Northern Abitibi

Mining Corp.

2011
Annual Report

NORTHERN ABITIBI MINING CORP.
President's Message

Dear Shareholders;

The past year has been one of challenging global markets and a difficult environment for financing mineral exploration activities. A lack of exploration funds prevented the company from advancing the Viking Project in Newfoundland on its own, and as a result the company decided the best option to maximize shareholder value was to consolidate the Viking district with Spruce Ridge Resources Ltd. existing large land package and allow the numerous mineralized zones to be explored by a company that had the local experience and financial resources to move exploration forward. The sale of Viking to Spruce Ridge gives Northern Abitibi Shareholders a large stake in Spruce Ridge, a company with a good share structure and the ability to raise exploration capital for the Viking district. Spinning out the Viking asset to Spruce Ridge exposes Northern Abitibi shareholders to another avenue for success, providing shareholders with some diversity and continued upside.

Over the coming year Northern Abitibi will focus on pursuing new business opportunities. The company continues to actively search for new early stage exploration opportunities and avenues for growth in stable jurisdictions within North America.

On behalf of the Board of Directors, I would like to thank our shareholders for their continued support and patience during these challenging market conditions.

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, 2011

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pwc

December 6, 2011

Independent Auditor's Report

To the Shareholders
of Northern Abitibi Mining Corp.

We have audited the accompanying financial statements of Northern Abitibi Mining Corp. and its subsidiaries, which comprise the consolidated balance sheets as at September 30, 2011 and September 30, 2010 and the consolidated statements of net and comprehensive loss and deficit and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers LLP Chartered Accountants
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Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Northern Abitibi Mining Corp. and its subsidiaries as at September 30, 2011 and September 30, 2010 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of matter
Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern.

PricewaterhouseCoopers LLP

Chartered Accountants

Northern Abitibi Mining Corp.
Consolidated Balance Sheets

September 30	2011	2010
ASSETS		
Current		
Cash and cash equivalents (Note 3)	$ 426,986	$ 880,620
Accounts receivable	66,900	99,469
Due from related parties (Note 13)	526	2,107
Government grants receivable	-	100,000
Prepaid expenses	11,953	21,856
Short-term investments (Note 4)	67,000	54,000
	573,365	1,158,052
Exploration advances	-	25,000
Mineral properties and equipment (Note 5)	3,874,115	2,664,994
	$ 4,447,480	$ 3,848,046
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 56,614	$ 210,137
Due to related parties (Note 13)	18,894	35,841
	75,508	245,978
Asset retirement obligation (Note 6)	47,300	43,300
	122,808	289,278
SHAREHOLDERS' EQUITY		
Capital stock (Note 7)	13,120,417	12,780,424
Warrants (Note 7)	763,934	743,577
Contributed Surplus (Note 7)	1,117,143	914,500
Deficit	(10,646,758)	(10,887,733)
Accumulated other comprehensive income (loss) (Note 8)	(30,064)	8,000
	4,324,672	3,558,768
	$ 4,447,480	$ 3,848,046

Nature of operations and going concern (Note 1)
Commitments (Note 14)

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 Income (Loss) and Deficit

Years Ended September 30	**2011**	2010
Expenses		
General and administrative (Note 10)	**$ 177,459**	$ 229,706
Professional fees	**53,094**	38,589
Reporting to shareholders	**31,121**	23,883
Stock exchange and transfer agent fees	**12,037**	11,905
Amortization of capital assets	**16,205**	13,915
Accretion of asset retirement obligation (Note 6)	**4,000**	2,925
	(293,916)	(320,923)
Other Income (Expense)		
Interest and other income	**6,592**	2,787
Realized loss on sale of investments	**(826)**	**-**
Gain on sale of mineral property	**172,500**	86,000
Write-down of mineral properties (Note 5)	**(4,375)**	(674,025)
Loss before income taxes	**(120,025)**	(906,161)
Future income tax recovery (Note 12)	**361,000**	75,000
Net Income (Loss)	**240,975**	(831,161)
Other Comprehensive Income (Loss)		
Unrealized gain (loss) on available-for-sale investments	**(38,064)**	8,000
Comprehensive Income (Loss)	**$ 202,911**	$ (823,161)
Earnings (Loss) Per Share		
Basic and diluted	**$ 0.00**	$ (0.01)
Weighted Average Shares Outstanding		
Basic	**79,743,136**	68,617,903
Diluted (Note 11)	**79,977,200**	68,617,903
Deficit, beginning of year	**$ (10,887,733)**	$ (10,056,572)
Net income (loss) for the year	**240,975**	(831,161)
Deficit, end of year	**$ (10,646,758)**	$ (10,887,733)

See accompanying notes to the financial statements.

Northern Abitibi Mining Corp.
Consolidated Statements of Cash Flows

Years Ended September 30	2011	2010
Increase (decrease) in cash and cash equivalents:		
Operating activities		
Interest and other income received	**$ 6,592**	$ 2,787
Cash operating expenses	**(268,507)**	(242,267)
Site restoration expenditures	**-**	(1,100)
	(261,915)	(240,580)
Investing activities		
Mineral property and equipment additions	**(1,331,602)**	(1,623,095)
Exploration advances	**-**	(25,000)
Proceeds on sale of investments	**45,610**	-
Cash proceeds on sale of mineral property	**75,000**	40,000
	(1,210,992)	(1,608,095)
Financing activities		
Government grant receipts	**100,000**	100,000
Private placement proceeds	**986,860**	2,049,005
Cash share issue costs	**(66,867)**	(142,433)
Exercise of stock options and warrants	**-**	82,813
Part XII.6 tax	**(720)**	(7,437)
	1,019,273	2,081,948
Increase (decrease) in cash and cash equivalents	**(453,634)**	233,273
Cash and cash equivalents:		
Beginning of year	**880,620**	647,347
End of year	**$ 426,986**	$ 880,620

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, 2011 and September 30, 2010.

Non-cash transactions:
2011
During the year ended September 30, 2011, the Company sold its remaining interest in the Douay, Quebec mineral claims in exchange for cash and 750,000 common shares of the publicly traded purchaser. The shares were valued at their closing price on the transaction date for aggregate non-cash proceeds of $97,500.

During the year ended September 30, 2011, the Company granted stock options to consultants resulting in a non-cash charge of $4,000 being included in general and administrative expenses. (Note 10)

During the year ended September 30, 2011, non-cash share issue costs in the amount of $21,000 were recognized as a reduction to capital stock. These costs represented the value assigned to broker's warrants granted in connection with the private placement that closed in April, 2011. (Note 7)

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 its 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.

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)

See accompanying notes to the financial statements.

1. Nature of operations and going concern

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.

These financial statements have been prepared using Canadian Generally Accepted Accounting Principles applicable to a going concern which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due. At September 30, 2011, the Company had a deficit of $10,646,758 and a loss of $120,025 before future income tax recovery for the year then ended. While the Company has sufficient working capital to fund general and administrative and other operating costs through the end of fiscal 2012, the Company is dependent upon raising funds through the issuance of shares and/or attracting joint venture partners in order to undertake exploration during 2012 and beyond and to develop 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) 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.

c) Financial instruments and comprehensive income

Financial instruments are classified in one of four categories: held-to-maturity, available-for-sale, held for trading or loans and receivables. Financial 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.

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 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.

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

c) Financial instruments and comprehensive income

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 are categorized as Level 2.

d) 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, valuation of options and warrants and estimates of asset retirement obligations. Actual results could differ from those estimates.

e) 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 rates of 30% - 50% per annum. A bridge is being amortized on a straight-line basis over seven years.

f) 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)

g) 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.

h) 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.

i) 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. 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.

j) 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.

k) 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.

l) 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

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

4. Short-term Investments

September 30, 2011

	Number of shares/warrants		Market Value		Cost
Société d'Exploration Minière Vior Inc.					
Common shares	750,000	$	60,000	$	87,064
Warrants	200,000		7,000		10,000
		$	67,000	$	97,064

September 30, 2010

	Number of shares/warrants		Market Value		Cost
Société d'Exploration Minière Vior Inc.					
Common shares	400,000	$	42,000	$	36,000
Warrants	200,000		12,000		10,000
		$	54,000	$	46,000

The short-term investments are classified as available-for-sale. In connection with the sale of a mineral property interest during the year ended September 30, 2010, the Company received 400,000 common shares and 200,000 warrants. The Company received an additional 750,000 common shares upon the sale of the Company's interest in its last remaining Douay claims during the year ended September 30, 2011. 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, 2011 and September 30, 2010, the closing price of the shares on the respective period end dates 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 at subsequent measurement dates using the Black Scholes option pricing model utilizing estimated volatility of 102% -118%, a two year expected life, a risk free interest rate of 1.23% and an estimated dividend yield of $Nil. The Company sold 400,000 common shares during the year ended September 30, 2011.

5. Mineral properties and equipment

Year ended September 30, 2011	Total	Newfoundland & Labrador — Other	Newfoundland & Labrador — Viking
Exploration expenditures:			
Cumulative exploration costs to Sept. 30, 2010	$ 2,439,581	$ -	$ 2,439,581
Geological consulting	218,441	4,375	214,066
Drilling	638,336	-	638,336
Travel and accommodation	22,286	-	22,286
Field	38,174	-	38,174
Geochemical	120,403	-	120,403
Geophysical surveying	82,707	-	82,707
Equipment rental	54,765	-	54,765
Resource estimate	44,984	-	44,984
Mineral property write-down	(4,375)	(4,375)	-
Cumulative exploration costs to September 30, 2011	**3,655,302**	**-**	**3,655,302**
Property acquisition costs:			
Cumulative acquisition costs to September 30, 2010	209,766	-	209,766
Acquisition costs incurred	-	-	-
Cumulative acquisition costs to September 30, 2011	**209,766**	**-**	**209,766**
Total mineral properties September 30, 2011	**$ 3,865,068**	**$ -**	**$ 3,865,068**
Equipment at cost	14,499		
Accumulated amortization	(5,452)		
Total mineral properties and equipment Sept 30, 2011	**$3,874,115**		

Year ended September 30, 2010	Total	Other	Newfoundland & Labrador — Taylor Brook	Newfoundland & Labrador — 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)

Viking, Newfoundland and Labrador, Canada

During the year ended September 30, 2007 the Company entered into an option agreement to acquire a 100% interest in the Viking gold property in western Newfoundland subject to a sliding scale net smelter returns royalty of 2% to 4% based on the price of gold. In 2010 the Company acquired the 100% interest in the property, subject to the net smelter returns royalty, having fulfilled the share issuance and exploration expenditure requirements pursuant to the option agreement.

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 year ended September 30, 2010.

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 remaining Douay, Quebec mineral claims were sold during the year ended September 30, 2011. In addition to the non-cash proceeds comprised of the common shares and warrants described in note 4, the Company received cash proceeds of $75,000 during fiscal 2011, ($40,000 - 2010). As the property had been previously written-off, the full proceeds of the sale were reflected in earnings as a gain on sale of mineral property.

6. Asset retirement obligation

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

	2011	2010
Balance, beginning of year	**$ 43,300**	$ 24,375
Change in retirement accrual	**-**	17,100
Restoration costs incurred	**-**	(1,100)
Accretion	**4,000**	2,925
Balance, end of year	**$ 47,300**	$ 43,300

During the year ended September 30, 2010 the Company completed the restoration of the Taylor Brook Property. As at September 30, 2011, the Company has recorded $47,300, (2010 - $43,300), for costs to restore the Viking 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, 2011 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, 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**
Tax effect of flow-through renunciation	-	(361,000)	-	-	-
Private placement	7,851,230	788,860	-	5,615,615	198,000
Share issue costs	-	(87,867)	-	426,224	21,000
Stock-based compensation (Note 10)	-	-	4,000	-	-
Shares cancelled	(19)	-	-	-	-
Warrants expired	-	-	198,643	(4,696,931)	(198,643)
Balance Sept 30, 2011	**83,959,126**	**$13,120,417**	**$1,117,143**	**14,430,796**	**$763,934**

2011

On April 15, 2011, the Company closed a non-brokered private placement of 3,380,000 common units at a price of $0.12 per common unit and 4,471,230 flow-through units at a price of $0.13 per flow-through unit for gross proceeds of $986,860. An officer and director subscribed to 192,308 flow-through units. Finders' fees aggregating $53,897 were paid in connection with the offering. Further, 426,224 brokers' warrants were issued, each of which may be exercised to acquire one common share at a price of $0.12 per share to April 15, 2013. The $21,000 value of these Brokers' warrants, that was calculated using the Black Scholes Option Pricing Model assuming volatility of 93%, a 2 year warrant life, a risk-free interest rate of 1.75% and a 0% dividend rate, has been included in share issue costs.

Each common unit issued pursuant to the private placement consisted of one common share and one common share purchase warrant. 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 $0.20 per share to April 15, 2013. The warrants issued pursuant to the private placement were valued at $198,000 using the Black Scholes Option Pricing Model assuming volatility of 93%, a 2 year warrant life, a risk-free interest rate of 1.75%, and a 0% dividend rate.

Exploration expenditures aggregating $1,444,000 were renounced to flow-through share investors during the year ended September 30, 2011. The $361,000 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 Income (Loss).

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

b) Issued

2010

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 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 Income (Loss).

c) Stock options outstanding

	Number of shares		Exercise
Expiry	2011	2010	Price
August 1, 2011	-	525,000	$0.10
December 11, 2011	500,000	500,000	$0.10
October 17, 2012	825,000	825,000	$0.22
April 20, 2014	75,000	-	$0.12
February 10, 2015	700,000	700,000	$0.155
	2,100,000	**2,550,000**	

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. The 75,000 options expiring April 20, 2014 vested on August 20, 2011. The remaining outstanding options vested on the grant date.

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

d) Stock option transactions

	Number of options	Weighted Average exercise price
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
Granted	75,000	$0.12
Expired without exercise	(525,000)	$0.10
Balance Sept 30, 2011	2,100,000	$0.17

e) Warrant transactions and warrants outstanding

2011

Price	Expiry	Balance Sept. 30, 2010	Warrants Issued	Warrants Expired	Warrants Exercised	Balance Sept 30, 2011
$0.25	Dec 30,2010	2,380,951	-	(2,380,951)	-	-
$0.25	Dec 30,2010	190,476	-	(190,476)	-	-
$0.15	Mar 19, 2011	550,000	-	(550,000)	-	-
$0.22	Sep 4, 2011	666,416	-	(666,416)	-	-
$0.23	Sep 4, 2011	909,088	-	(909,088)	-	-
$0.22	Feb 5, 2012	5,823,957	-	-	-	5,823,957
$0.22	Sep 14, 2012	2,565,000	-	-	-	2,565,000
$0.20	Apr 15, 2013	-	5,615,615	-	-	5,615,615
$0.12	Apr 15, 2013	-	426,224	-	-	426,224
TOTAL		**13,085,888**	**6,041,839**	**(4,696,931)**	**-**	**14,430,796**

2010

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

8. Accumulated other comprehensive income (loss)

	2011	2010
Balance, beginning of year	$ 8,000	$ -
Unrealized gain (loss) on available-for-sale financial assets	(38,064)	8,000
Balance, end of year	$ (30,064)	$ 8,000

9. Financial instruments

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

Category	Carrying value 2011	2010
Held for trading (Cash and cash equivalents)	$ 426,986	$ 880,620
Available-for-sale (Short-term investments)	$ 67,000	$ 54,000
Loans and receivables (Accounts and grants receivable and due from related parties)	$ 67,426	$ 201,576
Other financial liabilities (Accounts payable and accrued liabilities and due to related parties)	$ 75,508	$ 245,978

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 0.9% at September 30, 2011. 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 years ended September 30, 2011 and September 30, 2010 and as at the respective year ends. 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, 2011 is stock based compensation in the amount of $4,000, (2010 - $51,000). The fair value of the compensation associated with the granting of 75,000, (2010 - 700,000) options, was determined using the Black-Scholes Option Pricing Model assuming expected volatility of 79%, (2010 - 88%), a risk-free interest rate of 1.8% (2010 - 1.34%), expected option life of 2 years,(2010 - 2 years), and expected dividend yield of Nil, (2010 -Nil).

11. Earnings per share

The following adjustments were made in arriving at diluted weighted average number of common shares for the years ended September 30:

Weighted average number of common shares:	Year ended September 30 2011	2010
Basic	79,743,136	68,617,903
Effect of dilutive securities:		
Stock options	218,883	-
Warrants	15,181	-
Diluted	**79,977,200**	68,617,903

The dilutive effect of stock options and warrants was calculated using the treasury stock method. This method calculates the number of incremental shares by assuming the outstanding in-the-money stock options and warrants are exercised, and then reduced by the number of shares assumed to be repurchased from the issuance proceeds, using the average market price of the Company's common shares for the period. The $0.22 and $0.155 options and all but the $0.12 warrants that were outstanding during the year ended September 30, 2011, were excluded from the calculation of diluted earnings per share as the exercise prices were greater than the average price of the Company's shares during the year ended September 30, 2011.

During the year ended September 30, 2010, the Company experienced a loss therefore no dilution resulted in the comparative period.

12. Income taxes

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

	2011	2010
Computed expected tax recovery at a combined rate of 27% (2010 – 28%)	**$ (32,000)**	$ (254,000)
Permanent differences and other	**(19,000)**	21,000
Change in valuation allowance	**(313,000)**	106,000
Loss expiry	**-**	32,000
Tax rate adjustment	**3,000**	20,000
Future income tax recovery	**$ (361,000)**	$ (75,000)

b) The net future income tax asset at September 30, 2011 and 2010 is comprised of:

	2011	2010
Income tax values in excess of book value of mineral properties	**$ 942,000**	$1,338,000
Other	**12,000**	11,000
Losses carried forward	**410,000**	328,000
Future income tax asset before valuation allowance	**1,364,000**	1,677,000
Valuation allowance	**(1,364,000)**	(1,677,000)
Future income tax asset	**$ -**	$ -

c) The Company has incurred Canadian losses for income tax purposes of approximately $1,641,000. Unless sufficient taxable income is earned in future years these losses will expire as follows:

2014	$ 74,000	2028	$242,000
2015	$ 99,000	2029	$312,000
2026	$108,000	2030	$305,000
2027	$172,000	2031	$329,000

d) As at September 30, 2011, 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	$5,042,000	100%
Canadian development expenses	1,597,000	30%
Foreign exploration and development expenses	328,000	10%
Undepreciated capital cost	64,000	4%-100%
	$7,031,000	

13. Related party transactions

The Company incurred the following amounts charged by officers or by(to) companies related by virtue of certain common officers and directors, for the years ended September 30:

	2011	2010
Officers:		
Geological consulting fees included in deferred exploration expenditures	**$52,300**	$87,900
Administrative consulting fees	**$70,900**	$65,100
Related companies:		
Office rent and operating costs	**$32,300**	$32,300
General and administrative and secretarial costs	**$31,800**	$14,100
General and administrative costs	**$(1,700)**	$(1,800)

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. Related party receivables and payables pertained to the unpaid portion of the above-noted billings. Directors were paid $2,800 for attending meetings during the year ended September 30, 2011, (2010 - $3,200). See also Note 7.

14. Commitments

Pursuant to a sublease agreement, 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 to the expiry of the sublease on December 31, 2011. The committed base sublease costs to the termination of the sublease are as follows:

2012	$ 5,000

In addition, the Company is committed to pay its share of associated lease operating costs, which are approximately $1,000 per month to the end of the lease term.

15. Segment disclosures

While in past years the Company had undertaken mineral exploration in the United States, during the years ended September 30, 2011 and September 30, 2010 all mineral exploration activities were undertaken in Canada. Consequently, segmented information is not presented in these financial statements.

16. 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 and Term Deposits.

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, the Company has fully expended its flow-through commitment as of September 30, 2011.

17. 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 and cash held in bankers' acceptances and term deposits. The Company has had a history of prompt payment of its receivables and considers credit risk to be low on these instruments and on its cash equivalent investments as at September 30, 2011.

17. Financial risk management (continued)

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 an updated resource estimate as well as general and administrative and other operating expenses to the end of fiscal 2012. However, increases in activity levels, new property acquisitions and 2012 exploration will require additional financing. Refer also to Note 1, "Nature of operations and going concern."

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 foreign currency denominated transactions during the year ended September 30, 2011 and the Company did not hold cash balances in foreign currencies. As a result the Company was not exposed to foreign currency exchange risks during the year ended or as at September 30, 2011. Since 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.

The Company's equity investments are subject to market price risk. These investments were received as partial proceeds for the sale of mineral property interests. The Company does not invest excess cash in equity investments as a general rule. The investments in common shares and warrants are recorded at fair value at the respective period ends with the resultant gains or losses recorded in Other Comprehensive Income. The price or value of these investments can vary from period to period. The Company does not intend to hold these investments for more than one year. If the value of the investments held at September 30, 2011 had increased or decreased by 10%, the unrealized gain/loss recognized on these investments would have increased or decreased respectively by $7,000.

NORTHERN ABITIBI MINING CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

The information included in this document should be read in conjunction with the audited consolidated financial statements for the year ended September 30, 2011 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 6, 2011. 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 exploration 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, 2011

a) On November 6, 2010, the Company was presented with the "Prospector/Explorer of the Year Award," by the Canadian Institute of Mining, Metallurgy and Petroleum, Newfoundland Branch. The award was earned by the Company for its role in the discovery and delineation of a new gold deposit at the Viking Project in Newfoundland and Labrador.

b) The Company completed its second stage 2010 surface and drill program on the Viking, Newfoundland and Labrador mineral property, bringing 2010 drilling to a total of 9735 meters of core in 58 holes. The 2010 drill program successfully targeted and outlined an extensive near surface zone of gold mineralization along the Thor Trend.

c) The Company received $100,000 through the Government of Newfoundland and Labrador's Junior Exploration Assistance Program. The Grant is calculated as one half of qualifying exploration expenditures to a maximum of $100,000.

2) Highlights – the year ended September 30, 2011 (continued)

d) Mercator Geological Services Ltd. completed the independent resource estimate study on the Thor Trend. The Company has hired an independent contractor to prepare an updated resource estimate.

e) The Company closed a private placement grossing $987,000 that will finance the 2011 exploration program and general working capital needs.

f) The Company completed its 2011 trenching, mapping, drilling program with the goal of increasing inferred gold resources at a low incremental exploration cost per ounce. A total of 4698 meters of drilling in 25 holes, an induced polarization geophysical survey and trenching totaling ten trenches was completed.

3) Mineral Properties

Viking, Newfoundland and Labrador, Canada

The Viking property has excellent access and local infrastructure, with a paved highway and power line located less than one kilometre from the project. 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 contains numerous high grade veins within larger bulk tonnage style zones of gold mineralization located within a 3 to 4 kilometre long gold-in-soil anomaly. Exploration by the Company on the property has included trenching programs in 2008 and 2009 and drilling programs in 2009 and 2010. Drilling highlights include high grade intercepts of 5.75 meters grading 33.7 grams per tonne (g/t) gold, 3.7 meters grading 50.1 g/t gold, 0.5 meters grading 218.8 g/t gold as well as lower grade intercepts including 27 meters grading 7.9 g/t gold, 23.0 meters grading 5.1 g/t gold, and 57.4 meters grading 2.8 g/t gold.

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 $1.25 million. 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.

During fiscal 2010, the Company 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. 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 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, 2010 and was completed in the first quarter of 2011 with actual costs of approximately $400,000. 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

3) Mineral Properties (continued)

Viking, Newfoundland and Labrador, Canada

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 successfully targeted and outlined an extensive near surface zone of gold mineralization along the Thor Trend. Mercator Geological Services Ltd. completed the independent resource estimate study on the Thor Trend. The report demonstrates that the low grade mineralization demonstrates good continuity at the 0.20 grams per tonne (g/t) grade cut-off, resulting in a cut Inferred Mineral Resource of 6,284,000 rounded tonnes at a grade of 0.61 g/t gold, (123,242 ounces), and an uncut Inferred Mineral Resource of 6,293,000 rounded tonnes at a grade of 0.65 g/t gold, (131,511 ounces).

During the year ended September 30, 2011, the Company completed its 2011 trenching, mapping, drilling program. The goal of the 2011 exploration program was to maximize high grade resources along the Thor Trend, identify additional areas on the claim block where resources can be defined, test a number of new structural targets on the Viking property and ultimately obtain an updated Resource Estimate. The program was budgeted at approximately $1,000,000 and actual costs approximated $960,000 before the updated Resource Estimate that is budgeted at $55,000.

Results have been received for drill holes 104 through 128. Significant drilling results include 1.3 meters grading 10.4 grams per tonne, (g/t), gold, 21.4 meters grading 0.9 g/t gold and significant zones of low grade gold mineralization including 65.3 meters grading 0.5 g/t gold. These and other significant results are disclosed in news releases dated June 28, 2011, July 27, 2011, August 18, 2011, September 19, 2011 and November 1, 2011 respectively and may be accessed from our website at www.naminco.ca or at www.SEDAR.com.

The Company has completed ten trenches to date. Through trenching along the north eastern end of the Viking property, a new zone of alteration and mineralization has been uncovered over an area 400 meters long by 100 meters wide with the zone remaining open along strike. Channel sampling across the higher grade veins has returned values of 9.9 g/t gold and 52 g/t silver over 1.4 meters, 5.2 g/t gold over 1 meter and 3 g/t gold and 17.3 g/t silver over 1.1 meters. Trenching and prospecting at the end of the 2011 program has resulted in the discovery of three new zones of mineralization. Trenching of an induced polarization geophysical anomaly in the central part of the Viking property has encountered a high grade zone grading 5.5 g/t gold over 1.3 meters.

A 2D and 3D induced polarization geophysical survey has been completed with significant chargeability anomalies having been identified on the western side of Viking. Several geophysical exploration targets have been identified including a 330 meter long chargeability anomaly at the southern projection of the Thor Trend which has not been drill-tested. The chargeability anomaly is interpreted to be related to sulfide-bearing intrusive rocks. The 2D geophysical results over the southern and western part of the property identified three large chargeability anomalies with strike lengths up to 1000 meters and widths up to 100 meters. Drill hole 127 tested one of these anomalies and returned significant intersections of

3) Mineral Properties (continued)

Viking, Newfoundland and Labrador, Canada

anomalous gold mineralization including 11.8 meters grading 0.2 g/t gold and 47.5 meters grading 0.2 g/t gold. This hole demonstrates that the chargeability anomalies are associated with gold mineralization.

4) Operating Results

Year ended September 30, 2011 compared to year ended September 30, 2010

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

Year ended September 30	**2011**	**2010**
General and administrative expenses	$ (177,459)	$ (229,706)
Reporting to shareholders	(31,121)	(23,883)
Professional fees	(53,094)	(38,589)
Stock exchange and transfer agent fees	(12,037)	(11,905)
Interest and other income	6,592	2,787
Realized loss on sale of investments	(826)	-
Amortization of capital assets	(16,205)	(13,915)
Accretion of asset retirement obligation	(4,000)	(2,925)
Write-down of mineral properties	(4,375)	(674,025)
Gain on sale of mineral property	172,500	86,000
Future income tax recovery	361,000	75,000
Net Income (Loss)	240,975	$ (831,161)
Unrealized gain (loss) on available-for-sale investments	(38,064)	8,000
Comprehensive Income (Loss)	$ 202,911	$ (823,161)

The write-down of mineral property in the comparative period represents the aggregate carrying cost of the Taylor Brook property that was returned to the vendor. The Company chose to concentrate its efforts and financial resources on the Viking property, while the current year write-down pertains to costs incurred to investigate a property that was not acquired.

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 gain on sale of mineral property resulted from the sale of the Company's remaining interests in the Douay, Quebec property. As the property had been written-down in a previous year, the full amount of the proceeds has been recognized in earnings. The unrealized gain (loss) on available-for-sale investments results from adjusting the Company's holding in common shares and warrants of Vior Inc. to fair value at the respective year ends. Further, there was a realized loss on sale of investments in the current year as 400,000 of the Vior shares were sold during the year ended September 30, 2011. Higher average cash balances and higher interest rates contributed to the increase in interest income. The variances in general and administrative expenses and professional fees are discussed below:

Year ended September 30	**2011**	**2010**
Administrative consulting fees	$ 71,143	$ 65,076
Stock-based compensation	4,000	51,000
Investor relations	2,385	8,665
Occupancy costs	32,963	33,466
Office, secretarial and supplies	33,112	37,731
Computer network and website maintenance	2,806	4,006
Travel and promotion	13,430	12,402
Directors’ fees	2,800	3,200
Part XII.6 tax	1,320	657
Insurance	13,500	13,503
Total	$ 177,459	$ 229,706

4) Operating Results (continued)

Year ended September 30, 2011 compared to year ended September 30, 2010

General and administrative expenses decreased approximately $52,000 from the prior period. The most significant contribution to decreased expenses pertained to the stock based compensation in the amount of $51,000 that was recognized in the comparative period. Stock based compensation of $4,000 was recorded in the current period. This is a non-cash expense item that results from valuing stock options granted during the reporting periods. The $6,000 increase in administrative consulting costs relates primarily to increased time devoted to the International Financial Reporting Standards research and conversion. Travel and promotion costs increased due to the increased number of days the President spent in Newfoundland for a conference and attendance in Toronto to meet with potential investors during the current period. The President of the Company attended Mineral Exploration Round-up in Vancouver and PDAC in Toronto during both the current and comparative periods. 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. The higher expense in the previous period resulted from the Company paying for the email dissemination of news releases, with no comparable expenditure in the current period.

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

Year ended September 30	**2011**	**2010**
Legal and filing fees	$ 16,569	$ 13,765
Audit fees	36,525	24, 824
Total	$ 53,094	$ 38,589

Audit and accounting fees have increased due to the charge for the audit of opening IFRS balances and other related IFRS work. Legal fees increased because the Company continued under the laws of Alberta during the current period and required certain legal advice and documents in order to effect this.

Three months ended September 30, 2011 compared to three months ended September 30, 2010

Three months ended September 30	**2011**	**2010**
General and administrative expenses	$ (34,740)	$ (44,162)
Professional fees	(39,279)	(27,228)
Other	(3,062)	(1,851)
Gain on sale of mineral property	-	86,000
Write-down of mineral properties	-	(2,357)
Amortization of capital assets	(9,309)	(8,965)
Net Income (Loss)	(86,390)	1,437
Unrealized gain (loss) on available for sale investments	(21,750)	8,000
Comprehensive Income (Loss)	$ (108,140)	$ 9,437

The variance in general and administrative expenses is explained below. Other significant variances are explained by the factors discussed in the yearly comparative.

Three months ended September 30, 2011 compared to three months ended September 30, 2010

The following summarizes the major expense categories comprising general and administrative expenses for the three months ended September 30, 2011 and September 30, 2010 respectively:

Three months ended September 30	**2011**	**2010**
Administrative consulting fees	$ 11,659	$ 14,256
Occupancy costs	8,324	7,969
Office, secretarial and supplies	9,348	11,991
Other	1,015	2,120
Travel and promotion	1,019	1,451
Insurance	3,375	3,375
Investor relations	-	3,000
Total	$ 34,740	$ 44,162

4) Operating Results (continued)

Three months ended September 30, 2011 compared to three months ended September 30, 2010

No investor relations activities were undertaken during the current period. Occupancy costs were higher in the current period because they included an operating cost adjustment relating to the prior year. As activity levels were lower in the current three month period than the prior three month period, there was a general decrease in many of the expenses.

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

Three months ended September 30	2011	2010
Legal and filing fees	$ 2,279	$ 3,228
Audit fees	37,000	24,000
	$ 39,279	$ 27,228

The significant variance in audit fees is explained by the factors discussed in the yearly comparative.

5) Liquidity and Capital Resources

The Company's working capital position at September 30, 2011 was approximately $498,000, (Sept. 30, 2010 - $912,000). Accounts receivable have decreased $33,000 from the September 30, 2010 balance. The accounts receivable balance is primarily comprised of GST and HST input tax credits receivable. The exploration expenditures in the immediately preceding quarter were higher in the comparative period, hence, so too were the input tax credits. Accounts payable and due to related parties decreased approximately $170,000 due to the significant exploration activity underway at September 30, 2010 and consequent higher trade payables in the comparative balance sheet. Cash has decreased $454,000 from September 30, 2010. In the current period cash was augmented by the net proceeds from the private placement financing of $920,000, the receipt of a $100,000 Newfoundland and Labrador government exploration grant, cash proceeds on the sale of short-term investments of $46,000 and the receipt of $75,000 in cash as partial consideration for the sale of mineral property interests in Quebec. In the comparative period warrant and option exercises for gross proceeds of $83,000, private placement financings netting $1,907,000 after share issue costs, the receipt of $40,000 cash in connection with the sale of Douay mineral property claims and the receipt of a $100,000 government exploration grant all contributed cash to the Company. During the year ended September 30, 2011, the Company expended $720 on Part XII.6 tax, (2010 - $7,400). Part XII.6 tax is essentially an interest charge assessed on 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. During the year ended September 30, 2011, $1,332,000 of cash was expended on mineral property additions and exploration advances, (2010 - $1,648,000). Administrative costs and site restoration costs in excess of interest and other income utilized $262,000 of cash during the year ended September 30, 2011, (2010 - $241,000).

The Company will have sufficient cash to finance the remainder of the planned 2011 exploration program as well as general and administrative expenses, reporting to shareholder costs, professional fees and stock exchange and transfer agent fees through fiscal 2012, assuming similar activity levels. Additional financing will be required to fund a 2012 exploration program and operations beyond fiscal 2012. Management is continually assessing financing options. 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 would 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

2011

During the year ended September 30, 2011, the Company closed a non-brokered private placement of 3,380,000 common units at a price of $0.12 per common unit and 4,471,230 flow-through units at a price of $0.13 per flow-through unit for gross proceeds of $986,860. An officer and director subscribed to 192,308 flow-through units. Each common unit consisted of one common share and one common share purchase warrant. 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 $0.20 per share until April 15, 2013. In connection with the financing, 426,224 brokers' warrants were issued, each of which may be exercised to acquire one common share at a price of $0.12 per share to April 15, 2013. The net proceeds, after issue costs, of this financing are being utilized to fund the 2011 exploration program at Viking and general working capital needs.

2010

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 were 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 were used to finance the 2010 second stage drill program at the Viking property and the resource estimate, as well as a portion of the 2011 exploration program and general operations.

7) Contractual Obligations

The Company is party to a sublease that terminates December 31, 2011. As at September 30, 2011 the contractual cash obligations for the following five **fiscal** years ended September 30 are as follows:

Nature of obligation	2012	2013	2014	2015	2016
Office lease base rent	$ 5,000	$ -	$ -	$ -	$

Pursuant to the sublease, the Company is also required to pay lease operating costs that approximate $1,000 per month.

8) Exploration Expenditures

Refer to "Mineral properties and equipment," 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,	2011	2010	2009
Financial Results			
Interest and Other Income	$ 6,592	$ 2,787	$ 3,088
Net Income (Loss)	$ 240,975	$ (831,161)	$ (92,998)
Net and Comprehensive Income (Loss)	$ 202,911	$ (823,161)	$ (92,998)
Basic and diluted earnings (loss) per share	$ 0.00	$ (0.01)	$ 0.00
Financial Position			
Working capital	$ 497,857	$ 912,074	$ 597,705
Total assets	$ 4,447,480	$ 3,848,046	$ 2,510,762
Capital stock	$ 13,120,417	$ 12,780,424	$ 11,268,086
Warrants	$ 763,934	$ 743,577	$ 302,000
Contributed surplus	$ 1,117,143	$ 914,500	$ 789,980
Deficit	$(10,646,758)	$(10,887,733)	$(10,056,572)

Included in the loss for 2011 is a write-off of mineral properties aggregating $4,000, (2010 - $674,000, 2009 - $Nil). Stock-based compensation expense in 2011 of $4,000,(2010 - $51,000, 2009 - $ Nil), also contributed to the variances in losses. A 2011 future income tax recovery in the amount of $361,000, (2010 - $75,000, 2009 - $200,000), reduced the loss or increased earnings in arriving at Net and Comprehensive Income (Loss) for the year. The recovery pertains to flow-through expenditures renounced to flow-through investors. During fiscal 2011 the Company reported a gain on sale of mineral property of $172,500, (2010 - $86,000, 2009 - $ Nil). Other Comprehensive Income (Loss) pertaining to the revaluation of marketable securities from period-to-period resulted in a $34,500 loss in 2011, ($8,000 gain - 2010), being included in Net and Comprehensive Income (Loss).

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 2011 (Q4 2011)	June 30 2011 (Q3 2011)	Mar 31 2011 (Q2 2011)	Dec 31 2010 (Q1 2011)	Sept 30 2010 (Q4 2010)	June 30 2010 (Q3 2010)	June 30 2010 (Q2 2010)	Dec 31 2009 (Q1 2010)
Interest & Other	$ 1,627	$ 2,657	$ 800	$ 1,508	$ 981	$ 1,166	$ 448	$ 192
Net loss before write-down of mineral properties, gain on sale of mineral property and future tax recovery	(86,390)	(69,819)	(72,358)	(59,583)	(82,206)	(48,798)	(129,542)	(57,590)
Write-down of mineral properties	-	-	(4,375)	-	(2,357)	-	(671,668)	-
Future tax recovery	-	-	361,000	-	-	-	75,000	-
Gain on sale of mineral property	-	-	172,500	-	86,000	-	-	-
Net income (loss)	(86,390)	(69,819)	456,767	(59,583)	1,437	(48,798)	(726,210)	(57,590)
Unrealized gain (loss) on available-for-sale investments	(21,750)	(21,564)	(40,750)	46,000	8,000	-	-	-
Comprehensive income (loss)	$(108,140)	$(91,383)	$416,017	$(13,583)	$9,437	$(48,798)	$(726,210)	$(57,590)
Basic and diluted earnings (loss) per share	$ 0.00	$ 0.00	$0.01	$0.00	$0.00	$0.00	$(0.01)	$0.00

11) Selected Quarterly Financial Information (continued)

The most significant influences on the variability of 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 and during Q3, 2011 $4,000 of stock-based compensation is included in the respective periods' losses. 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. The loss before mineral property write-offs, gains on sale and income tax recoveries in Q4 will be higher than most quarters due to the accrual of audit fees.

The fourth quarter of 2010 was the first period during which the Company had marketable securities. The Company received common shares and warrants in a publicly traded Company as partial consideration for the sale of a mineral property interest in 2010 and additional shares in Q2, 2011 for the sale of its remaining claims. Comprehensive Income (Loss) will fluctuate as the carrying value of these investments is adjusted to fair value at the respective period ends and the unrealized gain or loss is included in Comprehensive Income (Loss). Further, realized gains (losses) will be recorded when these investments are sold.

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 Company incurred the following amounts charged by officers or by(to) companies related by virtue of certain common officers and directors, for the years ended September 30:

		2011		**2010**
Officers:				
Geological consulting fees included in deferred exploration expenditures	**$**	**52,300**	$	87,900
Administrative consulting fees	**$**	**70,900**	$	65,100
Related companies:	**$**		$	
Office rent and operating costs	**$**	**32,300**	$	32,300
General and administrative and secretarial costs	**$**	**31,800**	$	14,100
General and administrative costs	**$**	**(1,700)**	$	(1,800)

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. See also 6) Financing.

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 and warrant transactions during the year ended September 30, 2011 and balances as at that date. From September 30, 2011 to December 6, 2011 there were no changes to capital stock or warrants.

b) Stock Options

Refer to Note 7(c) to the financial statements for details of the options outstanding at September 30, 2011 and option transactions for the period then ended. During the period from September 30, 2011 to December 6, 2011, no options were granted or exercised and none expired.

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 Company is compiling all exploration data from the Viking project, prioritizing the numerous exploration targets on the property and formulating plans to advance the project. Several high grade gold shoots have been identified along the Thor Trend and elsewhere on the property and these high grade zones will require closely spaced drilling or possibly underground exploration development to delineate them.

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.

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.

The Company estimates the fair value of marketable securities categorized as "available-for-sale" at each period end as they are carried at fair value in the Balance Sheet. The Company uses the closing price of the common shares on the period-end date and uses the Black-Scholes Option Pricing Model discussed above to estimate the value of its investment in warrants. The price at which these instruments can ultimately be sold will vary from these estimates due to the timing of their sale, the volume of trading in the securities at any given time and changes in the market over time, among other factors.

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 has completed the research and planning and the assessment and determination phases given the current IFRS standards. This included determining accounting policies that would be adopted and whether optional exemptions would be utilized. The differences between Canadian GAAP and IFRS can be adequately addressed within the current accounting system through additional general ledger accounts that will keep track of valuation adjustments and retain original cost history. As IFRS rules and standards are continually changing, and the Company plans to review and evaluate the first IFRS financial statements issued by calendar year companies, certain accounting policies or methods of accounting may be revised between now and the first IFRS reporting period for the Company.

18) New Accounting Policies (continued)

International Financial Reporting Standards

The implementation and review phase is expected to be complete by December 31, 2011. The Company will issue its first interim 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 following discussion summarizes certain of the differences between Canadian GAAP and IFRS that are expected to affect future financial statements and should not be considered exhaustive or conclusive, as IFRS rules and regulations are continually changing.

Mineral Exploration Properties

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.

The Company plans to continue to capitalize its acquisition and exploration costs relating to mineral properties. Further, it will use the cost method of measurement. When using the cost method, the Company must 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.

18) New Accounting Policies (continued)

International Financial Reporting Standards

Significant Differences between Current Canadian GAAP and IFRS

Flow-through shares

Under Canadian GAAP, the Company utilizes the recommendations of EIC 146 in accounting for flow-through shares. This results in the Company reducing share capital by the future tax payable that results from the renunciation of flow-through expenditures. This reduction in share capital is recorded in the period that the qualifying expenditures are renounced. As the Company has unrecognized future income tax assets, a future income tax recovery is recognized.

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. Guidance has been provided by US accounting authorities that will guide the Company's accounting treatment for IFRS purposes. Upon issue of the flow-through shares, the premium paid for flow-through shares over the value of the shares without the flow-through features, will be recorded as a liability representing the value of the tax deductions that the Company is obligated to renounce to the investors. At the end of each reporting period, the Company will record an adjustment to its deferred tax expense/liability accounts for the taxable temporary difference arising from the transfer of tax benefits to investors pursuant to flow-through share agreements. For this adjustment, the Company will consider the tax benefits to have been effectively transferred if it has renounced these expenditures at any time to the end of the reporting period and it has incurred qualifying expenditures by the end of the reporting period. This deferred tax impact is recognized as and when the expenditures have been renounced to investors and the expenditures have been incurred. To the extent that the Company has deferred tax assets, in the form of unutilized tax losses carryforward and other unused tax deductions, the Company will utilize the deferred tax assets to reduce its deferred tax liability that otherwise would be recognized.

If the Company has renounced the expenditures to the investors, the liability for obligation to flow-through shareholders will be relieved through earnings on the basis to which the qualifying expenditures are incurred in relation to the total amount of qualifying expenditures the Company has agreed to incur. The Company will continue to monitor IFRS transition date financial statements to determine the method adopted by similar companies before it finalizes the method of accounting for flow-through shares under IFRS.

Impairment of non-financial assets

IFRS requires a write-down of assets if the higher of the fair market value and the value in use of a group of assets is less than its carrying value. Value in use is determined using discounted estimated future cash flows. Current Canadian GAAP requires a write-down to estimated fair value only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value. The Company's accounting policies related to impairment of non-financial assets will be changed to reflect these differences. There is no material impact expected at this time.

Asset retirement provision

IFRS requires the recognition of a decommissioning liability/asset retirement provision for legal or constructive obligations, while current Canadian GAAP only requires the recognition of such liabilities for legal obligations. A constructive obligation exists when an entity has created reasonable expectations that it will take certain actions. At this point in time it appears that the discount rate used to measure the asset retirement obligation will differ for IFRS as well. The Company does not expect a material adjustment to the Asset Retirement Obligation provision resulting from transition to IFRS at this time.

18) New Accounting Policies (continued)

International Financial Reporting Standards

Significant Differences between Current Canadian GAAP and IFRS

Short-term investments

The Company proposes to early adopt IFRS 9 Financial Instruments, including consequent amendments, effective on the transition date. As a consequence the short-term investments will be adjusted to fair value at period end reporting dates consistent with Canadian GAAP financial statements, however, gains/losses on the fair value adjustments will be recognized in Net Income rather than through Other Comprehensive Income as occurs under Canadian GAAP. While the investments are still held, the difference between the two methods of accounting would be that Net Income would be less and Other Comprehensive Income greater under Canadian GAAP if there are unrealized gains on these investments and conversely Net Income will be higher and Other Comprehensive Income lower under Canadian GAAP if there are unrealized losses. Once the investments are sold the net effect to retained earnings will be equal under both methods.

19) Other

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

Corporate Information

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Douglas Porter, *Chief Financial Officer*
Barbara O'Neill, *Secretary*

Transfer Agent & Registrar:

Computershare Trust Company of Canada
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Auditors:

PricewaterhouseCoopers LLP
Suite 3100, 111-5th Avenue S.W.
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Listed:

TSX Venture Exchange

Symbol:

NAI