Champion Iron Mines Limited

Condensed Interim Financial Statements

December 31, 2013

(expressed in Canadian dollars)

(unaudited)

Champion Iron Mines Limited
Statements of Financial Position

(expressed in Canadian dollars)
(unaudited)

	Notes	As at December 31, 2013 $	As at March 31, 2013 $
Assets			
Current			
Cash and cash equivalents		8,075,628	4,535,089
Short-term investments		66,000	66,000
Receivables	3	574,561	1,849,351
Advance	4	6,000,000	-
Due from Cartier Iron Corporation	5	1,956,049	75,000
Prepaid expenses and deposits		963,897	279,229
		17,636,135	6,804,669
Long-term advance	4	-	6,000,000
Investments	6	3,108,000	2,445,090
Exploration and evaluation	7	75,732,160	84,125,831
		96,476,296	99,375,590
Liabilities			
Current			
Accounts payable and accrued liabilities	13	787,017	2,921,476
Convertible notes	8	-	-
		787,017	2,921,476
Shareholders' equity			
Capital stock	9	126,151,612	122,982,950
Warrants	9	3,089,520	3,027,187
Contributed surplus		8,985,169	8,746,169
Deficit		(42,537,023)	(38,302,192)
		95,689,279	96,454,114
		96,476,296	99,375,590

Subsequent event 13

On behalf of the Board:

Thomas Larsen
Director

Donald Sheldon
Director

See accompanying notes to the financial statements

Champion Iron Mines Limited
Statements of Loss and Comprehensive Loss

(expressed in Canadian dollars)
(unaudited)

	Notes	3 months ended December 31, 2013 $	3 months ended December 31, 2012 $	9 months ended December 31, 2013 $	9 months ended December 31, 2012 $
Revenue					
Interest		37,237	37,043	210,740	231,783
Gain on sale of exploration and evaluation	7	618,249	-	618,249	-
Gain on waiver of right of first refusal	7	440,000	-	440,000	-
Other income		-	-	-	58,400
		1,095,486	37,043	1,268,989	290,183
Expenses					
Professional fees		126,496	87,391	627,656	251,350
Consulting fees		307,400	261,145	1,338,525	1,026,292
Share-based compensation	9	239,000	-	239,000	-
General and administrative		187,240	230,801	593,817	841,144
Investor relations		471,199	322,229	1,164,286	1,008,840
Travel		170,705	121,370	399,931	252,175
Interest		8,318	-	12,263	-
Unrealized loss (gain) on investments	6	(72,684)	705,000	1,128,341	2,644,614
		1,437,674	1,727,936	5,503,819	6,024,415
Loss and comprehensive loss		(342,188)	(1,690,893)	(4,234,830)	(5,734,232)
Loss per share - basic and diluted		-	(0.01)	(0.03)	(0.05)
Weighted average number of shares outstanding - basic and diluted		137,395,609	119,326,465	129,650,956	116,905,382

Champion Iron Mines Limited
Statements of Changes in Equity

(expressed in Canadian dollars)
(unaudited)

	Capital stock $	Warrants $	Contributed surplus $	Deficit $	Non-controlling interest $	Total $
Balance, March 31, 2013	122,982,950	3,027,187	8,746,169	(38,302,192)	-	96,454,114
Issued for exploration and evaluation	190,000	-	-	-	-	190,000
Conversion of convertible debt	373,175	-	-	-	-	373,175
Private placement	3,000,000	-	-	-	-	3,000,000
Fair value of warrants issued	(1,277,000)	1,277,000	-	-	-	-
Fair value of expired warrants	1,214,667	(1,214,667)	-	-	-	-
Share-based compensation	-	-	239,000	-	-	239,000
Share issue costs	(332,180)	-	-	-	-	(332,180)
Loss	-	-	-	(4,234,830)	-	(4,234,830)
Balance, December 31, 2013	126,151,612	3,089,520	8,985,169	(42,537,023)	-	95,689,279
Balance, March 31, 2012	106,947,813	3,783,003	8,947,921	(24,005,626)	7,577,940	103,251,051
Issued for exploration and evaluation	71,850	-	-	-	-	71,850
Acquisition of non-controlling interest	13,020,000	1,780,000	-	(5,922,846)	(8,877,154)	-
Transaction costs on acquisition of non-controlling interest	-	-	-	(469,387)	-	(469,387)
Exercise of stock options	51,750	-	-	-	-	51,750
Fair value of stock options exercised	39,324	-	(39,324)	-	-	-
Exercise of warrants	25,599	-	-	-	-	25,599
Fair value of warrants exercised	15,505	(15,505)	-	-	-	-
Fair value of warrants expired	1,382,311	(1,382,311)	-	-	-	-
Contribution by joint venture partner	-	-	-	-	1,299,214	1,299,214
Share issue costs	(85,380)	-	-	-	-	(85,380)
Loss	-	-	-	(5,734,232)	-	(5,734,232)
Balance, December 31, 2012	121,468,772	4,165,187	8,908,597	(36,132,092)	-	98,410,464

Champion Iron Mines Limited
Statements of Cash Flows

(expressed in Canadian dollars)
(unaudited)

	9 months ended December 31	
	2013	2012
	$	$
Cash provided by (used in)		
Operating activities		
Loss	(4,234,830)	(5,734,232)
Items not affecting cash		
Share-based compensation	239,000	-
Gain on sale of exploration and evaluation	(618,249)	-
Gain on waiver of right of first refusal	(440,000)	-
Unrealized loss on investments	1,128,341	2,644,614
Changes in non-cash operating working capital		
Receivables	1,274,790	2,325,079
Prepaid expenses and deposits	(684,668)	(151,296)
Accounts payable and accrued liabilities	(3,062,893)	(7,801,827)
	(6,398,509)	(8,717,662)
Financing activities		
Repayment of convertible note	(345,000)	-
Exercise of stock options	-	51,750
Exercise of warrants	-	25,599
Issue of common shares	3,000,000	-
Share issue costs	(332,180)	(85,380)
	2,322,820	(8,031)
Investing activities		
Advances to Cartier Iron Corporation	(1,881,049)	-
Long-term advances	-	(6,500,000)
Investment in Cartier Iron	(27,811)	(500,000)
Investment in Fancamp Exploration Ltd.	-	(5,000,000)
Investment in Lamêlée	(200,000)	-
Transaction costs on acquisition of non-controlling interest	-	(469,387)
Proceeds on waiver of royalty	-	2,000,000
Advance on refundable tax credit on exploration expenditures	11,000,000	-
Exploration and evaluation	(1,274,912)	(15,682,895)
	7,616,228	(26,152,282)
Net increase in cash and cash equivalents	3,540,539	(34,877,975)
Cash and cash equivalents, beginning of period	4,535,089	41,401,828
Cash and cash equivalents, end of period	8,075,628	6,523,853
Non-cash transactions		
Receipt of option payment in common shares of Cartier	-	250,000
Received on sale of exploration and evaluation		
Century common shares	930,000	-
Century warrants	193,440	-
Received for waiver of right of first refusal		
Fancamp common shares	200,000	-
Lamêlée common shares	240,000	-
Issue of convertible notes to settle accounts payable	718,525	-
Issue of common shares		
Exploration and evaluation	190,000	71,850
Conversion of convertible debt	373,175	-
Non-controlling interest	-	13,020,000
Issue of warrants for non-controlling interest	-	1,780,000
Supplementary information		
Interest paid	12,263	-
Income taxes paid	-	-

See accompanying notes to the financial statements

1. Nature of operations

Champion Iron Mines Limited (the "Company") is engaged in the exploration and development of iron ore properties in Quebec and Newfoundland.

The Company was incorporated under the Business Corporations Act of Ontario on April 11, 1985 and its registered office is located at 20 Adelaide Street East, Suite 301, Toronto, Ontario, M5C 2T6.

On December 5, 2013, the Company agreed to the proposed acquisition by Mamba Minerals Limited, together with its wholly-owned subsidiary, Champion Exchange Limited (collectively, "Mamba"), of all of the issued and outstanding common shares of the Company pursuant to the terms of an arrangement agreement between the Company and Mamba ("Arrangement"). Pursuant to the Arrangement, Mamba (a) will acquire all of the issued and outstanding common shares of Champion on the basis of an exchange ratio of 0.7333333 Mamba share for each of the Company's common shares and (b) will replace each of the Company's outstanding warrants and stock options on the basis that the holder will be entitled to acquire, on equivalent terms and conditions, 0.7333333 Mamba share.

Concurrently with the closing of the Arrangement, Mamba will complete an equity financing to raise gross proceeds of at least A$10,000,000 at a subscription price of no less than A$0.50 per share.

The obligation of Company and Mamba to complete the Arrangement is subject to the satisfactory completion of the following conditions:

a) Approval of the Arrangement by the shareholders of the Company and Mamba.
b) Court approval of the Arrangement.
c) Receipt of all required regulatory approvals including TSX and ASX.
d) Mamba shares issuable pursuant to the Arrangement, common share purchase warrants and stock options have been approved for listing on the ASX.
e) Receipt of TSX conditional approval for listing of the Mamba shares.
f) Repayment of the Company's convertible note of $203,945.
g) Mamba completes an equity financing to raise gross proceeds of at least A$10,000,000 at a subscription price of no less than A$0.50 per share.
h) Mamba converts Mamba performance shares on the basis of an exchange ratio of 1 Mamba share for 10 Mamba performance shares, subject to a minimum acceptance by 77% of Mamba performance shareholders holding and tendering not less than 77% of the outstanding Mamba performance shares.

The Board of Directors has recommended that its security holders vote in favour of the Arrangement. In the event that (i) Mamba terminates the Arrangement as a result of the Company withdrawing, amending or qualifying such recommendation in a manner adverse to Mamba, or (ii) the Company enters into a definitive agreement in respect of a proposal superior to the Arrangement, the Company shall a termination fee of $1,000,000. If Mamba terminates the Arrangement due to the breach of the Arrangement by the Company, the Company shall pay the fees, costs and expenses incurred by Mamba up to a maximum of $1,000,000.

2. Basis of presentation

Statement of compliance
These condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, using accounting policies consistent with International Financial Reporting Standards and its interpretations adopted by the International Accounting Standards Board.

The accounting policies used in these condensed interim financial statements are consistent with those disclosed in the Company's audited financial statements for the year ended March 31, 2013, except for changes in accounting policies resulting from the adoption of new accounting standards.

These condensed interim financial statements do not include certain information and disclosures normally included in annual financial statements prepared in accordance with IFRS and should be read in conjunction with the Company's annual financial statements for the year ended March 31, 2013.

These condensed interim financial statements were approved and authorized for issue by the Board of Directors on February 13, 2014.

Changes in accounting standards
On April 1, 2013, the Company adopted the following new standards, amendments to standards and interpretations which are effective for periods beginning on or after January 1, 2013:

- IFRS 10 *Consolidation*
- IFRS 11 *Joint Arrangements*
- IFRS 12 *Disclosure of Interests in Other Entities*
- IFRS 13 *Fair Value Measurement*
- IAS 27 *Separate Financial Statements*
- IAS 28 *Investments in Associates and Joint Ventures*

The adoption of these accounting standards had no impact on the financial statements previously issued by the Company. As a result, no reconciliations are provided for the adoption of these new accounting standards.

New standards and interpretations not yet adopted
The following amendment to standards and interpretations is effective for periods beginning on or after January 1, 2015:

IFRS 9, Financial Instruments ("IFRS 9")
IFRS 9 addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, *Financial Instruments - Recognition and Measurement*, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

IFRS 9 is expected to have an effect on the financial statements of the Company. The Company has not determined the extent of the impact of this standard and does not plan to early adopt this new standard.

3. Receivables

The Company filed a Quebec Corporation Income Tax Return claiming a refundable tax credit on exploration expenditures and a Quebec Mining Duties Return claiming a credit on duties refundable for losses, as follows:

	Years ended March 31,		
	2013	**2012**	**2011**
	$	**$**	**$**
Refundable tax credit on exploration expenditures	7,555,705	9,912,375	3,590,837
Credit on duties refundable for losses	1,122,562	1,403,549	950,061

These credits are not included in receivables as it is the Company's policy to record such credits as a reduction to exploration and evaluation when there is reasonable assurance that the Company has complied with all conditions needed to obtain the credits. The amount of the credits are subject to audit by Revenu Québec and Ressources naturelles et Faune Québec.

The Company has received an advance of $11,000,000 against the claims for refundable tax credits on exploration expenditures of $13,502,212 for the years ended March 31, 2011 and 2012, pending the completion of the audit of the claims (note 7).

4. Advance

Sept-Îles Port Authority (“Port”)
On June 28, 2013, the Company provided notice to the Port terminating the Agreement with the Port and requested the repayment of the long-term advance of $6,000,000, and accordingly, the long-term advance was reclassified from a long-term asset to a current asset. The Company has not received the repayment of the advance and is engaged in discussions with the Port to resolve the matter.

5. Due from Cartier Iron Corporation

The amount due from Cartier Iron Corporation (“Cartier”) is unsecured, non-interest bearing and is due on demand. One director and one officer of the Company are directors of Cartier.

6. Investments

The fair value of the Company’s investments is as follows:

	December 31, 2013 $	March 31, 2013 $
Fancamp Exploration Ltd.	1,104,000	1,909,890
Cartier Iron Corporation	446,000	535,200
Century Iron Mines Corporation	998,000	–
Lamêlée Iron Ore Ltd.	560,000	–
	3,108,000	2,445,090

During the 9 months ended December 31, 2013, the Company increased its interest in the outstanding common shares of Cartier to 19.9% through the purchase of 275,500 common shares of Cartier in the open market.

The decrease in fair value of investments for the 9 months ended December 31, 2013 of $1,128,341 (2012 - $2,644,614) has been recorded as an unrealized loss on investments in the statements of loss and comprehensive loss.

7. Exploration and evaluation

	March 31, 2013 $	Acquisition (disposition) $	Exploration $	Refundable tax credit $ (note 3)	December 31, 2013 $
Fermont					
Consolidated Fire Lake North	60,921,905	–	2,643,046	(8,096,236)	55,468,715
Harvey-Tuttle	8,050,375	–	11,811	(1,162,163)	6,900,023
Moire Lake	4,070,050	–	14,147	(843,228)	3,240,969
O’Keefe Purdy	4,151,873	–	24,592	(738,813)	3,437,652
Other	3,863,839	–	35,847	(159,560)	3,768,834
	81,058,042	–	2,729,443	(11,000,000)	72,816,192
Attikamagen	503,948	(505,191)	1,243	–	–
Powderhorn	1,494,505	111,402	24,864	–	1,630,771
Gullbridge	1,069,336	78,598	137,264	–	1,285,198
	84,125,831	(315,191)	2,892,814	(11,000,000)	75,732,160

Fermont
The Company owns a 100% interest in Fermont consisting of 14 mineral concessions covering an area of 747 square kilometres situated in northeastern Quebec (“Fermont”). For reporting purposes, Fire Lake North, Oil Can, Bellechasse and Midway properties were consolidated into one property known as Consolidated Fire Lake North.

Other properties include the Hope Lake, Casse Lake, Claire Lake, Audrey-Ernie, Three Big Lakes, Aubertin-Tougard Lakes, Jeannine Lake, Silicate-Brutus Lakes, Penguin and Black Dan properties.

Grant of option for Cluster 3 Properties to Cartier Iron Corporation (formerly Northfield Metals Inc.)
On September 28, 2012, the Company granted an option to Cartier Iron Corporation ("Cartier") to acquire a 65% interest in Aubertin-Tougard, Audrey-Ernie, Black Dan, Jeannine Lake, Penguin Lake, Silicate-Brutus and Three Big Lakes ("Cluster 3 Properties"). In order to earn its interest, Cartier must make option payments, issue common shares and incur exploration expenditures, as follows:

	Option payments $	Common shares	Exploration expenditures $
Upon execution of agreement (received)	–	1,000,000	–
Upon conditional approval from a stock exchange for the listing of the common shares of Cartier (received)	100,000	–	–
December 10, 2013	150,000	500,000	500,000
December 10, 2014	250,000	500,000	750,000
December 10, 2015	250,000	500,000	–
December 10, 2016	250,000	–	4,750,000
	1,000,000	2,500,000	6,000,000

Upon Cartier earning its 65% interest, a joint venture will be formed to incur additional exploration expenditures. If the Company does not fund its proportionate interest in the joint venture, its interest will be diluted and, when its interest is reduced below 10%, its interest would be reduced solely to a 1% royalty. Cartier will have the option to reduce the royalty from 1% to 0.5% by making a payment of $3,000,000.

In the event that the Company or Cartier proposes to acquire any property within 10 kilometres of the Cluster 3 Properties, the acquirer must offer the property at cost to the other party for inclusion in the Cluster 3 Properties.

The Company has not received the option payment or common shares due on December 10, 2013 and is currently in discussions with Cartier to resolve the matter.

Waiver of right of first refusal on the Lac Lamêlée Property
The Company had a right of first refusal on any disposition by FancampExploration Ltd. ("Fancamp") of its interest in the Lac Lamêlée Property consisting of 29 mining claims contiguous with the Company's Consolidated Fire Lake North property.

On December 20, 2013, the Company waived its right of first refusal to allow Fancamp to sell its interest in the Lac Lamêlée Property to Lamêlée Iron Ore Ltd. (formerly Gimus Resources Inc.)("Lamêlée"). In consideration for the waiver, the Company received 2,000,000 common shares of Lamêlée with a fair value of $240,000 and 4,000,000 common shares of Fancamp with a fair value of $200,000 ("Fancamp Shares"). The Fancamp Shares will be subject to the existing reciprocal rights agreement governing certain investor rights and obligations between the Company and Fancamp, including the provision that the Company and Fancamp will each be restricted from transferring securities of the other until May 17, 2018, after which time transfers will be permitted subject to certain restrictions. In addition, the Company subscribed to 2,000,000 units of Lamêlée at a price of $0.10 per unit. Each unit consisted of one common share and one-half of one common share purchase warrant, with each whole warrant entitling the holder to purchase one common share for $0.15 until December 20, 2015.

Attikamagen
The Company owned a 100% interest in 946 claims covering 310 square kilometres in Labrador and Quebec. The Company originally acquired 4 licences covering 52 claims ("Original Claims") and acquired an additional 894 claims primarily by staking. The Original Claims are encumbered with an aggregate royalty of $1.50 per tonne of iron content in any and all iron ore, pellets or other products produced from those claims, which royalty may be purchased for $2,500,000.

On May 12, 2008, the Company granted an option to earn up to a 60% interest in Attikamagen. In order to earn its interest, the optionee must incur exploration expenditures as follows:

	Exploration expenditures $
To earn 51% interest	
March 26, 2009 (incurred)	2,500,000
March 26, 2011 (incurred)	2,500,000
March 26, 2012 (incurred)	2,500,000
	7,500,000
To increase to 56% interest	
March 26, 2013 (incurred)	2,500,000
To increase to 60% interest	
March 26, 2014 (extended from March 26, 2013)	3,000,000 (increased by $500,000)
	13,000,000

Upon the optionee earning its 60% interest, the joint venture would incur additional exploration expenditures. If a joint venturer chose not to fund its proportionate interest in the joint venture, its interest would be diluted and, when its interest reduced below 10%, its interest would be reduced solely to a 2% royalty on the sale price of all minerals mined from Attikamagen and any property within 10 kilometres of Attikamagen owned by the payer of the royalty, of which, 1% could be purchased by the payer of the royalty for $7,500,000 to reduce the royalty to 1%.

On or about May 15, 2012, the optionee earned an increase in its interest in Attikamagen from 51% to 56%, leaving the Company with a 44% interest. The optionee gave notice that it had incurred sufficient exploration expenditures to earn an increase in its interest in Attikamagen from 56% to 60% and to further increase its interest and dilute the Company's interest for exploration expenditures that the optionee has incurred without contribution from the Company.

Effective November 29, 2013, the Company sold its remaining interest in Attikamagen to Labec Century Iron Ore Inc., a subsidiary of Century Iron Mines Corporation ("Century"), for 2,000,000 Century common shares with a fair value of $1,000,000 and 1,000,000 Century warrants entitling the Company to purchase one common share of Century for:

Exercise price	Exercise period
$0.75	November 29, 2013 to November 29, 2014
$1.00	November 30, 2014 to November 29, 2015
$1.50	November 30, 2015 to November 29, 2016
$2.00	November 30, 2016 to November 29, 2017
$2.50	November 30, 2017 to November 29, 2018

The Century shares are subject to a hold period ending on November 29, 2015, after which, in the event that the Company seeks to sells Century shares, Century will have a right of first refusal to arrange sales.

Century assumed the existing royalty on Attikamagen and granted the Company a 1% royalty on the sale of minerals mined from Attikamagen until $2,500,000 has been paid, and thereafter, a 2% royalty on the sale of minerals mined from Attikamagen.

In connection with the sale, the Company paid a 7% finder's fee consisting of 140,000 Century common shares and 70,000 Century warrants.

The fair value of the Century warrants was calculated using the Black-Scholes option pricing model with the following assumptions:

	December 31, 2013	November 29, 2013
Number of warrants	930,000	1,000,000
Share price	$0.45	$0.50
Risk-free interest rate	1.90%	1.73%
Expected volatility based on historical volatility	87%	88%
Expected life of warrants	5 years	5 years
Expected dividend yield	0%	0%
Fair value	$161,000	$208,000
Fair value per warrant	$0.17	$0.21

Powderhorn and Gullbridge
Prior to July 26, 2013, the Company owned a 70% interest in the Powderhorn Lake Project ("Powderhorn"), which consists of 115 claims covering an area of 29 square kilometres situated in the Buchans-Robert's Arm Belt in Central Newfoundland. Powderhorn is encumbered with a 2.85% net smelter royalty ("NSR"), of which, 1.85% can be purchased by the participants for $2,300,000 to reduce the NSR to 1%.

Prior to July, 26, 2013, the Company owned a 51% interest in the Gullbridge Property in the Buchans Mining Camp, Newfoundland, and had an option to increase its interest to 85%. In order to increase its interest from 51% to 85%, the Company was required to issue common shares and incur exploration expenditures as follows:

	Number of common shares	Exploration expenditures $
To increase to 75% interest		
May 1, 2014	150,000	700,000
To increase to 85% interest	–	All necessary expenditures up to the completion of a positive bankable feasibility study

On July 26, 2013, the Company acquired the remaining 30% interest in Powderhorn and 49% interest in Gullbridge for 1,000,000 common shares with a fair value of $190,000 and a 1% royalty on Gullbridge, which the Company has the option to acquire for $1,000,000 or 1,000,000 common shares. The Company also has the right of first refusal on any sale, transfer, mortgage or grant of security interest or any other disposition or encumbrance in the royalty.

8. Convertible notes

	$
Balance, March 31, 2013	–
Issued	718,175
Repaid	(357,263)
Conversion to common shares	(373,175)
Interest	12,263
Balance, December 31, 2013	–

On April 30, 2013, the Company issued a convertible note for $563,620 ("Convertible Note 1") in settlement of accounts payable. The terms of the convertible note are as follows:

Maturity date	July 15, 2013
Interest rate	12 % per annum
Repayment	3 monthly instalments of $50,000 commencing on May 1, 2013 and the balance of $413,620 on July 15, 2013.
Conversion	After the Maturity date or upon the occurrence of an event of default, the holder has the option to convert the note including unpaid interest into common shares of the Company based on a conversion price equal to the greater of $0.33 and the volume weighted average trading price for the ten trading days preceding the conversion date.

On August 1, 2013, the Company issued 1,054,480 common shares at a price of $0.25 per common share to settle $263,270 of Convertible Note 1, leaving $200,000 outstanding, which has been subsequently repaid.

On June 20, 2013, the Company issued a convertible note for $154,905 ("Convertible Note 2") in settlement of accounts payable. The terms of the convertible note are as follows:

Maturity date	July 15, 2013
Interest rate	12 % per annum
Repayment	$154,905 on July 15, 2013.
Conversion	After the Maturity date or upon the occurrence of an event of default, the holder has the option to convert the note including unpaid interest into common shares of the Company based on a conversion price equal to the greater of $0.33 and the market price of the common shares on the conversion date.

On August 1, 2013, the Company repaid $45,000 and issued 439,663 common shares at a price of $0.25 per common share to settle Convertible Note 2.

9. Capital stock

Authorized
An unlimited number of common shares.

Issued

	Number of common shares	$
Balance, March 31, 2013	119,901,465	122,982,950
Private placement	15,000,000	3,000,000
Fair value of warrants issued	–	(1,277,000)
Fair value of expired warrants	–	1,214,667
Acquisition of exploration and evaluation (note 7)	1,000,000	190,000
Conversion of convertible debt (note 8)	1,494,144	373,175
Share issue costs	–	(332,180)
Balance, December 31, 2013	137,395,609	126,151,612

Private placement
On July 31, 2013, the Company completed a private placement of 15,000,000 units at a price of $0.20 per unit for proceeds of $3,000,000. Each unit consists of one common share and one common share purchase warrant entitling the holder to purchase one common share for $0.25 until July 31, 2015. In connection with the private placement, the Company paid an 8% cash commission.

The fair value of the 15,000,000 common share purchase warrants was calculated using the Black-Scholes option pricing model with the following assumptions:

Share price	$0.21
Risk-free interest rate	1.15%
Expected volatility based on historical volatility	84%
Expected life of warrants	2 years
Expected dividend yield	Nil
Fair value	$1,277,000
Fair value per warrant	$0.0852

The Company and the subscriber have agreements governing certain investor rights and obligations. Until the subscriber holds less than 10% of the outstanding shares of the Company, it will have a pre-emptive right to participate in any financing to maintain its percentage interest in the outstanding common shares of the Company on a non-diluted basis. The subscriber will have the right to participate as the initial subscriber for up to $4,000,000 in any financing completed by the Company until January 31, 2015. The subscriber will be restricted from transferring securities of the Company until July 31, 2014, subject to certain exceptions and procedures, after which time, transfers will be permitted subject to certain restrictions until July 31, 2015.

Issue of common shares to settle accounts payable
See note 13 for subsequent event.

Warrants
A summary of the Company's common share purchase warrants is presented below:

	Number of warrants	Weighted-average exercise price $	Amount $
Balance, March 31, 2013	9,222,222	2.59	3,027,187
Issued	15,000,000	0.25	1,277,000
Expired	(2,222,222)	1.30	(1,214,667)
Balance, December 31, 2013	22,000,000	1.13	3,089,520

A summary of the Company's common share purchase warrants outstanding at December 31, 2013 is presented below:

Common share warrant exercise price	Expiry date	Number of warrants
$3.00 exercisable between November 17, 2014 and May 17, 2015	May 17, 2015	7,000,000
$0.25	July 31, 2015	15,000,000
		22,000,000

Stock options

The Company may grant up to 15,000,000 stock options (March 31, 2013 - 15,000,000) to directors, officers, employees and consultants that vest on the date of grant for a term not exceeding 5 years. At December 31, 2013, 4,740,000 stock options are available to be granted.

	Number of options	Weighted-average exercise price $
Balance, March 31, 2013	9,750,000	1.03
Granted	1,600,000	0.40
Expired	(280,000)	0.81
Cancelled	(1,400,000)	1.27
Balance, December 31, 2013	9,670,000	0.90

A summary of the stock options granted and the assumptions for the calculation of the fair value of those stock options using the Black-Scholes option pricing model, is presented below:

Date of grant	December 20, 2013
Options granted	1,600,000
Exercise price	$0.40
Share price	$0.31
Risk-free interest rate	1.84%
Expected volatility based on historical volatility	83%
Expected life of stock options	3 years
Expected dividend yield	0%
Forfeiture rate	0%
Fair value	$239,000
Fair value per stock option	$0.15

The stock options granted in the 9 months ended December 31, 2013 vested on the date of grant and the fair value of the stock options was recorded as share-based compensation.

A summary of the Company's outstanding stock options at December 31, 2013 is presented below:

Exercise price	Expiry date	Options outstanding and exercisable
$0.30	September 16, 2014	1,145,000
$0.33	September 24, 2014	152,500
$0.405	November 9, 2014	50,000
$0.80	January 14, 2015	1,375,000
$0.85	February 2, 2015	50,000
$1.00	March 2, 2015	350,000
$1.00	October 3, 2015	2,100,000
$1.00	October 4, 2015	250,000
$1.50	October 4, 2015	500,000
$2.17	January 10, 2016	150,000
$1.50	September 9, 2016	1,025,000
$0.40	December 20, 2016	1,600,000
$1.30	December 23, 2016	922,500
		9,670,000

10. Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Cash and cash equivalents, short-term investments, advance, due from Cartier and accounts payable and accrued liabilities
The fair values of cash and cash equivalents, short-term investments, advance, due from Cartier and accounts payable and accrued liabilities approximate their carrying value due to their short term to maturity.

Investments
The fair values of the investment in common shares of Fancamp, Cartier, Century and Lamêlée are measured at the bid market price on the measurement date.

The fair value of the investment in common share purchase warrants of Fancamp, Century and Lamêlée are measured using a Black-Scholes option pricing model. Measurement inputs include share price on the measurement date, exercise price, expected volatility (based on historical volatility), expected life, expected dividends and the risk-free interest rate (based on government bonds).

Stock options
The fair value of stock options is measured using a Black-Scholes option pricing model. Measurement inputs include share price on grant date, exercise price, expected volatility (based on historical volatility or historical volatility of securities of comparable companies), weighted average expected life and forfeiture rate (both based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds).

Classification of fair value of financial instruments
The Company classified the fair value of its financial instruments measured at fair value according to the following hierarchy based on the amount of observable inputs used to value the instrument:

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

As at December 31, 2013

	Level 1 $	Level 2 $	Level 3 $	Total $
Financial asset at fair value through profit and loss				
Cash and cash equivalents and short-term investments	8,141,628	–	–	8,141,628
Investment in Fancamp				
Common shares	1,100,000	–	–	1,100,000
Common share purchase warrants	–	4,000	–	4,000
Investment in Cartier				
Common shares	446,000	–	–	446,000
Investment in Century				
Common shares	837,000	–	–	837,000
Common share purchase warrants	–	161,000	–	161,000
Investment in Lamêlée				
Common shares	500,000	–	–	500,000
Common share purchase warrants	–	60,000	–	60,000

11. Financial risk management

The Company's activities expose it to a variety of financial risks that arise as a result of its exploration, development, production and financing activities, including credit risk, liquidity risk and market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these interim condensed financial statements.

The Board of Directors oversees management's establishment and execution of the Company's risk management framework. Management has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities.

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the Company's cash and cash equivalents, short-term investments and due from Cartier. The Company limits its exposure to credit risk on its cash and cash equivalents by holding its cash and cash equivalents and short-term investments in deposits with high credit quality Canadian chartered banks. The Company is able to limit the credit risk on the amount due from Cartier by settling the amount in common shares of Cartier.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial liabilities that are settled in cash or other financial assets. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities as they come due. The amounts for accounts payable and accrued liabilities are subject to normal trade terms.

Market risk

Market risk is the risk that changes in market prices, such as equity prices, foreign exchange rates and interest rates will affect the Company's income or the value of its financial instruments. The Company is exposed to equity price risk with respect to investments. The Company estimates that if the fair value of its investments as at December 31, 2013 had changed by 10%, with all other variables held constant, the loss would have decreased or increased by approximately $312,000.

Interest rate risk

The Company's exposure to interest rate risk is limited due to the short-term nature of its financial instruments.

Capital management
Capital of the Company consists of capital stock, warrants, contributed surplus and deficit. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can acquire, explore and develop mineral resource properties for the benefit of its shareholders. The Company manages its capital structure and makes adjustments based on the funds available to the Company in light of changes in economic conditions. The Board of Directors has not established quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain the future development of the Company. In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that consider various factors, including successful capital deployment and general industry conditions. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company's principal source of capital is from the issue of common shares. In order to achieve its objectives, the Company intends to raise additional funds as required.

The Company is not subject to externally imposed capital requirements and there were no changes to the Company's approach to capital management during the period.

12. Related party transactions

	9 months ended December 31, 2013 $	9 months ended December 31, 2012 $	Outstanding as at December 31, 2013 $	Outstanding as at March 31, 2013 $
Exploration and evaluation				
Paid to a company controlled by a director	142,500	182,500	17,104	16,950
Paid or payable to 2 companies controlled by officers	998,516	2,860,638	139,140	146,774
Transaction costs on acquisition of non-controlling interest				
Paid for legal fees to a company controlled by a director	–	205,725	–	–
Common shares				
Share issue costs for legal fees paid to a company controlled by a director	25,020	–	–	–
Professional fees				
Paid or payable for legal fees to a company controlled by a director	380,140	204,400	158,373	212,212
Consulting fees				
Paid or payable to a company controlled by a close family member of a director	–	132,450	–	5,748

See notes 5, 6 and 7 for related party transactions with Cartier.

Compensation of key management personnel
The Company considers its directors and officers to be key management personnel. Transactions with key management personnel are set out as follows:

	9 months ended December 31, 2013 $	9 months ended December 31, 2012 $	Outstanding as at December 31, 2013 $	Outstanding as at March 31, 2013 $
Consulting fees	614,500	575,000	40,000	40,000
Director fees	68,645	–	–	–
	683,145	575,000	40,000	40,000

13. Subsequent event

On January 6, 2014, the Company issued 500,000 common shares with a fair value of $157,500 to settle accounts payable for legal fees owed to a company controlled by a director.