SIERRA IRON ORE CORPORATION

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Expressed in Canadian Dollars

(Unaudited – Prepared by Management)

FOR THE NINE MONTHS ENDED JUNE 30, 2014

Head Office Address
13236 Cliffstone Court, Lake Country,
British Columbia, Canada V4V 2R1

Registered and Records Office Address
1400 – 1125 Howe Street
Vancouver British Columbia V6Z 2K8

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

SIERRA IRON ORE CORPORATION
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited – Prepared by Management)
Expressed in Canadian Dollars
AS AT

	June 30, 2014	September 30, 2013
ASSETS		
Current		
Cash	$ 2,890	$ 25,556
Receivables	4,786	4,184
Prepaids	-	1,733
	7,676	31,473
Due from related party (Note 7)	187,136	174,856
Exploration and evaluation assets (Note 3)	5,400,741	5,015,953
Equipment (Note 4)	608,304	746,213
	$ 6,203,857	$ 5,968,495
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 632,606	$ 428,801
Due to related parties (Note 7)	215,485	117,500
Loans payable (Note 5)	255,452	40,000
	1,103,543	586,301
Shareholders' equity		
Capital stock (Note 6)	9,022,357	8,680,272
Subscriptions receivable (Note 6)	(10,000)	(40,000)
Share-based payment reserve (Note 6)	712,718	712,718
Deficit	(4,624,761)	(3,970,796)
	5,100,314	5,382,194
	$ 6,203,857	$ 5,968,495

Nature and continuance of operations (Note 1)
Contingency (Note 13)
Subsequent events (Note 14)

On behalf of the Board:

"Wally Boguski" Director *"Alphonse Ruggiero"* Director

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

SIERRA IRON ORE CORPORATION
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Unaudited – Prepared by Management)
Expressed in Canadian Dollars

	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	Nine Months Ended June 30, 2014	Nine Months Ended June 30, 2013
EXPENSES				
Amortization (Note 4)	$ 69	$ 766	$ 207	$ 2,299
Consulting fees	41,926	117,769	134,683	180,029
Directors fees (Note 7)	4,500	6,442	15,000	18,077
General, rent and administrative (Note 7)	60,196	17,496	95,142	55,038
Management fees (Note 7)	27,000	15,000	82,000	72,000
Office and miscellaneous	20,836	43,797	113,029	78,210
Professional fees	16,078	50,026	61,990	173,178
Property investigation	756	18,829	1,756	31,660
Regulatory fees	1,536	17,681	37,416	39,008
Salary	4,544	10,025	6,026	18,790
Share-based compensation (Note 5 and 6)	-	156,015	-	156,015
Transfer agent fees	7,407	1,556	10,713	5,488
Travel and promotion	26,050	30,228	96,003	41,668
Loss and comprehensive loss for the period	$ (210,898)	$ (485,630)	$ (653,965)	$ (871,460)
Basic and diluted loss per common share	$ (0.01)	$ (0.03)	$ (0.03)	$ (0.06)
Weighted average number of common shares outstanding	22,035,535	16,018,486	21,755,969	15,604,869

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

SIERRA IRON ORE CORPORATION
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
(Unaudited – Prepared by Management)
Expressed in Canadian Dollars

	Number of shares		Capital stock		Subscriptions receivable		Share-based payment reserve		Deficit		Total equity
September 30, 2012	**14,281,369**	**$**	**5,646,401**	**$**	**-**	**$**	**384,300**	**$**	**(2,641,532)**	**$**	**3,389,169**
Shares for exploration and evaluation assets	200,000		130,000		-		-		-		130,000
Private placement	3,357,700		1,343,080		(45,000)		-		-		1,298,080
Exercise of warrants	1,283,929		641,965		-		-		-		641,965
Exercise of options	178,572		75,000		-		-		-		75,000
Share issuance costs	-		(58,462)		-		-		-		(58,462)
Share-based compensation	-		-		-		156,015		-		156,015
Fair value on exercise of options	-		54,867		-		(54,867)		-		-
Loss for the period	-		-		-		-		(871,460)		(871,460)
June 30, 2013	**19,301,570**		**7,832,851**		**(45,000)**		**485,448**		**(3,512,992)**		**4,760,307**
Shares for exploration and evaluation assets	1,000,000		390,000		-		-		-		390,000
Private placement	1,275,000		510,000		5,000		-		-		515,000
Share issuance costs	-		(52,579)		-		-		-		(52,579)
Share-based compensation	-		-		-		227,270		-		227,270
Loss for the period	-		-		-		-		(457,804)		(457,804)
September 30, 2013	**21,576,570**		**8,680,272**		**(40,000)**		**712,718**		**(3,970,796)**		**5,382,194**
Private placement	1,924,168		353,000		(10,000)		-		-		343,000
Share issuance costs	-		(10,915)		-		-		-		(10,915)
Share subscriptions received	-		-		40,000		-		-		40,000
Loss for the period	-		-		-		-		(653,965)		(653,965)
June 30, 2014	**23,500,738**	**$**	**9,022,357**	**$**	**(10,000)**	**$**	**712,718**	**$**	**(4,624,761)**	**$**	**5,100,314**

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

SIERRA IRON ORE CORPORATION
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
(Unaudited – Prepared by Management)
Expressed in Canadian Dollars
FOR THE NINE MONTHS ENDED JUNE 30,

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	$ (653,965)	$ (871,460)
Item not affecting cash:		
Amortization	207	2,299
Share-based payments	-	156,015
Changes in non-cash working capital items:		
Interest on loan payable	12,460	-
(Increase) decrease in prepaids	1,733	(2,382)
Increase (decrease) in due to related parties	97,985	(185,075)
(Increase) decrease in due from related parties	(12,280)	-
Decrease (increase) in receivables	(602)	6,727
Increase (decrease) in accounts payable and accrued liabilities	196,805	135,835
Net cash used in operating activities	(357,657)	(758,041)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of capital stock	383,000	1,298,080
Proceeds from the exercised warrants	-	641,965
Proceeds from the exercised options	-	75,000
Share subscriptions received in advance	-	80,000
Loan received	202,992	-
Share issuance costs	(3,915)	(58,462)
Net cash provided by financing activities	582,077	2,036,583
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of fixed assets	(35,000)	(480,435)
Exploration and evaluation assets	(212,086)	(672,746)
Mining tax credit	-	16,216
Net cash used in investing activities	(247,086)	(1,136,965)
Change in cash for the period	(22,666)	141,577
Cash, beginning of period	25,556	19,640
Cash, end of period	$ 2,890	$ 161,217
Cash paid during the period for interest	$ -	$ -
Cash paid during the period for income taxes	$ -	$ -

Supplemental disclosure with respect to cash flows (Note 10)

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

Expressed in Canadian Dollars

1. NATURE AND CONTINUANCE OF OPERATIONS

Sierra Iron Ore Corporation (the "Company") was incorporated under the Business Corporations Act (British Columbia) on July 20, 2009 and is publicly listed and traded on the TSX Venture Exchange ("TSX-V"). The Company is currently engaged in the identification, acquisition and exploration of precious metal resources in Mexico and Canada. The Company's head office is 13236 Cliffstone Court, Lake Country, British Columbia, V4V 2R1, Canada. The Company's registered and records office is located at #1400 – 1225 Howe Street, Vancouver, British Columbia, V6Z 2K8, Canada.

These condensed consolidated interim financial statements have been prepared in accordance with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The operations of the Company were primarily funded by the issue of share capital.

The continued operations of the Company are dependent on its ability to develop a sufficient financing plan, receive continued financial support from related parties, complete sufficient public equity financings or generate profitable operations in the future. These material uncertainties may cast significant doubt on the entity's ability to continue as a going concern. The condensed consolidated interim financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue business.

The Company's continuing operations are dependent upon its ability to identify, evaluate and negotiate an agreement to acquire an interest in a material asset or business. Any acquisition or investment proposed by the Company will be subject to regulatory approval.

	June 30, 2014	September 30, 2013
Working capital deficit	$ 1,095,867	$ 586,301
Deficit	(4,624,761)	(3,970,796)

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These condensed consolidated interim financial statements, including comparatives have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting.

The policies applied in the condensed consolidated interim financial statements are presented below and are based on IFRS' issued and outstanding as of August 29, 2014, the date the Board of Directors approved the condensed consolidated interim financial statements. Any subsequent changes to IFRS that are given effect in our annual consolidated financial statements for the year ending September 30, 2015 could result in restatements of these condensed consolidated interim financial statements. None of these standards are expected to have a significant effect on the consolidated financial statements.

The condensed consolidated interim financial statements have been prepared on a historical cost basis except for certain financial assets measured at fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Principles of consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned Mexican subsidiary Minera Sierra Gioc SA and its wholly owned United States subsidiary Sierra Iron Ore USA. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All significant inter-company transactions and balances have been eliminated upon consolidation.

Estimates, judgments and assumptions

The preparation of the Company's condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

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

<u>Significant Judgments</u>

a. Exploration and evaluation assets

The Company assesses the activities relating to is exploration and evaluation ("E&E") properties to determine if the Company has achieved successful completion of the E&E stage, as determined by demonstrating technical feasibility and commercial viability of extracting mineral resources. Upon successful completion of the E&E stage, any capitalized costs are either expensed or reclassified as Development and Production costs as part of Property, Plant and Equipment.

b. Deferred taxes

The Company recognizes the deferred tax benefit related to deferred income and resource tax assets to the extent recovery is probable. Assessing the recoverability of deferred tax assets requires management to make significant estimates of future taxable profit. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions from deferred income and resource tax assets.

c. Functional currency

The determination of a subsidiary's functional currency often requires significant judgment where the primary economic environment in which they operate may not be clear. This can have a significant impact on the consolidated results of the Company based on the foreign currency translation method.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Estimates, judgments and assumptions (cont'd…)

Significant Estimates

Share-based compensation

Share-based compensation is determined using the Black-Scholes option pricing model based on the estimated fair value of all share-based awards at the date of grant and is expensed to the statement of loss and comprehensive loss over each award's vesting period. The Black-Scholes option pricing model utilizes subjective assumptions such as expected price volatility and expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate.

Non-cash transactions

The valuation of shares issued in non-cash transactions. Generally, the valuation of non-cash transactions is based on the value of the goods or services received. When this cannot be determined, it is based on the fair value of the non-cash consideration. When non-cash transactions are entered into with employees and those providing similar services, the non-cash transactions are measured at the fair value of the consideration given up using market prices.

Foreign exchange

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The functional currency for all entities within the Company is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are reflected in profit or loss for the period.

Exploration and evaluation assets

Upon acquiring the legal right to explore a property, costs related to acquisition and exploration are capitalized by property until the commencement of commercial production. If commercially profitable ore reserves are developed, capitalized costs of the related exploration and evaluation assets are reclassified as mining assets and amortized using the unit of production method. If, after management review, it is determined that capitalized acquisition and exploration costs are not recoverable over the estimated economic life of the exploration and evaluation assets, or the exploration and evaluation assets are abandoned, or management deems there to be an impairment in value, the exploration and evaluation assets are written down to their net realizable value.

Any option payments received by the Company from third parties or tax credits refunded to the Company are credited to the capitalized cost of the exploration and evaluation assets. If payments received exceed the capitalized cost of the exploration and evaluation assets, the excess is recognized as income in the year received. The amounts shown for exploration and evaluation assets do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Impairment

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Decommissioning and restoration provision

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of exploration and evaluation assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to mining assets along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as mining assets.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates. Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the period.

Equipment

Equipment is recorded at cost and amortized using the declining balance method at the following rates per annum.

Computer equipment	55% to 100% per annum
Furniture and equipment	20% per annum
Machinery and equipment	30% per annum
Vehicles	30% per annum

Equipment that is withdrawn from use, or have no reasonable prospect of being recovered through use or sale, are regularly identified and written off. The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Subsequent expenditure relating to an item of property, plant and equipment is capitalized when it is probable that future economic benefits from the use of the assets will be increased. All other subsequent expenditure is recognized as repairs and maintenance.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Flow-through shares

Canadian Income Tax legislation permits an enterprise to issue securities referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related resource expenditures. The Company accounts for flow-through shares whereby the premium paid for the flow-through shares in excess of the market value of the shares without flow-through features at the time of issue is credited to other liabilities and included in profit or loss at the same time the qualifying expenditures are made.

Share-based compensation

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to capital stock. The effect of forfeitures is accounted for as they occur.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based compensation is measured at the fair value of goods or services received.

Financial instruments

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

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

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of loss and comprehensive loss.

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments (cont'd…)

Financial assets (cont'd…)

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

The Company has classified its cash at fair value through profit and loss. The Company's receivables and due from a related party are classified as loans and receivables.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was incurred. The Company's accounting policy for each category is as follows:

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

Other financial liabilities - This category includes amounts due to related parties and accounts payables and accrued liabilities, all of which are recognized at amortized cost.

The Company's accounts payable and accrued liabilities and due to related parties are classified as other financial liabilities.

Financial instruments that are measured at fair value use inputs, which are classified within a hierarchy that prioritizes their significance. The three levels of the fair value hierarchy are:

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

Income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the statement of financial position liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Income taxes (cont'd…)

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Loss per share

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options, warrants and similar instruments is computed by assuming that outstanding options, warrants and similar instruments were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

Newly adopted accounting policies

<u>Accounting Standards Adopted October 1, 2013:</u>

IAS 27 *Separate Financial Statements* has the objective of setting standards to be applied in accounting for investments in subsidiaries, jointly ventures, and associates when an entity elects, or is required by local regulations, to present separate (non-consolidated) financial statements.

IAS 28 *Investments in Associates and Joint Ventures* prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 applies to all entities that are investors with joint control of, or significant influence over, an investee (associate or joint venture).

IFRS 10 *Consolidated Financial Statements* establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This standard

i. requires a parent entity (an entity that controls one or more other entities) to present consolidated financial statements

ii. defines the principle of control, and establishes control as the basis for consolidation

iii. sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee

iv. sets out the accounting requirements for the preparation of consolidated financial statements. IFRS 10 supersedes IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation—Special Purpose Entities.

IFRS 11 *Joint Arrangements* establishes the core principle that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations and accounts for those rights and obligations in accordance with that type of joint arrangement.

Expressed in Canadian Dollars

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Newly adopted accounting policies (cont'd…)

IFRS 12 *Disclosure of Involvement with Other Entities* requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

IFRS 13 *Fair Value Measurement* defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except for: share-based payment transactions within the scope of IFRS 2 Share-based Payment; leasing transactions within the scope of IAS 17 Leases; measurements that have some similarities to fair value but that are not fair value, such as net realisable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

The adopted policies above had no impact on the financial statements.

Future accounting pronouncements

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its consolidated financial statements.

Accounting Standards Issued and Effective for Annual Reporting Periods Beginning On or After January 1, 2015:

IFRS 9 *Financial Instruments* replaces the current standard IAS 39 Financial Instruments: Recognition and Measurement, replacing the current classification and measurement criteria for financial assets and liabilities with only two classification categories: amortized cost and fair value.

3. EXPLORATION AND EVALUATION ASSETS

Period Ended June 30, 2014	Tom Cat Claims, British Columbia, Canada	Emerald Lake, Ontario Canada	El Creston Property, Sinaloa, Mexico	Total
Acquisition Costs:				
Balance, beginning of period	$ 244,146	$ -	$ 1,775,457	$ 2,019,603
Cash payment	-	5,000	12,309	17,309
Balance, end of period	244,146	5,000	1,787,766	2,036,912
Deferred Exploration Costs:				
Balance, beginning of period	110,460	-	2,885,890	2,996,350
Amortization (Note 4)	-	-	172,702	172,702
Consulting	3,000	-	-	3,000
Field work and other	-	-	163,128	163,128
Geologist and testing	-	-	16,649	16,649
Project management fees	12,000	-	-	12,000
Balance, end of period	125,460	-	3,238,369	3,363,829
Total	**$ 369,606**	**$ 5,000**	**$ 5,026,135**	**$ 5,400,741**

Expressed in Canadian Dollars

3. EXPLORATION AND EVALUATION ASSETS (cont'd…)

Year Ended September 30, 2013	Tom Cat Claims, British Columbia	El Creston Property, Sinaloa, Mexico	Total
Acquisition Costs:			
Balance, beginning of year	$ 114,146	$ 1,232,238	$ 1,346,384
Cash payment	-	153,219	153,219
Shares	130,000	390,000	520,000
Balance, end of year	244,146	1,775,457	2,019,603
Deferred Exploration Costs:			
Balance, beginning of year	126,676	1,984,981	2,111,657
Amortization (Note 4)	-	151,989	151,989
Consulting	-	73,477	73,477
Field work and other	-	673,779	673,779
Geologist and testing	-	474	474
Travel	-	1,190	1,190
BCMETC*	(16,216)	-	(16,216)
Balance, end of year	110,460	2,885,890	2,996,350
Total	**$ 354,606**	**$ 4,661,347**	**$ 5,015,953**

*British Columbia Mining Exploration Tax Credit ("BCMETC")

<u>Tom Cat Claims, British Columbia</u>

Pursuant to an option agreement dated June 17, 2010 the Company was granted an option to earn up to a 100% undivided interest in certain mining claims (known as the Tom Cat Claims) located in the Nicola Mining District, British Columbia in consideration for $35,000 and the issuance of 450,000 common shares to the optionor over two years as follows:

i) $10,000 on signing the option agreement (paid);
ii) 150,000 shares following TSX-V approval (issued at a value of $27,000);
iii) $25,000 and 100,000 shares on November 10, 2011 (paid and issued at a value of $50,000); and
iv) 200,000 shares on November 10, 2012 (issued at a value of $130,000).

The optionor will retain a Net Smelter Royalty ("NSR") of 2%, 1% of which may be purchased for $2,000,000 for five years from the start of commercial production.

During the year ended September 30, 2013, the Company staked additional mineral claims adjacent to the Tom Cat Property in British Columbia.

3. EXPLORATION AND EVALUATION ASSETS (cont'd…)

Emerald Lake, Ontario

On April 29, 2014, the Company signed a letter of intent (the "LOI"), replaced with a definitive agreement which was later amended with Emerald Lake Development Corperation. Subject to the agreement, the Company will have the right to earn 60% of the iron mineralization located on a property (the "Emerald Lake Property") located 3.5 miles north of the town of Emo, Ontario. The acquisition terms will require:

i) pay $5,000 (paid)
ii) pay $50,000 on or before 30 days after TSX-V approval
iii) pay $200,000 to be paid on or before the earlier of 365 after TSX-V approval days or when a positive production decision is mutually determined
iv) issue 2,608,000 common shares on or before 5 days after TSX-V approval
v) issue 6,392,000 common shares upon the earlier of the presentation to the parties of a positive feasibility study respecting the property, or the commencement of commercial production.

The Company will be required to make exploration expenditures over 24-months of a minimum of $2,000,000. The Company will also have the right to acquire an additional 32% interest in the iron ore mineralization present on the property, as well as a right of first refusal respecting properties acquired in future by the vendor.

El Creston Property, Sinaloa, Mexico

On January 27, 2011, the Company entered into an option agreement (amended during the year ended September 30, 2011) to acquire 50% interest in all economically recoverable minerals (known as the "El Creston Property") located in Sinaloa, Mexico in consideration for USD$900,000 and the issuance of 8,300,000 common shares to the optionor over two years.

i) USD $10,000 on signing the option agreement (paid);
ii) USD $50,000 and 800,000 shares by August 3, 2011 ($50,000 paid in fiscal 2011and 800,000 shares issued at a value of $480,000 in fiscal 2012);
iii) USD $50,000 and 500,000 shares by January 29, 2012 ($50,000 paid and 500,000 shares issued at a value of $300,000);
iv) USD $100,000 and 500,000 shares by July 29, 2012 (extended to July 29, 2013) ($100,000 paid and 500,000 shares issued at a value of $325,000);
v) USD $190,000 by January 29, 2013 (extended to December 22, 2014);
vi) 1,000,000 shares by July 29, 2013 (1,000,000 shares issued at a value of $390,000); and
vii) USD $500,000 and 5,500,000 shares on or before the earlier of: (a) the presentation of a Feasibility Study; and (b) the Commencement of Commercial Production.

The Company has been granted an extension of an 18 month period from June 22, 2013 including the cash payment of $190,000 due upon the option agreement.

Expressed in Canadian Dollars

3. EXPLORATION AND EVALUATION ASSETS (cont'd…)

Mazomique Property, Mexico

During the year ended September 30, 2012, the Company entered into an agreement to acquire an 80% interest in a property located near the boundary of Sinaloa and Chihuahua states in Mexico in consideration for USD$100,000 and the issuance of 14,500,000 common shares to the optionor over three years.

i) USD $10,000 upon execution (paid);
ii) issue 2,000,000 shares within 5 days of regulatory approval;
iii) USD $20,000 and 2,000,000 shares within 6 months of TSX-V approval;
iv) USD $20,000 within 12 months of TSX-V approval;
v) USD $20,000 within 18 months of TSX-V approval;
vi) USD $30,000 within 24 months of TSX-V approval;
vii) issue 10,500,000 common shares on or before the earliest of expending $2,000,000 on work programs over three years, the presentation of a positive feasibility study and the commencement of commercial iron-ore production on the Mazomique Property.

This acquisition remains subject to regulatory approval.

4. EQUIPMENT

Equipment is carried at cost less accumulated amortization. Details are as follows:

	Mining Equipment	Trailers	Trucks	Furniture and Equipment	Computer	Total
Cost						
Balance, September 30, 2012	$ 511,068	$ 82,015	$ -	$ 16,370	$ 9,671	$ 619,124
Additions	498,052	-	6,306	-	-	504,358
Balance, September 30, 2013	1,009,120	82,015	6,306	16,370	9,671	1,123,482
Additions	35,000	-	-	-	-	35,000
Balance, June 30, 2014	$ 1,044,120	$ 82,015	$ 6,306	$ 16,370	$ 9,671	$ 1,158,482
Accumulated depreciation						
Balance, September 30, 2012	$ 176,335	$ 33,216	$ -	$ 4,107	$ 8,556	$ 222,214
Additions	137,113	14,640	236	2,453	613	155,055
Balance, September 30, 2013	313,448	47,856	236	6,560	9,169	377,269
Additions	160,464	7,686	4,552	-	207	172,909
Balance, June 30, 2014	$ 473,912	$ 55,542	$ 4,788	$ 6,560	$ 9,367	$ 550,178
Carrying amounts						
Balance, September 30, 2013	$ 695,672	$ 34,159	$ 6,070	$ 9,810	$ 502	$ 746,213
Balance, June 30, 2014	$ 570,208	$ 26,473	$ 1,518	$ 9,810	$ 295	$ 608,304

During the period ended June 30, 2014, $172,702 (2013 - $132,604) in amortization was allocated to the El Creston Property exploration expenditures (Note 3).

5. LOANS PAYABLE

During the period ended June 30, 2014, the Company:

i) entered into two debenture loan agreements whereby the Company borrowed $200,000. The loan bears simple interest at 12% per annum and is repayable by December 13, 2014. The lender has the right to convert all or any portion of the accrued interest into common shares of the Company prior to the end of the term. The loan is secured by the Company's assets. During the period ended June 30, 2014, the Company accrued $12,460 of interest.

iii) received $15,992 (US$15,000) from the CEO of the Company. The loan is non-interest bearing with no fixed terms for repayment.

vi) received $26,000 from the CEO of the Company. The loan is non-interest bearing with no fixed terms for repayment. The Company repaid $5,500 during the period.

vi) received $5,000 from a company owned by the CEO of the Company. The loan is non-interest bearing with no fixed terms for repayment.

6. CAPITAL STOCK AND SHARE-BASED PAYMENT RESERVE

Included in issued share capital are 300,000 (September 30, 2013 – 300,000) common shares held in escrow that will be released in stages over a period of up to two years.

During the period ended June 30, 2014, the Company:

i) closed a non-brokered private placement and issued 257,500 units for net proceeds of $103,000. Each unit consists of one common share, issued at $0.40 per share, and one-half common share purchase warrant. Each whole share purchase warrant may be exercised by the holder to purchase an additional common share at a price of $0.55 on or before February 25, 2016. The Company paid $1,290 of cash share issuance costs in relation to the private placement.

ii) closed a non-brokered private placement and issued 1,666,668 units for a net proceeds of $250,000, of which $10,000 is still receivable as at June 30, 2014 and is recorded as subscription receivable. Each unit will consist of one common share, issued at $0.15 per share and one common share purchase warrant. Each whole warrant may be exercised by the holder to purchase additional common share at a price of $0.20, with an expiry date of June 19, 2016. The Company recorded $9,625 to share issuance costs in relation to the private placement.

Expressed in Canadian Dollars

6. CAPITAL STOCK AND SHARE-BASED PAYMENT RESERVE (cont'd…)

During the year ended September 30, 2013, the Company:

i) issued 178,572 common shares for proceeds of $75,000 pursuant to the exercise of stock options.

ii) issued 200,000 common shares valued at $130,000 pursuant to Tom Cat property (Note 3).

iii) issued 1,000,000 common shares valued at $390,000 pursuant to El Creston property (Note 3).

iv) issued 1,283,929 common shares for proceeds of $641,965 pursuant to the exercise of warrants.

v) closed the first tranche of a non-brokered private placement and issued 3,357,700 units at a price of $0.40 per unit, for gross proceeds of $1,343,080 of which $45,000 was used to settle debt. Each unit consists of one common share and one-half share purchase warrant. Each full warrant will be exercisable to purchase one additional common share of the Company exercisable at $0.55 on or before June 27, 2015. The Company accrued $67,351 of share issuance costs in relation to the private placement.

vi) closed the second tranche of a non-brokered private placement and issued 1,275,000 units at a price of $0.40 per unit, for gross proceeds of $510,000, of which $40,000 is receivable as at September 30, 2013 and is recorded as subscriptions receivable. Each unit consists of one common share and one-half share purchase warrant. Each full warrant will be exercisable to purchase one additional common share of the Company exercisable at $0.55 on or before September 12, 2015. The Company accrued $43,690 of share issuance costs in relation to the private placement.

Stock options

The Company has a stock option plan under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan, the exercise price of each option equals the market price of the Company's stock, less an applicable discount, as calculated on the date of grant. The options can be granted for a maximum term of 5 years and vest at the discretion of the board of directors.

A summary of changes in options during the period is as follows:

	Number of options	Weighted average exercise price
Outstanding September 30, 2012	1,212,582	$ 0.54
Granted	1,441,326	0.40
Exercised	(178,572)	0.42
Expired or cancelled	(317,679)	0.58
Outstanding and exercisable September 30, 2013	2,157,657	0.45
Cancelled	(165,000)	0.48
Outstanding and exercisable June 30, 2014	1,992,657	$ 0.45

Expressed in Canadian Dollars

6. CAPITAL STOCK AND SHARE-BASED PAYMENT RESERVE (cont'd…)

Stock options (cont'd…)

The following stock options were outstanding at June 30, 2014:

Expiry Date	Exercise Price	Number of Options	Number of Options Exercisable
May 8, 2015	$ 0.40	232,580	232,580
September 7, 2015	$ 0.40	473,746	473,746
January 17, 2016	$ 0.42	421,428	421,428
June 28, 2016	$ 0.80	214,903	214,903
May 8, 2018	$ 0.40	400,000	400,000
September 7, 2018	$ 0.40	132,500	132,500
September 17, 2018	$ 0.43	117,500	117,500
		1,992,657	1,992,657

Share-based compensation

During the year ended September 30, 2013, the Company:

(i) granted 450,000 options to directors of the Company. The options are exercisable at a price of $0.40 per common share for a period of five years. The estimated fair market value of these options is $116,925 or $0.26 per option.

(ii) granted 157,500 options to directors of the Company. The options are exercisable at a price of $0.40 per common share for a period of five years. The estimated fair market value of these options is $55,119 or $0.35 per option.

(iii) granted 127,500 options to directors of the Company. The options are exercisable at a price of $0.43 per common share for a period of five years. The estimated fair market value of these options is $53,249 or $0.42 per option.

(iv) granted 473,746 options to employees and consultants of the Company. The options are exercisable at a price of $0.40 per common share for a period of two years. The estimated fair market value of these options is $118,902 or $0.25 per option.

(v) granted 232,580 options to an employee and consultants of the Company. The options are exercisable at a price of $0.40 per common share for a period of two years. The estimated fair value of these options is $39,090 or $0.17 per option.

During the year ended September 30, 2013, the fair value of the options granted above was recorded as share-based compensation in the statements of loss and comprehensive loss of $383,285 with a corresponding amount recorded in share-based payment reserve.

Expressed in Canadian Dollars

6. CAPITAL STOCK AND SHARE-BASED PAYMENT RESERVE (cont'd…)

Stock options (cont'd…)

The weighted average fair value of each stock option granted during the period was $Nil (Year ended September 30, 2013 - $0.27), calculated using the Black-Scholes option-pricing model on the grant date using the following weighted average assumptions:

	Period ended June 31, 2014	**Year ended September 30, 2013**
Volatility	N/A	96.86%
Risk-free interest rate	N/A	1.38%
Dividend yield	N/A	0.00%
Expected life	N/A	3.53
Expected forfeiture rate	N/A	0.00%

Warrants

A summary of changes in warrants during the period is as follows:

	Number of warrants		Weighted average exercise price
Outstanding September 30, 2012	3,778,185	$	0.75
Granted	2,316,350		0.55
Exercised	(1,283,929)		0.50
Expired or cancelled	(601,785)		0.50
Outstanding September 30, 2013	4,208,821		0.48
Granted	1,924,168		0.25
Outstanding June 30, 2014	6,132,989	$	0.41

The following warrants were outstanding at June 30, 2014:

Number of Warrants	Exercise Price	Expiry Date
1,769,291	$ 0.40	February 1, 2015[(1)]
123,180	$ 0.40	February 1, 2015[(1)]
1,678,850	$ 0.55	June 27, 2015
637,500	$ 0.55	September 12, 2015
257,500	$ 0.55	February 25, 2016
1,666,668	$ 0.20	June 19, 2016
6,132,989		

[(1)] During the period ended June 30, 2014, the expiry date was extended to February 1, 2015.

7. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and Board of Director members. Other than disclosed below, there was no other compensation paid to key management during the periods ended June 30, 2014 and 2013. During the period ended June 30, 2014, the Company paid or accrued:

(i) general, rent and administration fees of $79,244 (2013 - $52,425) to the CEO and a company with a common director of the Company.
(ii) management fees of $82,000 (2013 - $72,000) to the CEO and CFO and companies controlled by CEO and CFO of the Company.
(iii) directors fees of $15,000 (2013 - $18,077) to directors of the Company.
(iv) consulting fees of $48,614 (2013 - $90,885) to a company controlled by an officer.

Included in accounts payable and accrued liabilities as at June 30, 2014 is $287,493 (September 30, 2013 - $184,141) due to directors, a spouse of a director, and companies controlled by directors.

At June 30, 2014, the Company owed the CEO $213,159 (September 30, 2013 - $117,500) for expenses that he paid for on behalf of the Company and $42,992 (US$15,000) for loans received from the CEO (Note 5). The Company has a balance receivable from a corporation with a common director $187,136 (September 30, 2013 – payable of $174,856) for expenses incurred for the USA Subsidiary.

8. FINANCIAL RISK FACTORS

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

The carrying value of the Company's receivables, subscriptions receivable, due from related parties, accounts payable and accrued liabilities and due to related parties approximate their fair value because of the short-term nature of these instruments. Cash is carried at a fair value using a level 1 fair value measurement.

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfil its payment obligations. The Company's believes it has no significant credit risk.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2014, the Company had a cash balance of $2,890 (September 30, 2013 - $25,556) to settle current liabilities of $1,103,543 (September 30, 2013 - $586,301). All of the Company's accounts payable and accrued liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms. The Company expects to fund these liabilities through the use of existing cash resources and additional equity financing.

8. FINANCIAL RISK FACTORS (cont'd…)

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest rate risk

The Company has cash balances held with financial institutions. The Company is satisfied with the credit rating of its bank.

b) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash and accounts payable and accrued liabilities that are denominated in a foreign currency. As at June 30, 2014, the Company had minimal cash amounts in foreign currencies and considers foreign currency risk insignificant.

c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of commodities, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

9. CAPITAL MANAGEMENT

The Company's primary objectives in capital management are to safeguard the Company's ability to continue as a going concern in order to provide return for shareholders and to maintain sufficient funds to finance the exploration and development of its exploration and evaluation interests. Capital is comprised of the Company's shareholders' equity. As at June 30, 2014, the Company's shareholders' equity was $5,100,314 (September 30, 2013 - $5,382,194).

The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital and is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the period ended June 30, 2014.

10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions during the period ended June 30, 2014 include the Company capitalizing $172,702 (September 31, 2013 - $151,989) of mining equipment amortization to exploration and evaluation assets.

At June 30, 2014, the Company had an accounts payable balance of $25,000 (September 30, 2013 - $25,000) related to exploration and evaluation asset expenditures.

Expressed in Canadian Dollars

11. SEGMENTED INFORMATION

The Company has one operating segment, being the exploration of exploration and evaluation assets. The Company's equipment and exploration and evaluation assets are located in the following geographic areas:

		As at June 30, 2014		As at September 30, 2013
Canada	$	374,900	$	354,606
Mexico		5,634,145		5,407,560
	$	6,009,045	$	5,762,166

12. SUBSIDIARIES

Significant subsidiaries of the Company are as follows:

	Country of Incorporation	Principal Activity	Effective interest for 2014 and 2013
Minera Sierra Gioc SA	Mexico	Holding company	100%
Sierra Iron Ore USA	United States	Mineral exploration	100%

13. CONTINGENCY

During the year ended September 30, 2013, the Company in conjunction with Aztec Zinc de Mexico S.A. de C.V, initiated legal action against a neighboring company that owns and operates on adjacent property to the Mazomique property located south of the El Creston property. The legal action claims that the neighboring company has illegally crossed the property lines and has been operating and extracting iron ore from the Mazomique property for resale into the market.

14. SUBSEQUENT EVENTS

Subsequent to June 30, 2014, the Company purchased a free-hold farm property in Ontario. The 170 acre property includes a 4 bedroom house and out buildings suitable for storing equipment. The Company will use this property as a field base for its Ontario Iron Ore operations. The Property is proximally located to the mineral claims (gold/iron ore) recently optioned by the Company.