)
Loss Per Share		
Basic and diluted	**$ (0.01)**	$ 0.00
Weighted Average Shares Outstanding		
Basic and diluted	**68,617,903**	56,787,075

Deficit, beginning of year	**$ (10,056,572)**	$ (9,963,574)
Net loss for the year	**(831,161)**	(92,998)
Deficit, end of year	**$ (10,887,733)**	$ (10,056,572)

See accompanying notes to the financial statements.

Northern Abitibi Mining Corp.
Consolidated Statements of Cash Flows

Years Ended September 30	2010	2009
Increase (decrease) in cash and cash equivalents:		
Operating activities		
Interest and other income received	**$ 2,787**	$ 3,088
Cash operating expenses	**(242,267)**	(249,803)
Site restoration expenditures	**(1,100)**	-
	(240,580)	(246,715)
Investing activities		
Mineral property and equipment additions	**(1,623,095)**	(693,048)
Exploration advances	**(25,000)**	-
Receipt of environmental deposits	**-**	3,065
Cash proceeds on sale of mineral property	**40,000**	-
	(1,608,095)	(689,983)
Financing activities		
Government grant receipts	**100,000**	127,721
Private placement proceeds	**2,049,005**	1,139,925
Cash share issue costs and financing fees	**(142,433)**	(86,934)
Exercise of stock options and warrants	**82,813**	**-**
Part XII.6 tax	**(7,437)**	-
	2,081,948	1,180,712
Increase in cash and cash equivalents	**233,273**	244,014
Cash and cash equivalents:		
Beginning of year	**647,347**	403,333
End of year	**$ 880,620**	$ 647,347

Supplementary Information:
Interest and taxes
With the exception of the Part XII.6 tax noted above, no cash was expended on interest or taxes during the years ended September 30, 2010 and September 30, 2009.

Non-cash transactions:
2010
During the year ended September 30, 2010 the Company issued 665,000 common shares pursuant to the Viking, Newfoundland and Labrador option agreement. The non-cash transaction was valued at $113,050 using the closing price of the Company's common shares on the share issue date.

During the year ended September 30, 2010, the Company sold its interest in two claims at the Douay property for cash proceeds of $40,000 as well as 400,000 of the purchaser's common shares and 200,000 purchase warrants. The shares and warrants were valued at $46,000 on the transaction date. (Note 4)

During the year ended September 30, 2010, the Company granted stock options to staff, officers and/or directors resulting in a non-cash charge of $51,000 being included in general and administrative expenses. (Note 10)

2009
During the year ended September 30, 2009 the Company issued 701,190 common shares pursuant to the Taylor Brook and Viking option agreements. The non-cash transactions were valued at $87,125 using the closing price of the Company's shares on the share issue date or dates determined by the agreement.

During the year ended September 30, 2009, non-cash share issue costs in the amount of $26,000 were recognized as a reduction to capital stock. These costs represented the value assigned to agent's warrants granted in connection with the private placement that closed on December 30, 2008.

See accompanying notes to the financial statements.

1. Nature and Continuance of Operations

Northern Abitibi Mining Corp. is engaged in the business of mineral exploration and development in Canada and the United States. Since inception, the efforts of the Company have been devoted to the acquisition, exploration and development of mineral properties. To date the Company has not received any revenue from mining operations and has not determined whether mineral properties contain ore reserves that are economically recoverable.

Mineral properties are recognized in these financial statements in accordance with the accounting policies outlined in Note 2. Accordingly, their carrying values represent costs incurred to date, net of recoveries, abandonments and write-downs, and do not necessarily reflect present or future values. The recoverability of these amounts is dependent upon the existence of economically recoverable mineral reserves; the acquisition and maintenance of appropriate permits, licenses and rights; the ability of the Company to obtain necessary financing to complete the development of properties where necessary, and upon future profitable operations; or alternatively, upon the Company's ability to recover its costs through a disposition of its interests.

While the Company has sufficient working capital to fund currently budgeted exploration and other working capital needs through to the end of fiscal 2011, the Company is dependent upon raising funds through the issuance of shares and/or attracting joint venture partners in order to undertake long-term exploration and development of its mineral properties. The continuing operations of the Company are dependent upon its ability to continue to obtain adequate financing or to commence profitable operations in the future. There can be no assurance that the Company will be successful in obtaining financing. As a result, there is significant risk regarding the Company's ability to continue as a going concern. These financial statements do not reflect the adjustments that might be necessary to the carrying amount of reported assets, liabilities, revenues and expenses if the Company could not continue as a going concern. Such adjustments could be material.

2. Summary of significant accounting policies

a) Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned US subsidiary NAMCOEX Inc.

b) Newly adopted accounting policy

Effective for the Company's year ended September 30, 2010, CICA Section 3862, "Financial Instruments - Disclosures" requires disclosures about the relative inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurements. The three levels of fair value are summarized below:

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

Level 1 has been utilized to value cash and cash equivalents and common shares included in short-term investments. The warrants included in short-term investments have been valued using the Black Scholes Option pricing model which would be considered Level 2.

c) Future accounting changes

In February, 2008, the Canadian Accounting Standards Board, (AcSB), announced that interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011 must be prepared in accordance with International Financial Reporting Standards, (IFRS). Accordingly the Company will be required to present their financial statements for the fiscal year ended September 30, 2012 in accordance with IFRS and will be required to restate the comparatives for the fiscal year ended September 30, 2011. While the Company has begun assessing the consequences of the adoption of IFRS, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

d) Financial instruments and comprehensive income

In accordance with the CICA Handbook Section 3855, the Company is required to classify all financial instruments as either held-to-maturity, available-for-sale, held for trading or loans and receivables. Financial

2. **Summary of significant accounting policies** (continued)

d) Financial instruments and comprehensive income

assets held to maturity, loans and receivables and financial liabilities other than those held for trading, are measured at amortized cost. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Instruments classified as held for trading are measured at fair value with unrealized gains and losses recognized in the statement of operations.

In accordance with the CICA Handbook Section 1530, comprehensive income is the change in shareholders' equity during a period from transactions and other events and circumstances from non-owner sources. Accumulated other comprehensive income, if applicable, is included in the shareholders' equity section of the balance sheet. The components of this category include unrealized gains and losses on financial assets classified as available-for-sale, foreign currency gains or losses applicable to the Company's subsidiaries that are self-sustaining operations and the effective portion of cash flow hedges.

e) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates that affect the reported amounts of assets, such as resource properties (see Note 1), 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 estimates include recoverability of property and equipment and valuation of options and warrants. Actual results could differ from those estimates.

f) Mineral properties and equipment

Costs relating to the acquisition, exploration and development of mineral properties are capitalized on an area of interest basis. These expenditures will be charged against income, through unit of production depletion, when properties are developed to the stage of commercial production. If an area of interest is abandoned, the related costs are charged to operations. The Company reviews the carrying values of mineral property interests on a quarterly basis by reference to the project economics, including the timing of the exploration and/or development work, the work programs and exploration results experienced by the Company and others, available financing, and the extent to which optionees have committed, or are expected to commit to, exploration on the property. When it becomes apparent that the carrying value of a specific property exceeds its estimated net recoverable amount based on the foregoing criteria, an impairment provision is made for the decline in value.

Where the Company's exploration commitments for an area of interest are performed under option agreements with a third party, the proceeds of any option payments under such agreements are applied to the area of interest to the extent of costs incurred. The excess, if any, is credited to operations. Option payments made by the Company are recorded as mineral property costs. Options are exercisable entirely at the discretion of the optionee and accordingly, are recorded as mineral property costs or recoveries when the payments are made or received. The proceeds on the sale of mineral property interests are applied to the area of interest to the extent of costs incurred and the excess, if any, is credited to operations.

Equipment is recorded at cost net of amortization calculated on a declining balance basis at a rate of 30% per annum.

g) Asset Retirement Obligations

An asset retirement obligation is a legal obligation associated with the retirement of tangible long-lived assets that the Company is required to settle. This would include obligations related to future removal of property and equipment, and site restoration costs. A liability, for the fair value of environmental and site restoration obligations, is recorded when the obligations are incurred and the fair value can be reasonably estimated. The fair value of the obligations is based on the estimated cash flow required to settle the obligations discounted using the Government of Canada Bond Rate for the applicable term adjusted for the Company's credit rating. The fair value of the obligations is recorded as a liability with the same amount recorded as an increase in capitalized costs. The amounts included in capitalized costs are depleted using the unit-of-production method at such point that the mineral property achieves commercial production, or the costs will be written-off at such time that management considers that the value of the related property has been impaired. The liability is adjusted for accretion expense representing the increase in the fair value of the obligations due to the passage of time. The accretion expense is recorded as an operating expense.

2. **Summary of significant accounting policies** (continued)

h) Flow-through common shares

Resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. On the renunciation date, future income tax liability is increased and capital stock is reduced by the estimated tax benefits transferred to shareholders. To the extent that qualifying flow-through expenditures are incurred in the calendar year following the year of renunciation, Part XII.6 tax, calculated at the legislated interest rate, accrues on the unexpended amounts. This Part XII.6 tax is expensed in the year that it accrues.

i) Foreign currency translation

The Company uses the temporal method of foreign currency translation for transactions incurred corporately in US dollars and for translating the operations of its fully integrated wholly owned US subsidiary. Pursuant to this method, monetary items are translated using the rate in effect at the financial statement date, non-monetary items are translated at the rate in effect on the transaction date and revenues and expenses are translated at the average rate in effect during the period. Gains and losses are recorded in operations for the year.

j) Earnings (Loss) per share

Basic earnings (loss) per common share is computed by dividing the net earnings (loss) by the weighted average number of common shares outstanding for the year. Diluted per share amounts reflect the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted to common shares. For the years presented this calculation proved to be anti-dilutive. The treasury stock method is used to determine the dilutive effect of stock options and other dilutive instruments. Under the treasury stock method only “in-the-money” dilutive instruments impact the dilution calculations.

Refer to Note 7(c) and (e) for a summary of options and warrants outstanding that could potentially dilute basic earnings per share in the future, but were excluded from the calculation in the years disclosed because their effect was anti-dilutive.

k) Income taxes

Income taxes are recorded using the liability method of tax allocation. Future income taxes are calculated based on temporary timing differences arising from the difference between the tax basis of an asset or liability and its carrying value using tax rates anticipated to apply in the periods when the timing differences are expected to reverse. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, a valuation allowance is applied against the excess.

l) Stock-based compensation

The Company follows the “fair value” method of accounting for stock-based compensation arrangements, whereby the fair value of the stock options at the date of grant is recorded as compensation cost over the vesting period. The fair value is determined using an option-pricing model that takes into account the exercise price and expected life of the option, the current price of the underlying stock, its expected volatility, the expected dividends on the stock, and the current risk-free interest rate for the expected life of the option.

m) Government incentives

Through its exploration in Newfoundland and Labrador, the Company has benefited from grants. These incentives are not repayable provided that the Company meets the requirements of the agreement, the most significant of which is that the incentives apply to qualifying expenditures. Qualifying expenditures are defined broadly within the agreement as all reasonable expenses for contracted services, machinery rental, transportation of machinery, personnel and supplies or other approved costs in connection with specific Newfoundland exploration programs. The incentives reduce the mineral property costs to which they pertain in the year that the qualifying exploration expenditures are incurred or when eligibility becomes apparent if this is later. These government incentives are subject to review by the relevant granting authorities, and by their nature are subject to measurement uncertainty. Adjustments, if any, resulting from such a review are recorded in the period during which the final grant payment amount is assessed by the governing agency.

3. Cash and cash equivalents and restricted cash

Cash and cash equivalents include cash and highly liquid Canadian dollar denominated investments in bankers' acceptances, with terms to maturity of 90 days or less when acquired. The counter-parties are financial institutions. At September 30, 2010 unexpended proceeds from flow-through share issuances in the amount of $424,600 (2009 - $280,500), that are restricted for use on qualifying exploration expenditures are included in cash and cash equivalents. The restricted cash held on September 30, 2009 was fully expended on qualifying expenditures by September 30, 2010. The Company is committed to expend the restricted cash held on September 30, 2010 on qualifying exploration expenditures by December 31, 2011.

4. Short-term Investments

	Number	Cost	Market Value Sept 30, 2010
Société d'Exploration Minière Vior Inc. - **common shares**	400,000	$36,000	**$42,000**
Société d'Exploration Minière Vior Inc. - **warrants**	200,000	10,000	**$12,000**
		$46,000	**$54,000**

The short-term investments are classified as available-for-sale. In connection with the sale of a mineral property interest, the Company received 400,000 common shares and 200,000 warrants. The common shares, which are traded on a public stock exchange, were valued at the closing price on the transaction date and, for purposes of recording the investments at market value at September 30, 2010, the closing price of the shares on September 30, 2010 was used. Each warrant may be exercised to purchase one common share of Société d'Exploration Minière Vior Inc., at a price of $0.12 per share to August 24, 2015. The warrants were valued on the transaction date and as at September 30, 2010, using the Black Scholes option pricing model utilizing estimated volatility of 118%, a two year expected life, a risk free interest rate of 1.23% and an estimated dividend yield of $Nil.

5. Mineral properties and equipment

		Other	Newfoundland & Labrador	
Year ended September 30, 2010	**Total**		**Taylor Brook**	**Viking**
Exploration expenditures:				
Cumulative exploration costs to Sept. 30, 2009	$1,400,174	**$** -	$ 459,228	$ 940,946
Geological consulting	320,288	-	-	320,288
Drilling	789,585	-	-	789,585
Travel and accommodation	33,841	-	-	33,841
Field	65,158	-	-	65,158
Metallurgical	10,087	-	-	10,087
Geochemical	259,056	-	-	259,056
Geophysical	1,600	-	-	1,600
Surveying	33,523	-	-	33,523
Equipment rental	67,897	-	-	67,897
Asset retirement provision	17,100	-	(500)	17,600
Government grant	(100,000)	-	-	(100,000)
Mineral property write-down	(458,728)	-	(458,728)	-
Cumulative exploration costs to September 30, 2010	**$2,439,581**	-	-	**$2,439,581**
Property acquisition costs:				
Cumulative acquisition costs to September 30, 2009	$ 309,156	$ -	$ 212,440	$ 96,716
Acquisition costs incurred	115,907	2,857	-	113,050
Mineral property write-down	(215,297)	(2,857)	(212,440)	-
Cumulative acquisition costs to September 30, 2010	**$ 209,766**	**$ -**	**$ -**	**$ 209,766**
Total mineral properties September 30, 2010	**$2,649,347**	**$ -**	**$ -**	**$2,649,347**
Equipment at cost	43,128			
Accumulated amortization	(27,481)			
Total mineral properties and equipment Sept. 30, 2010	**$2,664,994**			

5. Mineral properties and equipment (continued)

Year ended September 30, 2009	Total	Newfoundland & Labrador Taylor Brook	Viking
Exploration expenditures:			
Cumulative exploration costs to Sept. 30, 2008	$ 659,920	$ 441,861	$ 218,059
Geological consulting	195,837	4,250	191,587
Drilling	381,928	-	381,928
Travel and accommodation	22,596	-	22,596
Field	33,730	187	33,543
Geochemical	73,595	273	73,322
Geophysical	8,964	-	8,964
Equipment rental	17,178	-	17,178
Trenching and road preparation	60,723	-	60,723
Air support	4,024	-	4,024
Asset retirement provision	14,400	-	14,400
Government grant accruals and adjustments	(72,721)	12,657	(85,378)
Cumulative exploration costs to September 30, 2009	**$1,400,174**	**$ 459,228**	**$ 940,946**
Property acquisition costs:			
Cumulative acquisition costs to September 30, 2008	$ 160,723	$ 101,240	$ 59,483
Acquisition costs incurred	148,433	111,200	37,233
Cumulative acquisition costs to September 30, 2009	**$ 309,156**	**$ 212,440**	**$ 96,716**
Total mineral properties September 30, 2009	**$ 1,709,330**	**$ 671,668**	**$ 1,037,662**
Equipment at cost	34,400		
Accumulated amortization	(13,566)		
Total mineral properties and equipment Sept. 30, 2009	**$1,730,164**		

Viking, Newfoundland and Labrador, Canada

During the year ended September 30, 2007 the Company entered into an option agreement to acquire a majority interest in the Viking gold property in western Newfoundland. The Company issued 1,115,000 shares of its capital stock and spent $1,200,000 on exploration by December, 2009, to acquire a 100% interest in the Viking property subject to a sliding scale net smelter returns royalty of 2% to 4% based on the price of gold.

Taylor Brook, Newfoundland and Labrador, Canada

During the year ended September 30, 2010, the Company determined that it would not pursue further exploration on the Taylor Brook property and, in the absence of suitable partners to help further exploration, the Company returned the property to the vendors. The carrying costs aggregating $671,168 were consequently written-off during the current year.

Douay, Quebec, Canada

During the year ended September 30, 2010, the Company sold its 50% interest in two mineral claims at its Douay property in Quebec. The purchaser paid $40,000 to the Company and issued 400,000 of its common shares and 200,000 warrants in consideration for the sale. The warrants expire on August 24, 2015 and are exercisable at $0.12 per share to acquire up to 200,000 common shares. On the disposition date the Douay property was no longer carried on the Company's books because it was written-off when the Company determined that it would not conduct further exploration on it. Consequently, the proceeds of its disposition have been reflected fully in earnings during the year ended September 30, 2010.

6. Asset Retirement Obligation

Changes in the asset retirement obligation for the years ended September 30 are as follows:

	2010	2009
Balance, beginning of year	**$ 24,375**	$ 9,100
Change in retirement accrual	**17,100**	14,400
Restoration costs incurred	**(1,100)**	-
Accretion	**2,925**	875
Balance, end of year	**$ 43,300**	$ 24,375

During the year ended September 30, 2010 the Company completed the restoration of the Taylor Brook Property. As at September 30, 2010, the Company has recorded $43,300 for costs to restore the Viking

6. Asset Retirement Obligation (continued)

property. The Viking costs were based on expected payments of $45,000 two years in the future, inflation adjusted and discounted at 12% per annum. Management believes that there are no other significant legal obligations as at September 30, 2010 for current and future asset retirement and restoration costs. The ultimate amount of future restoration costs is uncertain; circumstances could arise over the years that would require material revisions to these estimated obligations. Changes in assumptions could have a material effect on the fair value of asset retirement obligations.

7. Capital Stock, Warrants and Contributed Surplus

a) Authorized

Unlimited number of common shares without par value

b) Issued

	Common shares		Contributed	Warrants	
	Number	**Amount**	**Surplus**	**Number**	**Amount**
Balance Sept. 30, 2008	**51,913,148**	**$10,523,470**	**$657,848**	**3,370,760**	**$210,132**
Issued pursuant to mineral property option agreements	701,190	87,125	-	-	-
Private placements	9,312,918	941,925	-	4,656,455	198,000
Share issue costs	-	(84,434)	-	380,952	26,000
Warrants expired	-	-	132,132	(2,406,247)	(132,132)
Tax effect of flow-through renunciation	-	(200,000)	-	-	-
Balance Sept. 30, 2009	**61,927,256**	**$11,268,086**	**$789,980**	**6,001,920**	**$302,000**
Issued pursuant to mineral property option agreements	665,000	113,050	-	-	-
Private placements	12,837,832	1,501,005	-	8,435,832	548,000
Share issue costs	-	(142,433)	-	-	-
Warrants exercised	577,827	101,236	-	(577,827)	(34,423)
Warrants issued	-	-	-	190,476	6,000
Warrants expired	-	-	78,000	(964,513)	(78,000)
Options exercised	100,000	14,480	(4,480)	-	-
Tax effect of flow-through renunciation	-	(75,000)	-	-	-
Stock-based compensation(Note 10)	-	-	51,000	-	-
Balance Sept. 30, 2010	**76,107,915**	**$12,780,424**	**$914,500**	**13,085,888**	**$743,577**

2010

During the year ended September 30, 2010, 380,952 agents' warrants were exercised at $0.105 per warrant to acquire 380,952 common shares and 190,476 brokers' warrants. Each of the 190,476 brokers' warrants may be exercised to acquire one common share at $0.25 per share to December 30, 2010. Further, warrants to acquire 150,000 common shares at $0.15 per share and 46,875 common shares at $0.22 per share, were exercised during the period. Warrants to acquire 964,513 common shares at $0.23 per share expired without exercise on April 2, 2010. Stock options were exercised during the year ended September 30, 2010 to acquire 100,000 common shares at $0.10 per share.

On February 5, 2010, the Company closed a non-brokered private placement of 3,233,332 common units at a price of $0.15 per common unit and 5,275,000 flow-through units at a price of $0.16 per flow-through unit for gross proceeds of $1,329,000. Each common unit consisted of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at a price of $0.22 per share to February 5, 2012. Each flow-through unit consisted of one common flow-through share and one-half of one common share purchase warrant. Each whole common share purchase warrant entitles the holder to purchase one common share at a price of $0.22 per share until February 5, 2012. The warrants attached to the private placement units were valued at $384,000 using the Black Scholes

7. Capital Stock, Warrants and Contributed Surplus (continued)

b) Issued

2010

Option Pricing Model assuming volatility of 88%, a 2 year warrant life, a risk-free interest rate of 1.25% and a 0% dividend rate. Officers and directors subscribed to 306,666 common units.

On September 14, 2010, the Company closed a non-brokered private placement of 800,500 common units at a price of $0.15 per common unit and 3,529,000 flow-through units at a price of $0.17 per flow-through unit for gross proceeds of $720,005. Each common unit consisted of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at a price of $0.22 per share to September 14, 2012. Each flow-through unit consisted of one common flow-through share and one-half of one common share purchase warrant. Each whole common share purchase warrant entitles the holder to purchase one common share at a price of $0.22 per share until September 14, 2012. The warrants attached to the private placement units were valued at $164,000 using the Black Scholes Option Pricing Model assuming volatility of 90%, a 2 year warrant life, a risk-free interest rate of 1.46% and a 0% dividend rate.

Exploration expenditures aggregating $300,000 were renounced to flow-through share investors during the year ended September 30, 2010. The $75,000 tax value associated with these resource expenditures reduced capital stock and was recognized as future income taxes payable. As the company has unrecognized future tax assets, this liability was extinguished through the recognition of a future tax recovery in the statement of net and comprehensive earnings (loss).

2009

During September, 2009 the Company closed a non-brokered private placement of 1,332,833 Common Units at a price of $0.15 per Common Unit and 1,818,181 flow-through units, (FT Units), at a price of $0.165 per FT Unit for gross proceeds of $500,000. Each Common Unit consisted of one common share and one-half of one common share purchase warrant. Each whole common share purchase warrant entitles the holder to purchase one common share at a price of $0.22 per share until September 4, 2011. Each FT Unit consisted of one common flow-through share and one-half of one common share purchase warrant. Each whole common share purchase warrant entitles the holder to purchase one common share at a price of $0.23 per share until September 4, 2011. A total of 60,696 FT Units were issued to directors. The warrants attached to the private placement units were valued at $91,000 using the Black Scholes Option Pricing Model. The assumptions utilized in these calculations included volatility of 88%, a 2 year warrant life, a risk-free interest rate of 1.28% and a 0% dividend rate.

During March, 2009 the Company closed a non-brokered private placement of 1,400,000 units for gross proceeds of $140,000. Each unit was comprised of one common share and one-half of one common share purchase warrant. Each whole purchase warrant may be exercised to acquire one common share at $0.15 per share to March 19, 2011. Directors or their direct family members subscribed to 350,000 of these units. The warrants attached to the private placement units were valued at $25,000 using the Black Scholes Option Pricing Model. The assumptions utilized in these calculations included volatility of 88%, a 2 year warrant life, a risk-free interest rate of 1.12% and a 0% dividend rate.

During December, 2008, the Company closed a private placement financing for gross proceeds before issue costs of $500,000. The financing was comprised of 4,761,904 Units, each unit of which was comprised of one flow-through common share and one-half of one common share purchase warrant. Each full common share purchase warrant may be exercised to acquire one common share at an exercise price of $0.25 to December 30, 2010. In addition to cash finders' and due diligence fees aggregating $40,000, the Company issued 380,952 agents' warrants to the agents. Each agent's warrant could be exercised at $0.105 to acquire one common share and one-half of one broker warrant to December 30, 2010. Each whole broker warrant may be exercised to acquire one common share at a price of $0.25 per share to December 30, 2010.

7. Capital Stock, Warrants and Contributed Surplus (continued)

b) Issued

2009

The warrants attached to the December, 2008 private placement units and the agents' warrants were valued at $82,000 and $26,000 respectively using the Black Scholes Option Pricing Model. The assumptions utilized in these calculations included volatility of 88%, a 2 year warrant life, a risk-free interest rate of 1.08% and a 0% dividend rate.

Exploration expenditures aggregating $800,000 were renounced to flow-through share investors during the year ended September 30, 2009. The $200,000 tax value associated with these resource expenditures reduced capital stock and was recognized as future income taxes payable. As the company has unrecognized future tax assets, this liability was extinguished through the recognition of a future tax recovery in the statement of net and comprehensive earnings (loss).

c) Stock options outstanding

	Number of shares		Exercise
Expiry	**2010**	**2009**	**Price**
August 1, 2011	525,000	625,000	$0.10
December 11, 2011	500,000	500,000	$0.10
October 17, 2012	825,000	825,000	$0.22
February 10, 2015	700,000	-	$0.155
	2,550,000	**1,950,000**	

The Company has an option plan (the Plan), under which up to 10% of the issued and outstanding common shares are reserved for issuance. Under the Plan, the options that have been granted expire at the earlier of five years from the grant date, the date at which the Directors determine, or 60 days from the date on which the optionee ceases to be a director, officer, employee or consultant. The exercise price of the options granted under the Plan will not be less than that from time to time permitted under the rules of the stock exchange or exchanges on which the shares are then listed, which price reflects trading values at that time. All of the options outstanding at the respective year ends vested on the grant date.

d) Stock option transactions

	Number of options	**Weighted Average exercise price**
Balance September 30, 2008	2,150,000	$0.15
Expired *	(200,000)	$0.185
Balance September 30, 2009	1,950,000	$0.15
Exercised	(100,000)	$0.10
Granted	700,000	$0.155
Balance September 30, 2010	2,550,000	$0.15

*Options expired within the time period specified by the option agreement upon the resignation of an officer.

7. Capital Stock, Warrants and Contributed Surplus (continued)

e) Warrant transactions and warrants outstanding

2010

	Balance Sept. 30, 2009	**Warrants Issued**	**Warrants Expired**	**Warrants Exercised**	**Balance Sept.30, 2010**
Warrants exercisable at $0.23, expiring Apr. 2, 2010	964,513	-	(964,513)	-	-
Warrants exercisable at $.25 expiring Dec. 30, 2010	2,380,951	-	-	-	2,380,951
Agent's warrants exercisable at $0.105 expiring Dec. 30, 2010	380,952	-	-	(380,952)	-
Brokers' warrants exercisable at $0.25 expiring Dec.30, 2010	-	190,476	-	-	190,476
Warrants exercisable at $0.15 expiring Mar. 19, 2011	700,000	-	-	(150,000)	550,000
Warrants exercisable at $0.22 expiring Sept. 4, 2011	666,416	-	-	-	666,416
Warrants exercisable at $0.23 expiring Sept. 4, 2011	909,088	-	-	-	909,088
Warrants exercisable at $0.22 expiring Feb. 5, 2012	-	5,870,832	-	(46,875)	5,823,957
Warrants exercisable at $0.22 expiring Sept. 14, 2012	-	2,565,000	-	-	2,565,000
TOTAL	**6,001,920**	**8,626,308**	**(964,513)**	**(577,827)**	**13,085,888**

The warrants summarized above may be exercised to acquire an equal number of common shares.

2009

	Balance Sept. 30, 2008	**Warrants Issued**	**Warrants Expired**	**Warrants Exercised**	**Balance Sept. 30, 2009**
Warrants exercisable at $0.16, expiring May 2, 2009	2,197,914	-	(2,197,914)	-	-
Finders' warrants exercisable at $0.12, expiring May 2, 2009	208,333	-	(208,333)	-	-
Warrants exercisable at $0.23, expiring Apr. 2, 2010	964,513	-	-	-	964,513
Warrants exercisable at $0.20 to Dec. 30, 2009 and $.25 thereafter to their expiry on Dec. 30, 2010	-	2,380,951	-	-	2,380,951
Agent's warrants exercisable at $0.105 expiring Dec. 30, 2010	-	380,952	-	-	380,952
Warrants exercisable at $0.15 expiring Mar. 19, 2011	-	700,000	-	-	700,000
Warrants exercisable at $0.22 expiring Sept. 4, 2011	-	666,416	-	-	666,416
Warrants exercisable at $0.23 expiring Sept. 4, 2011	-	909,088	-	-	909,088
TOTAL	3,370,760	5,037,407	(2,406,247)	-	6,001,920

7. Capital Stock, Warrants and Contributed Surplus (continued)

e) Warrant transactions and warrants outstanding

Of the total warrants outstanding at September 30, 2009, all but the Agent's warrants could be exercised to acquire an equal number of common shares at the price indicated. The Agent's warrants allowed the purchase of 380,952 units comprised of 380,952 common shares and 190,476 Brokers' warrants. Each Broker's warrant may be exercised to acquire one common share at $.25 per share to December 30, 2010.

8. Accumulated other comprehensive income

	2010	2009
Balance, beginning of year	$ -	$ -
Unrealized gain on available-for-sale financial assets	8,000	-
Balance, end of year	$ 8,000	$ -

9. Financial instruments

The following summarizes the carrying values of the various financial instrument categories:

Category	Carrying value Sept. 30, 2010	Carrying value Sept. 30, 2009
Held for trading (Cash and cash equivalents)	$ 880,620	$ 647,347
Available-for-sale (Short-term investments)	$ 54,000	-
Loans and receivables (Accounts and grants receivable and due from related parties)	$ 201,576	$ 120,695
Other financial liabilities (Accounts payable and accrued liabilities and due to related parties)	$ 245,978	$ 182,893

Loans and receivables and other financial liabilities are carried at amortized cost which approximates fair value and cost due to the short-term nature of the instruments. Held for trading investments are carried at fair value which approximates cost due to their short-term nature. The average interest rate on outstanding cash and cash equivalent balances was 0.95% at September 30, 2010. Available-for-sale investments are carried at fair value.

Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments. The value of cash and cash equivalent investments denominated in US dollars fluctuates with changes in currency exchange rates. Appreciation of US dollar currencies results in a foreign currency gain on such investments and a decrease in US dollar currencies results in a loss. The Company had no US fund balances throughout the year ended September 30, 2010 and as at September 30, 2010. Consequently, variations in exchange rates will not result in foreign exchange gains or losses at this point in time.

10. Stock-based compensation

Included in general and administrative expenses for the year ended September 30, 2010 is stock based compensation in the amount of $51,000, (2009 - $Nil). The fair value of the compensation was determined using the Black Scholes option-pricing model assuming 88% volatility, 1.34% risk-free interest rate, 0% dividend rate and an expected option life of 2 years for the 700,000 options granted at an exercise price of $0.155 per share.

11. Income Taxes

a) Following is a reconciliation of income taxes calculated at statutory rates to the actual income taxes recorded in the accounts:

	2010	2009
Computed expected tax recovery at a combined rate of 28% (2009 – 29%)	$ (254,000)	$ (85,000)
Permanent differences and other	21,000	(12,000)
Change in valuation allowance	106,000	(343,000)
Loss expiry	32,000	40,000
Tax rate adjustment	20,000	200,000
Future income tax recovery	**$ (75,000)**	$ (200,000)

11. Income Taxes (continued)

b) The net future income tax asset at September 30, 2010 and 2009 is comprised of:

	2010	2009
Income tax values in excess of book value of mineral properties	$1,338,000	$1,263,000
Other	11,000	27,000
Losses carried forward	328,000	281,000
Future income tax asset before valuation allowance	1,677,000	1,571,000
Valuation allowance	(1,677,000)	(1,571,000)
Future income tax asset	**$ -**	**$ -**

c) The Company has incurred Canadian losses for income tax purposes of approximately $1,312,000. Unless sufficient taxable income is earned in future years these losses will expire as follows:

2014	$ 74,000	2027	$172,000
2015	$ 99,000	2028	$242,000
2026	$108,000	2029	$312,000
		2030	$305,000

d) As at September 30, 2010, the Company has available the following approximate Canadian tax amounts which may be deducted, at the rates indicated, in determining taxable income of future years.

	Amount	Rate
Canadian exploration expenses	$5,265,000	100%
Canadian development expenses	1,759,000	30%
Foreign exploration and development expenses	328,000	10%
Undepreciated capital cost	54,000	20%-30%
	$7,406,000	

12. Related Party Transactions

During the year ended September 30, 2010, the Company was billed $19,900, (2009 - $19,900), for its share of base office lease costs and $17,900, (2009 - $17,300), for its share of lease operating and general and administrative costs, by a company related by virtue of certain common officers and directors. The Company billed the same related company $700 for its share of postage and certain administrative costs incurred on its behalf during the current year, (2009 - $Nil). Another company, related by virtue of certain officers and directors, billed the Company $8,600 for office and secretarial services provided by the related company's employee and certain general and administrative expenses incurred on the Company's behalf during the current year, (2009 - $Nil). The Company in turn billed the aforementioned related company $1,100 for certain general and administrative expenses incurred on its behalf during the current year, (2009 - $Nil). Related party receivables at September 30, 2010 pertain to the unpaid portion of the Company's general and administrative and postage billings. Officers billed $152,900,(2009 - $138,300), for their consulting services rendered during the year ended September 30, 2010. Related party payables at September 30, 2010 and September 30, 2009 related to unpaid consultants' billings and general and administrative and secretarial billings as applicable. Directors were paid $3,200 for attending meetings during the year ended September 30, 2010, (2009 - $3,800).

Related party transactions were in the normal course of operations and were measured at the exchange amount which is the amount of consideration established and agreed to by the related parties. (See also note 7(b))

13. Commitments

Pursuant to sublease agreements, as amended, with a company related by virtue of certain common officers and directors, the Company is committed to pay its share of lease operating costs and base lease expenses. The committed base lease costs to the termination of the lease are as follows:

2011	$19,900
2012	$ 5,000

In addition, the Company is committed to pay its share of annual associated lease operating costs, which are expected to aggregate $ 12,000 for the year ended September 30, 2011.

14. Segment disclosures

While in past years the Company had undertaken mineral exploration in the United States, during the years ended September 30, 2010 and September 30, 2009 all mineral exploration activities were undertaken in Canada. Consequently, segmented information is not presented in these financial statements.

15. Capital

The Company's objective when managing capital is to continue as a going concern so that it can provide value to shareholders by acquiring and conducting exploration on mineral exploration properties with the ultimate objective of finding commercial quantities of base and/or precious metals. Capital is defined as Capital Stock, Warrants, Contributed Surplus and Deficit. The Company has traditionally financed through equity issues rather than debt and does not anticipate using debt to finance its continuing grass roots exploration. Should the Company evolve to the point where it is developing or operating a mine, debt options will be investigated.

The Company will raise equity as cash flow requirements dictate and will attempt, when able, to time financings with more favorable market conditions. The Company can scale back exploration, and to a certain extent, discretionary administrative costs during tighter equity markets. The Company invests capital that is surplus to its immediate operational needs in short-term, liquid and highly-rated financial instruments such as Bankers' Acceptances.

The externally imposed capital requirement that the Company is exposed to relates to flow-through shares. Pursuant to flow-through agreements entered into with flow-through share subscribers, the Company has committed to use the full proceeds of these issuances to incur qualifying mineral exploration expenditures within a prescribed time frame. Should the Company not incur these expenditures, they are required to pay the flow-through subscribers an amount equal to the tax payable by the subscriber as a result of the Company's failure to incur the expenditures. As indicated in note 3, as at September 30, 2010, the Company is required to incur a further $424,600 of qualifying exploration expenditures by December 31, 2011.

16. Financial Risk Management

a) Credit Risk

Credit risk is the risk of financial loss to the Company if counterparties to a financial instrument fail to meet their contractual obligations. The Company's financial instruments that could be subject to credit risk consist of related party receivables, government grant receivables, GST/HST input tax credits and cash held in bankers' acceptances. The Company has had a history of prompt payment of their receivables and considers credit risk to be low on these instruments as at September 30, 2010.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company's approach to managing liquidity risk is the utilization of budgets, to attempt to maintain sufficient liquidity in order to meet operational and exploration requirements as well as property acquisition commitments. The Company raises capital through equity issues and its ability to do so is dependent on a number of factors including market acceptance, stock price and exploration results. The Company is continually investigating financing options. The Company feels that it has sufficient working capital to finance its second stage 2010 Viking exploration program and resource estimate as well as general and administrative expenses to the end of fiscal 2011. However, increases in activity levels, new property acquisitions or expanded exploration budgets, would require additional financing. Refer also to Note 1, "Nature and continuance of operations."

c) Market risk

Market risk consists of currency risk, commodity price risk and interest rate risk. The objective of market risk management is to manage and control market risk exposures within acceptable limits. There were no material foreign currency denominated transactions during the year and the Company did not hold material cash balances in foreign currencies. As a result the Company was not exposed to significant foreign currency exchange risks during the year or as at September 30, 2010. As the Company has not yet developed producing mineral interests, it is not exposed to commodity price risk at this time. As the Company has no debt facilities and has minimal amounts of interest income, it is not exposed to significant interest rate risk at this time.

NORTHERN ABITIBI MINING CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

The information included in this document should be read in conjunction with the audited consolidated financial statements for the year ended September 30, 2010 and related notes thereto. The financial information in this Management Discussion and Analysis, (MD&A), is derived from the Company's financial statements prepared in accordance with Canadian Generally Accepted Accounting Principles. The effective date of this MD&A is December 8, 2010. All dollar amounts are in Canadian Dollars unless otherwise stated. Additional information relating to the Company may be found on SEDAR at www.sedar.com.

Statements and/or financial forecasts that are unaudited and not historical, including without limitation, exploration budgets, data regarding potential mineralization, exploration results and future plans and objectives, are to be regarded as forward-looking statements that are subject to risks and uncertainties that can cause actual results to differ materially from those anticipated. Such risks and uncertainties include risks related to the Company's business including, but not limited to: general market and economic conditions, limited operating history, continued industry and public acceptance, regulatory compliance, potential liability claims, additional capital requirements and uncertainty of obtaining additional financing and dependence on key personnel. Actual exploration and administrative expenditures can differ from budget due to unforeseen circumstances, changes in the market place that will cause suppliers' prices to change, and additional findings that will dictate that the exploration plan be altered to result in more or less work.

All forward-looking information is stated as of the effective date of this document, and is subject to change after this date. There can be no assurance that forward-looking information will prove to be accurate and future events and actual results could differ materially from those anticipated.

1) Principal Business of the Company

Northern Abitibi Mining Corp., (the Company), trading as NAI on the TSX.V, including its wholly owned subsidiary, NAMCOEX Inc., is engaged exclusively in the business of mineral exploration and development and, as the Company has no mining operations and no earnings therefrom, is considered to be in the development stage. The recoverability of the amounts comprising mineral properties is dependent upon the existence of economically recoverable mineral reserves; the acquisition and maintenance of appropriate permits, licenses and rights; the ability of the Company to obtain financing to complete the development of the properties where necessary and upon future profitable production; or, alternatively, upon the Company's ability to recover its costs through a disposition of its interests. The Company's philosophy is to acquire projects at the grass roots level and advance them to a point where partners can be brought in to further the properties to the stage where a mine is commercially feasible or the property can be sold outright.

The Company has no operating income and no earnings; exploration and operating activities are financed by the sale of common shares and warrants. None of the Company's properties are in production. Consequently, the Company's net income is a limited indicator of its performance and potential.

2) Highlights – year ended September 30, 2010

a) In October, 2009 the Company completed the 3612.6 meter, 35 hole, drilling program on Viking, Newfoundland & Labrador that commenced in fiscal 2009. The Company has intersected gold mineralization along the Thor Trend over a 1000 meter strike length through drilling and trenching combined.
b) In November, 2009 the Company completed its option earn-in on the Viking property and in December, 2009 the Vendor of the property confirmed that the Company had earned a 100% interest in the property subject to a 2.0% - 4.0% sliding net smelter royalty retained by the vendor.
c) On February 5, 2010 the Company closed a non-brokered private placement for gross proceeds of $1,329,000 before finders' fees of $75,810 and other issue costs. The proceeds were used primarily to fund its 2010 exploration program on Viking.

2) Highlights – the year ended September 30, 2010 (continued)

d) On September 14, 2010 the Company closed a non-brokered private placement for gross proceeds of $720,000 before finders' fees of $49,000 and other issue costs. The proceeds will be used primarily to fund its second stage 2010 exploration program on Viking and to provide working capital.

e) During the year ended September 30, 2010, the Company submitted 802 drill core samples for reassay when it determined that the nuggety free gold could be better captured in the sample when the entire sample is pulverized and combined with the original pulp to provide as large a sample size as possible. The reassays resulted in an overall 10.8% increase in average gold grades in the 802 samples, in contrast to previously released grades based on assaying smaller sample sizes.

f) During the year ended September 30, 2010 the Company commenced and completed its first stage surface and drill program, which included 6678 meters of core in 40 holes. The program has successfully intersected gold mineralization along the Thor Trend and the results have expanded the bulk-minable potential of the northern portion of the Thor Trend as well as identifying high grade, potentially underground minable, gold zones throughout the entire trend.

g) During the year ended September 30, 2010 the Company commenced its second stage surface and drill program utilizing two drill rigs - one to infill and expand the Thor Trend and the second to test new exploration targets on the Viking property.

h) During the year ended September 30, 2010, the Company determined that it would concentrate its exploration efforts on its Viking, Newfoundland and Labrador property and consequently returned the Taylor Brook, Newfoundland and Labrador property to the vendor.

i) Subsequent to year-end the Company completed its second stage surface and drill program, bringing 2010 drilling to a total of 9735 meters of core in 58 holes. The 2010 drill program has successfully targeted and outlined an extensive near surface zone of gold mineralization along the Thor Trend.

j) Subsequent to year-end the independent resource estimate study, performed by Mercator Geological Services Ltd., on the Thor Trend commenced and is scheduled to be completed by the middle to end of January, 2011.

3) Mineral Properties

Mineral property disposition

During the year ended September 30, 2010 the Company entered into an agreement with Société d'Exploration Minière Vior Inc., (Vior), for the disposition of its 50% interest in two mineral claims in Quebec that are north of Vior's Douay deposit. On the closing date Vior paid $40,000 to Northern Abitibi and issued 400,000 of its common shares and 200,000 warrants. The warrants, which expire on August 24, 2015, are exercisable at $0.12 per share to acquire up to 200,000 of Vior's common shares.

The Douay property was no longer carried on the Company's books because it was written-off in a prior year when the Company determined that it would not conduct further exploration on it. Consequently, the proceeds of its disposition are reflected fully in earnings during the current year.

Taylor Brook, Newfoundland and Labrador, Canada

During the year ended September 30, 2007 the Company entered into an option agreement to acquire an interest in the Taylor Brook nickel/copper/cobalt/PGE prospect located in Northwestern Newfoundland. While management was encouraged by the Taylor Brook 2008 exploration results, in the current period management of the Company felt that financial resources were better allocated to the Viking property that could be advanced more quickly and efficiently. During the year ended September 30, 2010, the Company determined that it would not pursue further exploration on the property and, in the absence of suitable partners to help further exploration, the Company returned the property to the vendor. Consequently, the Company wrote off the capitalized exploration and acquisition costs aggregating $671,000.

3) Mineral Properties (continued)

Viking, Newfoundland and Labrador, Canada

During the year ended September 30, 2007 the Company entered into an option agreement to acquire a majority interest in the Viking gold property in western Newfoundland. By issuing 1,115,000 common shares of the Company and spending $1,200,000 on exploration, the Company completed its option earn-in during fiscal 2010 to acquire a 100% interest in the property subject to a 2.0% - 4.0% sliding scale net smelter royalty that was retained by the vendor. The Viking property has excellent access and local infrastructure, with a paved highway and power line located less than one kilometre from the project.

The property contains a series of mesothermal style quartz veins and stockworks hosted in Precambrian intrusive rocks. Mineralization consists of pyrite-chalcopyrite-galena-sphalerite and locally visible gold in silica-carbonate altered zones. Two large gold-in-soil anomalies have been defined on the property.

In October, 2007 the Company conducted a trenching program focused on large zones containing well-defined gold in soil anomalies and zones with high grade gold in rocks. The trenching program uncovered four zones containing high-grade mineralization with gold values ranging from 8.5 to 246.6 grams per tonne occurring over an area exceeding 1500 meters in strike length, confirming the potential for a large, high-grade, gold vein system.

The second phase exploration program conducted in fiscal 2008, with a budget of approximately $127,000 and actual costs of approximately $115,000, was completed in late July, 2008. This phase included a major trenching program of twenty additional trenches identifying six new zones of alteration and quartz sulphide veining in bedrock. The results of the 243 rock samples were reported in a news release dated September 8, 2008. The trenching program resulted in the discovery of four new zones of bedrock hosted high grade gold mineralization with grades ranging from 7.7 to 335.4 grams per tonne, (g/t), gold. The trenching of the mostly unexplored, gold-in-soil anomaly confirmed that both high and low grade gold mineralization was found in bedrock over an area approaching 3 kilometres.

The Company commenced their first drilling program on the Viking property in early October, 2008. The 10 hole, 575 meter drill program was designed to test several high grade gold zones at trenches 1, 7, 9 and 14 that were discovered during the trenching program. Drilling was completed at the end of October. Four drill holes directly tested the high grade Thor Vein, a zone of quartz-sulfide veins which is exposed on surface and is continuous to the depths drilled. Drill results from the Thor Vein ranged from 16.12 g/t gold over 3.8 meters, (m), to 218.79 g/t gold over 0.5 m. Several zones of lower grade mineralization surrounding the Thor Vein were drilled with results including 23 m grading 5.12 g/t gold, 10.8 m grading 2.43 g/t gold, 22 m grading 1.91 g/t gold and 16.8 m grading 1.54 g/t gold. Additional zones of mineralization were encountered at the Odin Zone located 70 m south of the Thor Vein. Drilling results from the Odin Zone included 1.6 m grading 16.07 g/t gold, 1.6 m grading 9.84 g/t gold, 1.3 m grading 6.07 g/t gold, 0.6 m grading 7.58 g/t gold and 14.0 m grading 1.73 g/t gold.

The Company utilized the December, 2008 flow-through share proceeds to finance a trenching, mapping, and drill program. The trenching program commenced during the latter part of May, 2009, with drilling commencing in late June, 2009. The Company also received a Newfoundland exploration grant that contributed $100,000 of the exploration costs based upon payment of one-half of qualifying expenditures.

Trenching during 2009 has indicated mineralized widths up to 35 meters or more, and surface sampling has demonstrated that strong gold mineralization occurs along the known strike length. The trenching program has had excellent success in expanding and defining a north-south oriented zone of mineralization associated with the Thor Trend. Two areas of high grade gold mineralization were uncovered in new

3) Mineral Properties (continued)

Viking, Newfoundland and Labrador, Canada

trenches and road cuts. One of the new discoveries is located 85 meters north of the high grade Thor vein. Two grab samples from a sulfide bearing quartz vein from this zone have returned 57.8 and 120.1 g/t gold. A second zone has been discovered 285 meters south of the Thor vein. Two grab samples from sulfide bearing quartz veins from this zone have returned between 83.0 and 148.1 g/t gold. These veins occur within a 20 to 30 meter wide zone of intense sericite-quartz-carbonate altered rock, and a grab sample of this altered wall rock contained 9.1 g/t gold.

During 2009 the Company collected an additional 140 samples from previously unsampled 2008 drill core in zones with potential for additional gold mineralization. This sampling helped define the boundaries of mineralization, especially within the low grade potentially bulk minable halos surrounding high grade zones. It has also identified new zones of high grade mineralization, including 11.3 g/t gold over 0.5 meters, 6.6 g/t gold over 0.7 meters, and 6.1 g/t gold over 0.6 meters.

A 35 hole, 3612.6 meter, drilling program commenced on Viking in the last week of June, 2009 and concluded in October, 2009. The Company intersected gold mineralization in drilling along the Thor Trend over a 600 meter long strike length. Highlights of the drill results included 45.5 g/t gold over 1 meter and 18.4 g/t over 4.3 meters from holes 11 to 14; 37.5 g/t gold over 1.2 meters and 4.1 g/t gold over 18.2 meters from holes 14 to 21; 136 g/t gold over 0.5 meters and 7.9 g/t gold over 27 meters from holes 22 to 25; 12.5 g/t gold over 0.3 meters from holes 26 to 29; 16.7 g/t gold over 5.1 meters and 2.7 g/t gold over 23.8 meters from holes 30 to 32; 27.7 g/t gold over 0.6 meters and 1.5 g/t gold over 27.6 meters from holes 33 to 39 and 21.9 g/t gold over 0.7 meters and 1 g/t gold over 31.3 meters from holes 40 to 45.

Between December, 2009 and February, 2010, 802 drill core samples from the Viking project were reassayed. The samples were re-analyzed for gold, with the entire sample pulverized and combined with the original pulp to provide as large a sample as possible. Maximizing sample size allows more grains of the nuggety free gold that is present in the system to be captured in the sample. As a result of the re-assays, some of the samples increased in gold value and some decreased. Most of the decreases came from low grade samples, while most of the significant increases came from higher grade samples. The net result was an overall 10.8% increase in average gold grades, in contrast to previously released grades based on assaying smaller sample sizes. The reassays identified several new high grade zones in the drill data, notably 16.2 grams per tonne, (g/t), gold over 1.2 meters in hole 09VK-14; 15.5 g/t gold over 2.7 meters and 55.7 g/t gold over 0.6 meters in hole 09VK-21; and 12.2 g/t gold over 0.9 meters in hole 09VK-32.

During the year ended September 30, 2010, the Company completed its first stage 2010 exploration program that included 6678 meters of drilling and focused on infill and resource delineation along the Thor Trend, which remains open for expansion. This first stage exploration program and resource estimate had been budgeted at approximately $1.4 million and actual costs approximated $1.2 million with the resource estimate, budgeted at approximately $85,000, still outstanding. The 2010 drilling program continued to successfully intersect gold mineralization along the Thor Trend. The results have expanded the bulk-minable potential of the northern portion of the Thor Trend and have identified high-grade, potentially underground minable, gold zones throughout the entire trend. Drill results to date have been communicated in news releases 10-9(May 27), 10-11(June 22), 10-12(July 13), 10-13(July 28), 10-14(August 12), and 10-18(September 16). The Company also hired Met-Solve Laboratories Inc. to conduct metallurgical testing on a single composite sample of representative drill core from the Viking project. The objectives of the testing were to obtain a better understanding of the metallurgical characteristics of the mineralization and to identify any potential metallurgical difficulties at an early stage. The test work included screen analysis to determine average free gold particle size, preliminary grind size versus recovery studies, and gravity recoverable gold and gold recovery by bottle roll cyanide leaching. Details are discussed in news release 10-10(June 1). The preliminary metallurgical test work has confirmed the high degree of free gold contained within the Viking mineralization. Further testing will be required to provide definitive metallurgical characteristics along the entire Thor Trend, however, the initial results provide indications

3) Mineral Properties (continued)

Viking, Newfoundland and Labrador, Canada

that the mineralization is amenable to standard ore processing techniques. The high percentage of gravity recoverable gold in the sample has favorable implications for future mining operations as gravity recovery of gold is generally accepted as the lowest cost method of processing gold ore.

The second stage exploration program, with a budget of between $415,000 and $575,000, commenced in mid-September and was completed in October, 2010 under budget. Two drilling rigs were utilized. One drill tested the Viking trend on the west side of the property and the second tested the Asgard Trend on the east side of the property. Drill results are summarized in news releases 10-19(October 5), 10-20(November 4), and 10-22(November 16). Results included drill hole 100 which intersected a 38 meter zone averaging 0.9 g/t gold including a 15 meter zone averaging 1.3 g/t gold and a separate higher grade zone containing 7 g/t gold over 1 meter. Drill hole 101 also intersected a high grade vein containing visible gold which returned 12.5 g/t gold over 0.5 meters. Drill hole 86 returned a 0.4 meter interval grading 10.2 g/t gold and a 1.2 meter interval grading 5.4 g/t gold within a larger zone averaging 0.7 g/t gold over 80.9 meters.

Several previously released samples were re-analysed using a metallic screen procedure during September, 2010. A metallic screen assay from hole 58 resulted in a 0.5 meter interval increasing in grade from 18.0 to 124.8 g/t gold. New metallic screen assays for drill hole 60 resulted in an increase in a 32 meter interval from 0.7 to 1.8 g/t gold, including an 8.5 meter interval which increased from 2.2 to 6.4 g/t gold. Metallic screen assays have proven to be effective in determining grade in samples containing coarse free gold, which can be underestimated with standard fire assay procedures.

The 2010 drill program has successfully targeted and outlined an extensive near surface zone of gold mineralization along the Thor Trend on which resource estimate studies have now commenced.

4) Operating Results

Year ended September 30, 2010 compared to year ended September 30, 2009

A summarized statement of operations appears below to assist in the discussion that follows:

Year ended September 30	**2010**	**2009**
General and administrative expenses	$ (229,706)	$ (217,405)
Professional fees	(38,589)	(34,915)
Reporting to shareholders	(23,883)	(22,237)
Stock exchange and transfer agent fees	(11,905)	(11,725)
Interest and other income	2,787	3,088
Amortization of capital assets	(13,915)	(8,929)
Accretion of asset retirement obligation	(2,925)	(875)
Gain on sale of mineral property	86,000	-
Abandonments and mineral property write-down	(674,025)	-
Future income tax recovery	75,000	200,000
Net Loss	(831,161)	(92,998)
Unrealized gain on available-for-sale investments	8,000	-
Comprehensive Loss	$ (823,161)	$ (92,998)

The gain on sale of mineral property is discussed in "3) Mineral properties - Mineral property disposition," above. The mineral property write-down in the current period primarily pertains to the Taylor Brook property that was returned to the vendor during 2010. The Company chose to concentrate its efforts and financial resources on the Viking property. The future income tax recoveries pertain to the tax effect of flow-through share renunciations. The tax effect is recognized in the period in which the tax benefits are renounced to the shareholders. Since the Company had unrecognized tax benefits, a tax recovery was recorded to offset the future tax liability that would have been recorded in conjunction with the reduction in capital stock. The variances in general and administrative expenses and professional fees are discussed below.

4) Operating Results (continued)

Year ended September 30, 2010 compared to year ended September 30, 2009

The following summarizes the major expense categories comprising general and administrative expenses for the years ended September 30, 2010 and September 30, 2009 respectively:

Year ended September 30	**2010**	**2009**
Administrative consulting fees	$ 65,076	$ 54,896
Stock-based compensation	51,000	-
Investor relations	8,665	7,000
Occupancy costs	33,466	34,289
Office, secretarial and supplies	37,731	41,579
Website maintenance and networking	4,006	3,148
Travel and promotion	12,402	17,143
Directors' fees	3,200	3,800
Financing fee	-	28,500
Part XII.6 tax	657	7,500
Insurance	13,503	19,550
Total	$ 229,706	$ 217,405

General and administrative expenses increased approximately $12,000 from the prior period. The most significant contribution to increased expenses pertained to the stock based compensation in the amount of $51,000 that was recognized in the current period. This is a non-cash expense item that results from valuing stock options granted during the period. There were no options granted in the comparative period. The investor relations costs that were incurred in both years pertained to the inclusion of corporate news in the mining section of the internet version of a newspaper and electronic dissemination of news releases by a third party. The financing fee in the comparative period reflected a non-refundable fee paid to a third party to facilitate, on a best efforts basis, a financing within a certain time period. The time period expired without a financing being completed; consequently the fee was expensed.

The Part XII.6 tax pertains to flow-through exploration expenditures that were renounced in a specific calendar year but were not expended on qualifying exploration expenditures until the following calendar year. The tax is effectively an interest charge levied pursuant to the Canadian Income Tax Act on unexpended flow-through proceeds. The amount of Part XII.6 tax reported above represents an accrual to the respective year ends. Travel and promotion decreased approximately $5,000. In the prior period, two individuals attended a conference in Newfoundland for 5 days; in the current period only one individual attended for two days. The President of the Company attended Mineral Exploration Round-up in Vancouver and PDAC in Toronto during both the current and comparative periods. Insurance has decreased approximately $6,000 due to a decrease in rates realized by changing the Company's insurance carrier in May, 2009. The increase in consulting fees was a function of increased activity levels and an increase in certain consulting rates.

The following summarizes the components of professional fees included in the statement of earnings:

Year ended September 30	**2010**	**2009**
Legal and filing fees	$ 13,765	$ 14,688
Audit fees	24, 824	20,227
Total	$ 38,589	$ 34,915

4) Operating Results (continued)

Three months ended September 30, 2010 compared to three months ended September 30, 2009

Three months ended September 30	**2010**	**2009**
General and administrative expenses	$ (44,162)	$ (43,431)
Reporting to shareholders	(30)	899
Professional fees	(27,228)	(25,701)
Stock exchange and transfer agent fees	(2,802)	(2,524)
Interest and other income	981	137
Gain on sale of mineral property	86,000	-
Mineral property write-down	(2,357)	-
Amortization of capital assets	(8,965)	(2,232)
Net earnings (loss)	1,437	(72,852)
Unrealized gain on available-for-sale investments	8,000	-
Comprehensive Earnings (Loss)	$ 9,437	$ (72,852)

The following summarizes the major expense categories comprising general and administrative expenses for the three months ended September 30, 2010 and September 30, 2009 respectively:

Three months ended September 30	**2010**	**2009**
Administrative consulting fees	$ 14,256	$ 10,461
Occupancy costs	7,969	8,517
Office, secretarial and supplies	11,991	13,378
Website maintenance and networking	1,320	1,253
Travel and promotion	1,451	1,411
Insurance	3,375	3,411
Investor relations	3,000	2,000
Directors' fees	800	2,000
Part XII.6 tax	-	1,000
Total	$ 44,162	$ 43,431

A discussion of significant variances can be found in the annual comparative.

The following summarizes the components of professional fees included in the statement of earnings:

Three months ended September 30	**2010**	**2009**
Legal and filing fees	$ 3,228	$ 4,701
Audit fees	24,000	21,000
Total	$ 27,228	$ 25,701

The increase in audit fees is a result of higher quoted audit fees for the 2010 audit.

5) Liquidity and Capital Resources

The Company's working capital position at September 30, 2010 was approximately $912,000, (2009 - $598,000). Cash has increased $233,000 from September 30, 2009. Cash was augmented by the proceeds of warrant and option exercises for gross proceeds of $83,000, private placement financings netting $1,907,000 after share issue costs, the receipt of a $100,000 government exploration grant, and the receipt of $40,000 cash in connection with the sale of Douay mineral property claims during fiscal 2010. In the comparative period private placement financings, net of share issue costs and a financing fee advance, contributed $1,053,000 to the treasury and the Company received $128,000 of exploration grants. During the year ended September 30, 2010, $1,648,000 of cash was expended on mineral property additions and exploration advances, (2009 - $693,000). Further, during the year ended September 30, 2010, the Company expended $7,500 on Part XII.6 tax. Part XII.6 tax is essentially an interest charge assessed on

5) Liquidity and Capital Resources (continued)

unexpended flow-through funds in the situation where exploration costs are renounced to investors in the calendar year preceding the expenditure of these funds on qualifying exploration. The tax was accrued in the prior year financial statements and was paid in the current year. Administrative costs in excess of interest and other income utilized $239,000 of cash during the year ended September 30, 2010, (2009 - $247,000). Site restoration expenditures during fiscal 2010 aggregated $1,000, (2009 - $Nil).

Without accounting for 2011 exploration programs, that are as yet unplanned and not budgeted, the Company will have sufficient cash to finance the remaining 2010 exploration program and resource estimate as well as general and administrative expenses, reporting to shareholder costs, professional fees and stock exchange and transfer agent fees through to the end of fiscal 2011, assuming similar activity levels. Management is continually assessing financing options, in particular to fund future exploration plans. While the Company has successfully raised equity funds in the past, there are no guarantees that it will be able to do so in the future. As a result, there is significant risk regarding the Company's ability to continue as a going concern. The Company's financial statements do not reflect the adjustments that might be necessary to the carrying amount of reported assets, liabilities, revenues and expenses if the Company could not continue as a going concern. Such adjustments could be material.

6) Financing

During the year ended September 30, 2009 the Company closed three non-brokered private placements for gross proceeds aggregating approximately $1,140,000. The proceeds were used to fund working capital needs as well as exploration costs on the Newfoundland and Labrador mineral properties.

During February, 2010, the Company closed a non-brokered private placement of 3,233,332 common units at a price of $0.15 per common unit and 5,275,000 flow-through units at a price of $0.16 per flow-through unit for gross proceeds of $1,329,000. Each common unit consisted of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at a price of $0.22 per share to February 5, 2012. Each flow-through unit consisted of one common flow-through share and one-half of one common share purchase warrant. Each whole common share purchase warrant entitles the holder to purchase one common share at a price of $0.22 per share until February 5, 2012. The net proceeds, after issue costs, of this financing have been primarily utilized to fund the 2010 first stage exploration program at Viking.

During September, 2010, the Company closed a non-brokered private placement of 800,500 common units at a price of $0.15 per common unit and 3,529,000 flow-through units at a price of $0.17 per flow-through unit for gross proceeds of $720,005. Each common unit consisted of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at a price of $0.22 per share to September 14, 2012. Each flow-through unit consisted of one common flow-through share and one-half of one common share purchase warrant. Each whole common share purchase warrant entitles the holder to purchase one common share at a price of $0.22 per share until September 14, 2012. The proceeds of this private placement are being used to finance the 2010 second stage drill program at the Viking property and will finance the resource estimate and supply general operating working capital.

7) Contractual Obligations

Commencing January 1, 2007 the Company's office sublease was extended for a further five years. In prior periods the following table included commitments pursuant to the option agreement to acquire the Taylor Brook, Newfoundland and Labrador mineral property. During the current period, the Company returned the property to the vendor in accordance with the agreement and consequently has no further option commitments for this property.

As at September 30, 2010 the contractual cash obligations for the following five **fiscal** years ended September 30 are as follows:

Nature of obligation	2011	2012	2013	2014	2015
Office lease base rent	$19,900	$ 5,000	$ -	$ -	$ -

8) Exploration Expenditures

Refer to "Mineral Properties," note 5 to the consolidated financial statements.

9) Off-Balance Sheet Transactions

There are no off-balance sheet transactions to report.

10) Selected Annual Financial Information

The following selected financial data has been extracted from the audited financial statements, prepared in accordance with Canadian Generally Accepted Accounting Principles, for the fiscal years indicated and should be read in conjunction with those audited financial statements.

For the years ended or as at September 30,	2010	2009	2008
Financial Results			
Interest and Other Income	$ 2,787	$ 3,088	$ 20,805
Net Loss	$ (831,161)	$ (92,998)	$ (353,519)
Net and Comprehensive Loss	$ (823,161)	$ (92,998)	$ (353,519)
Basic and diluted loss per share	$ (0.01)	$ 0.00	$ (0.01)
Financial Position			
Working capital	$ 912,074	$ 597,705	$ 522,305
Total assets	$ 3,848,046	$ 2,510,762	$ 1,497,532
Capital Stock	$ 12,780,424	$ 11,268,086	$ 10,523,470
Warrants	$ 743,577	$ 302,000	$ 210,132
Contributed Surplus	$ 914,500	$ 789,980	$ 657,848
Deficit	$(10,887,733)	$(10,056,572)	$ (9,963,574)

Included in the loss for 2010 is a write-off of mineral properties aggregating $674,000, (2009 - $Nil, 2008 - $8,000). Stock-based compensation expense in 2010 of $51,000,(2009 - $Nil, 2008 - $109,000), also contributed to the variances in losses. A 2010 future income tax recovery in the amount of $75,000, (2009 - $200,000) reduced the loss in arriving at Net and Comprehensive Loss for the year. The recovery pertains to flow-through expenditures renounced to flow-through investors. There were no such renunciations in 2008 and consequently no future income tax recovery in that year. During fiscal 2010 the Company reported a gain on sale of mineral property of $86,000, (2009 - $Nil, 2008 - $Nil).

11) Selected Quarterly Financial Information

The following selected financial data has been extracted from the unaudited interim financial statements, prepared in accordance with Canadian Generally Accepted Accounting Principles, for the fiscal periods indicated and should be read in conjunction with those unaudited financial statements.

Three months ended	Sept 30 2010 (Q4 2010)	June 30 2010 (Q3 2010)	March 31 2010 (Q2 2010)	Dec 31 2009 (Q1 2010)	Sept 30 2009 (Q4 2009)	June 30 2009 (Q3 2009)	Mar 31 2009 (Q2 2009)	Dec 31 2008 (Q1 2009)
Interest & Other	$ 981	$ 1,166	$ 448	$ 192	$ 137	$ 586	$ 795	$ 1,570
Net loss before mineral property write-offs, gain on sale and income tax recovery	(82,206)	(48,798)	(129,542)	(57,590)	(72,852)	(65,505)	(87,893)	(66,748)
Mineral property write-offs	(2,357)	-	(671,668)	-	-	-	-	-
Income tax recovery	-	-	75,000	-	-	-	200,000	-
Gain on sale of mineral property	86,000	-	-	-	-	-	-	-
Net earnings (loss)	1,437	(48,798)	(726,210)	(57,590)	(72,852)	(65,505)	112,107	(66,748)
Unrealized gain on available-for-sale investments	8,000	-	-	-	-	-	-	-
Comprehensive earnings (loss)	9,437	(48,798)	(726,210)	(57,590)	(72,852)	(65,505)	112,107	(66,748)
Basic and diluted earnings (loss) per share	$0.00	$0.00	$(0.01)	$0.00	$0.00	$0.00	$0.00	$0.00

The most significant influences on net income/loss are the amount of mineral property write-offs, gains on sale of mineral properties and stock-based compensation expenses as well as tax recoveries associated with tax-effecting flow-through shares.

Future income tax recoveries pertain to the application of unrecognized future tax benefits to reduce the future tax liability that is recorded when tax benefits are renounced to flow-through share investors. The renunciations, if applicable, occur in Q2 of any given year. The amount will vary depending upon the quantum of flow-through financings in a year. The timing of the Company's mineral property write-offs and gains on sale of mineral properties, as applicable, cannot be predicted in advance and will vary from one reporting period to the next. As a result, there may be dramatic changes in the financial results and balance sheet position reported by the Company. Stock-based compensation can also comprise a significant portion of a loss in any quarter. Compensation is recorded when stock options are granted and have vested; the timing and amount of such grants can vary from year to year. During Q2, 2010, $51,000 of stock-based compensation is included in the period's loss. Expenses are generally greater in the second quarter of each year as annual report and other annual mailings, as well as annual meeting costs tend to be incurred almost exclusively in this period. This results in a higher loss before mineral property write-offs and income tax recoveries in Q2 relative to other quarters.

12) Directors and Officers

Shane Ebert	*Director and President*	Douglas Cageorge	*Director*
Jean Pierre Jutras	*Director and Vice-President*	Shari Difley	*Chief Financial Officer*
Barbara O'Neill	*Corporate Secretary*	Lesley Hayes	*Director*

13) Related Party Transactions

The following non-arm's length transactions occurred during the year ended September 30, 2010:

i) paid or accrued $19,900, (2009 - $19,900), to a corporation related by virtue of common officers and directors for rent of shared office space and $17,900, (2009 - $17,300), for lease operating and miscellaneous administrative costs.

ii) paid or accrued $8,600, (2009 - $Nil), to a corporation related by virtue of common officers and directors for office and secretarial services and miscellaneous administrative costs.

iii) paid or accrued $152,900, (2009 - $138,300), for consulting fees charged by officers or their corporate employers on a per diem or hourly basis for accounting and administrative services and geological consulting services provided.

iv) received or accrued $1,800, (2009 - $Nil), for postage paid on behalf of companies related by virtue of common officers and directors.

v) paid or accrued $3,200, (2009 - $3,800) for directors fees

vi) directors and officers or immediate family members subscribed to 306,666 of the common units issued pursuant to the February, 2010 private placement at $0.15 per common unit, (2009 - 60,696 flow-through units of the September, 2009 private placement at $0.165 per unit and 350,000 common units of the March, 2009 private placement at $0.10 per unit).

The purpose of related company office and rent charges is to realize certain economies associated with sharing office space and administrative services. Related party transactions were in the normal course of operations and were measured at the "exchange amount," which is the amount of consideration established and agreed to by the related parties.

14) Capital Stock, Warrants, Contributed Surplus and Options

a) Capital Stock, Warrants and Contributed Surplus

Refer to Note 7 to the financial statements for capital stock transactions during the year ended September 30, 2010 and balances as at that date. From September 30, 2010 to December 8, 2010 no capital stock and/or warrant transactions have occurred.

b) Stock Options

Refer to Note 7 to the financial statements for details of the options outstanding at September 30, 2010. No stock option transactions occurred during the period from September 30, 2010 to December 8, 2010.

15) Outlook

The Company's primary objective is to discover mineral resources in economic quantities capable of supporting an operating mine. Should the Company discover such a promising property, it would likely attempt to ally with a more senior mining company that might option-in on the property or purchase the property outright, as the Company does not have expertise in operating a mine.

The two-stage 2010 exploration program, on the Viking, Newfoundland and Labrador property, included 58 drill holes aggregating 9735 meters of core and a surface exploration program that has included trenching, rock and soil sampling as well as surface mapping. In addition to the Thor trend, four new exploration targets with significant size potential have also been identified on the Viking property. In total, to date, the Company has drilled 13922 meters of core in 103 holes and has collected sufficient drilling information to calculate an initial resource estimate, the preparation of which is currently underway, on the Thor Trend gold zone.

15) Outlook (continued)

The 2010 drill program has successfully targeted and outlined an extensive near-surface zone of gold mineralization along the Thor Trend on which resource estimate studies have commenced. Within this shallow gold zone, numerous high grade shoots have been identified. The Company and its independent consultants are compiling the drilling information collected to date. With this information, further planning for the delineation of the Thor Trend high grade mineralization and expansion to depth, along with the testing of additional exploration targets, will be completed.

16) Risks

The success of the Company's business is subject to a number of factors including, but not limited to:

a) Substantial expenditures are required to explore for mineral reserves and the chances of identifying economical reserves are extremely small.
b) The junior resource market, where the Company raises funds, is extremely volatile and there is no guarantee that the Company will be able to raise funds as it requires. The Company may be forced to raise funds at a low share price resulting in increased dilution for current shareholders.
c) Although the Company has taken steps to verify title to the mineral properties in which it has an interest or in which it is earning an interest, there is no guarantee that the properties will not be subject to title disputes or undetected defects.
d) The Company is subject to laws and regulations relating to environmental matters, including provisions relating to reclamation, discharge of hazardous materials, and other matters. The Company conducts its exploration activities in compliance with applicable environmental protection legislation and is not aware of any existing environmental problems that may cause a material liability to the Company, however changes to legislation could result in the Company being offside at some point in the future.
e) The Company is in competition with exploration companies with greater financial resources. This can hamper its ability to acquire certain exploration properties, attract joint venture parties and attract equity financing. Further, the Company must compete with these other companies to acquire contractors to perform certain exploration such as drilling. These contractors will often favor a larger project, making it more difficult for the Company to obtain their services.
f) The price of base and precious metals is highly volatile. Changes in these prices can alter the desirability of an exploration property, and feasibility of spending exploration dollars on it. Further, changes in commodity prices can affect the stock price of the Company.
g) The Company is dependent upon certain key personnel. Loss of any of these people could have a material adverse effect on the Company and its business. This is somewhat mitigated from a geological perspective by having a qualified geologist in each of the President and Vice-President roles.
h) The Company has a history of losses due to its status as an exploration company, with no production from mineral properties. Its ultimate success will depend on its ability to generate cash flow from producing properties at some point in the future, or alternatively from a disposition of its interests.

17) Critical Accounting Estimates

The most significant accounting estimate for the Company relates to the carrying value of its mineral property assets. Mineral properties consist of exploration and mining concessions. Acquisition and leasehold costs and exploration costs are capitalized and deferred until such time as the property is put into production or the properties are disposed of either through sales or abandonments. The estimated values of all properties are assessed by management on a quarterly basis by reference to project economics, including the timing of the exploration and/or development work, the work programs and exploration results experienced by the Company and others, and the extent to which optionees have committed, or are expected to commit to, exploration on the property. When it becomes apparent that the carrying value of a specific property will not be realized, based on the foregoing criteria, an impairment provision is made for the decline in value.

17) Critical Accounting Estimates (continued)

The Company's estimate for asset retirement obligations is based on existing laws, contracts or other policies. The value of the obligation is based on estimated future costs for abandonments and reclamations. By their nature, these estimates are subject to measurement uncertainty.

Another significant accounting estimate relates to valuing stock-based compensation and warrants. The Company uses the Black-Scholes Option Pricing Model. Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options granted and vested, or warrants issued, during the year.

18) New Accounting Policies

International Financial Reporting Standards

In February, 2008, the Canadian Accounting Standards Board, (AcSB), announced that interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011 must be prepared in accordance with International Financial Reporting Standards, (IFRS). Accordingly the Company will be required to present their financial statements during the fiscal year ended September 30, 2012 in accordance with IFRS and will be required to restate the fiscal 2011 comparatives that are included in each of the quarters' and the year end financial statements for fiscal 2012.

Conversion Plan

The Company has a transition plan that they have divided into three phases; research and planning, accounting policy assessment and determination, and implementation and review. The Company is currently in the research and planning phase. The CFO has attended a number of IFRS courses, including industry-specific courses, and has evaluated the financial statements of the Company in light of the new IFRS rules and guidelines. A matrix of the significant financial statement categories and their corresponding current Canadian GAAP accounting and presentation and IFRS accounting and presentation has been prepared for further analysis.

The accounting policy assessment and determination phase is expected to occur over the period from October 1, 2010 to March, 2011 and will include determining the accounting policies that will be adopted, any optional exemptions that may be utilized and designing any revisions to current accounting systems that might be necessary to facilitate the recording and retention of data. The implementation and review phase is expected to be complete by December 31, 2011. The Company will issue its first financial statements prepared in accordance with IFRS for its first quarter of fiscal 2012, (the three months ended December 31, 2011), with comparatives restated to be in accordance with IFRS.

Significant Differences between Current Canadian GAAP and IFRS

The single largest financial statement amount in the Company's financial statements tends to be the carrying cost if its mineral exploration properties, which is comprised of a combination of capitalized exploration expenditures and acquisition costs. The International Accounting Standards Board, (IASB), Framework would dictate that exploration expenditures be expensed because such costs would not meet the strict definition of an asset. However, IFRS 6 allows the retention of accounting policies that have been previously applied. IFRS 6 cannot be applied to expenditures incurred prior to obtaining the legal rights to explore a specific area or after the technical feasibility study and commercial viability of extracting a mineral resource is demonstrated. If a capitalization policy is adopted for mineral exploration and acquisition costs, the asset is initially measured at cost. Subsequently the asset either can continue to be measured at cost or measured using the revaluation model which requires that the asset be carried at its fair value.

18) New Accounting Policies (continued)

International Financial Reporting Standards

Significant Differences between Current Canadian GAAP and IFRS

The Company believes that it will continue to capitalize its acquisition and exploration costs relating to mineral properties. Further, it believes that it will choose the cost method of measurement. The cost method will require that the Company assess whether there has been an impairment in the value of its capitalized acquisition and exploration costs. Impairment shall be assessed when facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount. According to IFRS 6, one or more of the following facts and circumstances indicate that an entity should test exploration and evaluation assets for impairment:

- The period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future and is not expected to be renewed.
- Substantive expenditure on further exploration for, and evaluation of, mineral resources in the specific area is neither budgeted nor planned
- Exploration for and evaluation of mineral resources in the specific area has not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area
- Sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or sale.

Canadian GAAP also requires the assessment of impairment. However, IFRS differs from Canadian GAAP in that it is possible, under IFRS, that an impairment loss might be reversed in a situation where there is a change in circumstances such as the re-commencement of activity on a mineral property where a change in commodity prices makes the project feasible once again.

The Company does not anticipate a material difference between the carrying amount of its mineral exploration properties under Canadian GAAP and IFRS, at this point in time.

The Company has yet to analyze in detail other financial statement items, but will provide updates in future MD&A's to address differences as they become apparent throughout the accounting policy assessment and determination phase.

19) Other

Additional information relating to the Company may be found on SEDAR at www.sedar.com.

Corporate Information

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Listed:

TSX Venture Exchange

Symbol:

NAI