Champion Iron Mines Limited
(formerly Champion Minerals Inc.)

Financial Statements
March 31, 2013 and 2012
(expressed in Canadian dollars)

Collins Barrow
Chartered Accountants

Collins Barrow Toronto LLP
Collins Barrow Place
11 King Street West
Suite 700
Toronto, Ontario
M5H 4C7 Canada

T. 416.480.0160
F. 416.480.2646

www.collinsbarrow.com

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Champion Iron Mines Limited

We have audited the accompanying financial statements of Champion Iron Mines Limited, which comprise the statements of financial position as at March 31, 2013 and March 31, 2012 and the statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Champion Iron Mines Limited as at March 31, 2013 and March 31, 2012 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Collins Barrow Toronto LLP

Licensed Public Accountants
Chartered Accountants
July 2, 2013
Toronto, Ontario

an independent member of
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Champion Iron Mines Limited

(formerly Champion Minerals Inc.)

Statements of Financial Position

(expressed in Canadian dollars)

	Notes	As at March 31, 2013 $	2012 $
Assets			
Current			
Cash and cash equivalents		4,535,089	41,401,828
Short-term investments		66,000	66,000
Receivables	4	1,849,351	4,022,303
Due from Cartier Iron Corporation	5	75,000	135,170
Prepaid expenses and deposits		279,229	538,095
		6,804,669	46,163,396
Long-term advances	6 and 15	6,000,000	-
Investments	7	2,445,090	-
Exploration and evaluation	8	84,125,831	63,502,139
		99,375,590	109,665,535
Liabilities			
Current			
Accounts payable and accrued liabilities	13 and 15	2,921,476	6,414,484
Shareholders' equity			
Capital stock	9	122,982,950	106,947,813
Warrants	9	3,027,187	3,783,003
Contributed surplus		8,746,169	8,947,921
Deficit		(38,302,192)	(24,005,626)
		96,454,114	95,673,111
Non-controlling interest	8 and 9	-	7,577,940
		96,454,114	103,251,051
		99,375,590	109,665,535
Commitments	6, 8 and 14		
Subsequent events	15		

On behalf of the Board:

Thomas Larsen
Director

Donald Sheldon
Director

See accompanying notes to the consolidated financial statements

Champion Iron Mines Limited

(formerly Champion Minerals Inc.)

Statements of Loss and Comprehensive Loss

(expressed in Canadian dollars)

	Notes	Years ended March 31, 2013 $	2012 $
Revenue			
Interest		250,281	284,556
Other income		113,328	163,425
		363,609	447,981
Expenses			
Professional fees		627,394	372,006
Consulting fees		1,326,792	2,021,381
Share-based compensation	9	-	4,314,000
General and administrative		1,111,789	944,562
Investor relations		1,421,215	1,121,455
Travel		333,842	524,930
Unrealized loss on investments	7	3,446,910	-
		8,267,942	9,298,334
Loss and comprehensive loss		(7,904,333)	(8,850,353)
Loss per share - basic and diluted		(0.07)	(0.10)
Weighted average number of shares outstanding - basic and diluted		117,603,800	87,639,526

Champion Iron Mines Limited

(formerly Champion Minerals Inc.)

Statements of Changes in Equity

(expressed in Canadian dollars)

	Capital stock $	Warrants $	Contributed surplus $	Deficit $	Non-controlling interest $	Total $
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 (note 8)	71,850	-	-	-	-	71,850
Acquisition of non-controlling interest (note 8)	13,020,000	1,780,000	-	(5,922,846)	(8,877,154)	-
Transaction costs on acquisition of non-controlling interest (note 8)	-	-	-	(469,387)	-	(469,387)
Exercise of stock options	265,500	-	-	-	-	265,500
Fair value of stock options exercised	201,752	-	(201,752)	-	-	-
Exercise of warrants	25,599	-	-	-	-	25,599
Fair value of warrants exercised	15,505	(15,505)	-	-	-	-
Fair value of warrants expired	2,520,311	(2,520,311)	-	-	-	-
Contribution by joint venture partner	-	-	-	-	1,299,214	1,299,214
Share issue costs	(85,380)	-	-	-	-	(85,380)
Loss	-	-	-	(7,904,333)	-	(7,904,333)
Balance, March 31, 2013	122,982,950	3,027,187	8,746,169	(38,302,192)	-	96,454,114
Balance, March 31, 2011	69,130,196	6,234,889	5,152,528	(15,155,273)	1,836,871	67,199,211
Public offering of common shares	30,000,000	-	-	-	-	30,000,000
Share issue costs, net of tax	(2,247,476)	-	-	-	-	(2,247,476)
Issued for exploration and evaluation (note 8)	197,000	-	-	-	-	197,000
Exercise of stock options	781,500	-	-	-	-	781,500
Fair value of stock options exercised	518,607	-	(518,607)	-	-	-
Fair value of warrants issued	(12,840)	12,840	-	-	-	-
Exercise of warrants	6,116,100	-	-	-	-	6,116,100
Fair value of warrants exercised	2,464,037	(2,464,037)	-	-	-	-
Fair value of warrants expired	689	(689)	-	-	-	-
Share-based compensation	-	-	4,314,000	-	-	4,314,000
Contribution by joint venture partner	-	-	-	-	5,741,069	5,741,069
Loss	-	-	-	(8,850,353)	-	(8,850,353)
Balance, March 31, 2012	106,947,813	3,783,003	8,947,921	(24,005,626)	7,577,940	103,251,051

Champion Iron Mines Limited
(formerly Champion Minerals Inc.)
Statements of Cash Flows
(expressed in Canadian dollars)

	Years ended March 31, 2013 $	2012 $
Cash provided by (used in)		
Operating activities		
Loss	(7,904,333)	(8,850,353)
Items not affecting cash		
Share-based compensation	-	4,314,000
Unrealized loss on investments	3,446,910	-
Other	41,370	-
Changes in non-cash operating working capital		
Receivables	2,172,952	(3,285,189)
Prepaid expenses and deposits	258,865	(157,206)
Accounts payable and accrued liabilities	(6,042,246)	5,554,153
	(8,026,482)	(2,424,595)
Financing activities		
Issue of common shares	-	30,000,000
Exercise of stock options	265,500	781,500
Exercise of warrants	25,599	6,116,100
Repayment of note payable	-	(1,000,000)
Share issue costs	(85,380)	(2,247,476)
	205,719	33,650,124
Investing activities		
Short-term investments	-	13,963,734
Advance to Cartier Iron Corporation	(125,000)	(127,670)
Long-term advances	(6,000,000)	-
Investment in Fancamp Exploration Ltd.	(5,000,000)	-
Investment in Cartier Iron Corporation	(500,000)	-
Transaction costs on acquisition of non-controlling interest	(469,387)	-
Option payment received from Cartier Iron Corporation	100,000	-
Proceeds on waiver of royalty (note 8)	2,000,000	-
Receipt of refundable tax credits	175,546	-
Exploration and evaluation	(19,227,135)	(31,407,207)
	(29,045,976)	(17,571,143)
Net increase in cash and cash equivalents	(36,866,739)	13,654,386
Cash and cash equivalents, beginning of year	41,401,828	27,747,442
Cash and cash equivalents, end of year	4,535,089	41,401,828
Non-cash transactions		
Receipt of common shares of Cartier Iron Corporation		
Settlement of debt	142,000	-
Option payment	250,000	-
Issue of common shares		
Exploration and evaluation	71,850	197,000
Non-controlling interest	13,020,000	-
Issue of warrants for non-controlling interest	1,780,000	-
Supplementary information		
Interest paid	-	-
Income taxes paid	-	-

See accompanying notes to the consolidated 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. On August 22, 2012, the Company changed its name from Champion Minerals Inc. to Champion Iron Mines Limited.

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.

2. Basis of presentation

Statement of compliance
The financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board.

The financial statements were approved and authorized for issue by the Board of Directors on July 2, 2013.

Basis of measurement
These financial statements have been prepared on the historical cost basis, except for cash and cash equivalents, short-term investments and investments, which have been classified as financial instruments at fair value through profit and loss and stated at fair value.

Functional and presentation currency
These financial statements are presented in Canadian dollars, which is the functional currency of the Company and its previously controlled joint venture.

Use of estimates
The preparation of financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Estimates
Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are as follows:

Management’s assessment of no going concern uncertainties
The current working capital position of the Company is not sufficient to sustain minimum spending requirements and commitments over the next twelve months. The Company applied judgment with respect to funds to be available over the next twelve months from the current working capital position, the anticipated receipt of unrecognized Quebec income tax credits and the termination of the Agreement with the Port (see note 15). As a result, management does not believe that there are material uncertainties that cast significant doubt upon the Company’s ability to continue as a going concern.

Fair value of investment in warrants
The Company uses the Black-Scholes option pricing model in determining the fair value of its investment in warrants, which requires a number of assumptions to be made, including the risk-free interest rate, expected life, forfeiture rate and expected share price volatility. Consequently, actual fair value of its investments in warrants may vary from the amounts estimated. See notes 7 and 8.

Impairment of exploration and evaluation
Expenditures on exploration and evaluation are initially capitalized with the intent to establish commercially viable reserves. The Company makes estimates about future events and circumstances in determining whether any indicators of impairment exist. See note 8.

Share-based payments
The Company uses the Black-Scholes option pricing model in determining share-based payments, which requires a number of assumptions to be made, including the risk-free interest rate, expected life, forfeiture rate and expected share price volatility. Consequently, actual share-based compensation and warrant valuations may vary from the amounts estimated. See note 9.

Deferred income taxes
Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates at the reporting date in effect for the period in which the temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized as part of the provision for income taxes in the period that includes the enactment date. The recognition of deferred income tax assets is based on the assumption that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. See note 10.

3. Significant accounting policies and future accounting changes

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

Basis of consolidation

Jointly controlled operations
Many of the Company's activities are conducted jointly with others. These financial statements include the accounts of the Company and its former joint venture up to the date of the termination of the joint venture. As the Company had a controlling interest in the joint venture, the assets, liabilities, results of operations and cash flows of the joint venture have been consolidated and the corresponding non-controlling interest has been reflected separately. On May 17, 2012, the Company acquired the non-controlling interest in the joint venture and the joint venture was terminated. As a result, these financial statements are no longer consolidated effective May 17, 2012.

Transactions eliminated on consolidation
All intercompany transactions and balances are eliminated on consolidation.

Financial instruments

Non-derivative financial assets
The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

Financial assets at fair value through profit or loss
A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

The Company has classified cash and cash equivalents, short-term investments and investments as financial assets at fair value through profit or loss.

Held-to-maturity financial assets
If the Company has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses.

The Company has not classified any financial asset as held-to-maturity.

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

The Company has classified receivables and due from Cartier Iron Corporation as loans and receivables.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale assets, are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss.

The Company has not classified any financial asset as available-for-sale.

Non-derivative financial liabilities
The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

The Company has classified accounts payable and accrued liabilities as other financial liabilities.

Impairment of non-derivative financial assets

A financial asset is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Financial assets carried at amortized cost

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the financial asset is reduced by the amount of the impairment loss and the impairment loss is recognized in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Available-for-sale financial assets

An impairment loss in respect of a financial asset classified as available-for-sale is calculated as the difference between the acquisition cost and the current fair value, less any impairment loss recognized previously in profit or loss. The impairment loss is recognized by reclassifying the loss from equity to profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss, except in the case of equity investments where the decrease in impairment loss is recognized in other comprehensive income.

Cash and cash equivalents

Cash and cash equivalents consist of cash in the bank and short-term deposits with a maturity of less than three months.

Exploration and evaluation

Recognition and measurement

Exploration and evaluation, including the costs of acquiring licenses and directly attributable general and administrative costs, initially are capitalized as exploration and evaluation. The costs are accumulated by property pending the determination of technical feasibility and commercial viability. Pre-license costs are expensed when incurred. Pre-exploration costs are expensed unless it is considered probable that they will generate future economic benefits.

Non-repayable mining tax credits earned in respect of costs incurred in Quebec are recorded as a reduction to exploration and evaluation when there is reasonable assurance that the Company has complied with, and will continue to comply with, all conditions needed to obtain the credits.

The recoverability of amounts shown for exploration and evaluation is dependent upon the ability of the Company to obtain financing to complete the exploration and development of its mineral resource properties, the existence of economically recoverable reserves and future profitable production or, alternatively, upon the Company's ability to recover its costs through a disposition of its mineral resource properties. The amounts shown for exploration and evaluation do not necessarily represent present or future value. Changes in future conditions could require a material change in the amount recorded for exploration and evaluation.

The technical feasibility and commercial viability of extracting a mineral resource from a property is considered to be determinable when proved and/or probable reserves are determined to exist, the necessary permits have been received to commence production and the Company has sufficient financing to begin production. A review of each property is carried out at least annually. Upon determination of technical feasibility and commercial viability, exploration and evaluation is first tested for impairment and then reclassified to property, plant and equipment or expensed to the statement of loss and comprehensive loss to the extent of any impairment. As at March 31, 2013 and March 31, 2012, the Company had no property, plant and equipment.

Impairment
Exploration and evaluation is assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

An impairment loss is recognized in the statement of loss and comprehensive loss if the carrying amount of a property exceeds its estimated recoverable amount. The recoverable amount of property used in the assessment of impairment of exploration and evaluation is the greater of its value in use ("VIU") and its fair value less costs to sell ("FVLCTS"). VIU is determined by estimating the present value of the future net cash flows at a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the property. FVLCTS refers to the amount obtainable from the sale of a property in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. For a property that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the property belongs. Impairment losses previously recognized are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount only to the extent that the property's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognized.

Decommissioning liabilities
The Company's activities give rise to dismantling, decommissioning and site disturbance remediation activities. Provision is made for the estimated cost of site restoration. Decommissioning obligations are measured at the present value of management's best estimate of expenditures required to settle the present obligation at the balance sheet date. The fair value of the estimated obligation is recorded as a liability with a corresponding increase in the carrying amount of the related asset. The obligation is subsequently adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as accretion costs whereas increases or decreases due to changes in the estimated future cash flows or changes in the discount rate are capitalized. Actual costs incurred upon settlement of the decommissioning obligations are charged against the provision to the extent the provision was established. As at March 31, 2013 and March 31, 2012, the Company had no decommissioning liabilities.

Share capital
Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

Flow-through shares
Canadian tax legislation permits the Company to issue flow-through shares. Flow-through shares are securities whereby the deductions for tax purposes related to exploration and evaluation expenditures may be claimed by the investors rather than the Company, subject to a renouncement process. Renouncement may occur prospectively (the flow-through shares are issued, renouncement then occurs and eligible expenditures are incurred subsequently) or retrospectively (the flow-through shares are issued, eligible expenditures are then incurred and renouncement occurs subsequently).

The issue of flow-through shares is treated as an issue of shares and the sale of tax deductions. The Company uses the residual method to measure the sale of tax deductions. At the time the flow-through shares are issued, the sale of tax deductions is deferred and presented as unrenounced flow-through shares premium on the statement of financial position. When the Company fulfills its obligation to pass on the tax deduction to the investors, the sale of tax deductions is recognized as a reduction of deferred tax expense in the statement of loss and comprehensive loss and a deferred tax liability is recognized for the taxable temporary difference that arises from the difference between the carrying amount of eligible expenditures capitalized as an asset in the statement of financial position and its tax base.

If the renouncement is prospective, the obligation is fulfilled when eligible expenditures are incurred. If the renouncement is retrospective, the obligation is fulfilled when the paperwork to renounce is filed.

Share-based payments
The Company offers a stock option plan for its officers, directors, employees and consultants. The fair value of stock options for each vesting period is determined using the Black-Scholes option pricing model and is recorded over the vesting period as an increase to stock-based compensation and contributed surplus. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest. Upon the exercise of stock options, the proceeds received by the Company and the related contributed surplus are recorded as an increase to share capital. In the event that vested stock options expire, previously recognized share-based compensation is not reversed. In the event that stock options are forfeited, previously recognized share-based compensation associated with the unvested portion of the stock options forfeited is reversed.

The fair value of share-based payment transactions to non-employees and other share-based payments including shares issued to acquire exploration and evaluation are based on the fair value of the goods and services received. If the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or services. The fair value of broker warrants is measured at the date that the Company receives the services.

Provisions
A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance cost.

Income tax
Income tax expense comprises current and deferred taxes. Current and deferred taxes are recognized in profit or loss except to the extent that they relate to a business combination or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Loss per share

The Company presents basic and diluted loss per share data for its common shares. Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for any of its own shares held. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for any of its own shares held, for the effects of all dilutive potential ordinary shares, which comprise outstanding warrants and stock options. As at March 31, 2013 and March 31, 2012, outstanding stock options and warrants are anti-dilutive.

New standards and interpretations not yet adopted

The following new standards, amendments to standards and interpretations are effective for periods beginning on or after January 1, 2013:

IFRS 11, Joint Arrangements ("IFRS 11")

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities—Non-monetary Contributions by Venturers.

IFRS 13, Fair Value Measurement ("IFRS 13")

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement.

Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

Amendments to other standards

In addition, there have been amendments to existing standards, including IAS 27, Separate Financial Statements (IAS 27), and IAS 28, Investments in Associates and Joint Ventures (IAS 28). IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10-13.

The following new standards, amendments to standards and interpretations are effective for periods beginning on or after January 1, 2014:

IFRS 10, Consolidation ("IFRS 10")
IFRS 10 requires an entity to consolidate an investee when the entity is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 Consolidation—Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements.

IFRS 12, Disclosure of Interests in Other Entities ("IFRS 12")
IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off-balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

Amendments to other standards
In addition, there have been amendments to existing standards, including IAS 27, Separate Financial Statements (IAS 27), and IAS 28, Investments in Associates and Joint Ventures (IAS 28). IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10-13.

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.

Effect of new standards
IFRS 9, IFRS 10, IFRS 11 and IFRS 12 are expected to have an effect on the financial statements of the Company. The Company has not determined the extent of the impact of these standards and does not plan to early adopt these new standards.

4. 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.

5. Due from Cartier Iron Corporation (formerly Northfield Metals Inc.)

The amount of $75,000 (March 31, 2012 - $135,170) due from Cartier Iron Corporation ("Cartier") is unsecured, non-interest bearing and is due on demand. A director and an officer of the Company are directors of Cartier. See note 8.

6. Long-term advances

	March 31, 2013 $	March 31, 2012 $
Sept-Îles Port Authority	6,000,000	–

Sept-Îles Port Authority
The Sept-Îles Port Authority ("Port") has committed to complete a planned multi-user port facility with annual loading capacity of 50 million metric tons of iron ore at an estimated cost of $220 million by March 31, 2014.

On July 13, 2012, the Company signed an agreement ("Agreement") with the Port to reserve annual loading capacity of 10 million metric tons of iron ore ("Annual Reserved Capacity") for an initial term of 20 years with options to renew for 4 additional 5-year terms.

The Port required the Company and other end-users to fund a portion of the costs through a "Buy-in Payment", which will constitute an advance on the Company's future shipping, wharfage and equipment fees. The Company's Buy-in Payment is $25,581,000, which may be paid in 2 instalments ($12,790,000 payable on signing of the Agreement and $12,791,000 payable on July 1, 2013) or guaranteed by providing irrevocable guarantees of equivalent value.

The Port is scheduled to deliver operational port facilities on March 31, 2014, which is approximately 18 months prior to the Company commencing production. From the date that the Port delivers operational port facilities until the date that the Company commences production, the Company will make take-or-pay payments to the Port based upon 50% of the Annual Reserved Capacity, which will constitute an advance on the Company's future shipping, wharfage and equipment fees.

The Company and the Port have agreed to sign a lease for a parcel of land to meet the Company's needs for access to the port and storage and the Company will be required to install loading and handling systems approved by the Port to ensure delivery of its iron ore to the port.

With respect to the Buy-in Payment, the Company paid $1,000,000 on signing of the Agreement and provided the Port with irrevocable guarantees of equivalent value in the form of a deed of hypothec regarding its mining rights, title and interest over Moire Lake and Don Lake. As at March 31, 2013, the Company has paid $6,000,000 and the Company committed to pay the remaining amount of $19,581,000 in instalments on May 1, 2013, June 1, 2013 and July 1, 2013. The Company has not made the instalments due on May 1, 2013 and June 1, 2013. See note 15 for subsequent event.

7. Investments

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

	As at March 31, 2013 $	2012 $
Fancamp Exploration Ltd. ("Fancamp")	1,909,890	–
Cartier Iron Corporation ("Cartier")	535,200	–
	2,445,090	–

The Company holds 18,000,000 common shares and 10,000,000 common share purchase warrants of Fancamp, which had an original fair value of $4,074,610 and $925,390, respectively (note 8).

The Company holds 3,568,000 common shares of Cartier, which were originally valued at $892,000 (note 8).

The decrease in the fair value of investments of $3,446,910 has been recorded as an unrealized loss on investments in the statements of loss and comprehensive loss.

8. Exploration and evaluation

	March 31, 2012 $	Acquisition costs $	Exploration $	Gain on waiver of royalty $	March 31, 2013 $
Fermont					
Consolidated Fire Lake North					
Fire Lake North/Don Lake	31,940,663	–	21,963,465	(169,264)	53,734,864
Oil Can	4,185,865	1,390	856,887	(63,739)	4,980,403
Bellechase	1,564,040	–	13,549	(48,867)	1,528,722
Midway	734,632	–	(58)	(56,657)	677,917
	38,425,200	1,390	22,833,843	(338,527)	60,921,905
Harvey-Tuttle	8,430,336	–	(27,270)	(352,691)	8,050,375
Moire Lake	4,007,199	–	157,044	(94,193)	4,070,050
O'Keefe Purdy	4,437,515	–	(19,353)	(266,289)	4,151,873
Other	5,192,424	(322,964)	(57,321)	(948,300)	3,863,839
	60,492,673	(321,574)	22,886,943	(2,000,000)	81,058,042
Powderhorn	1,490,405	–	4,100	–	1,494,505
Attikamagen	503,198	–	750	–	503,948
Gullbridge	1,015,862	4,473	49,000	–	1,069,336
	63,502,139	(317,101)	22,940,793	(2,000,000)	84,125,831

	March 31, 2011 $	Acquisition costs $	Exploration $	March 31, 2012 $
Fermont				
Consolidated Fire Lake North				
Fire Lake North/Don Lake	9,416,327	–	22,524,336	31,940,663
Oil Can	299,731	–	3,886,134	4,185,865
Bellechase	1,149,932	–	414,108	1,564,040
Midway	246,559	–	488,073	734,632
	11,112,549	–	27,312,651	38,425,200
Harvey-Tuttle	8,106,843	–	323,493	8,430,336
Moire Lake	1,154,474	–	2,852,725	4,007,199
O'Keefe Purdy	1,316,179	–	3,121,337	4,437,516
Other	4,454,244	74,713	663,466	5,192,423
	26,144,289	74,713	34,273,672	60,492,674
Powderhorn	1,396,263	–	94,142	1,490,405
Attikamagen	503,198	–	–	503,198
Gullbridge	421,284	136,000	458,578	1,015,862
	28,465,034	210,713	34,826,392	63,502,139

Exploration and evaluation is reported net of option payments and mining tax credits received.

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.

Acquisition of non-controlling interest in Fermont joint venture

On May 17, 2012, the Company acquired the remaining 17.5% non-controlling interest in the Fermont joint venture from Fancamp Exploration Ltd. ("Fancamp"). As a result of the acquisition, the Company owns a 100% interest in the Fermont and the joint venture between the Company and Fancamp was terminated. The Company continues to retain its right of refusal over Fancamp's interest in the Lamellee Property and Fancamp continues to retain its 50% interest in the 3% royalty ("Royalty"). The Company retains the right of first refusal on the sale of the Royalty and the option to reduce the Royalty from 3% to 2.5% by purchasing a 0.5% Royalty interest for $1,500,000 from the holder of the 50% interest in the Royalty not owned by Fancamp.

Acquisition

As consideration for the acquisition, the Company issued 14,000,000 common shares and 7,000,000 non-transferable common share purchase warrants entitling the holder to purchase one common share for $3.00 between November 17, 2014 and May 17, 2015 ("Champion Warrants"). If the weighted-average closing price of the Company's common shares is over $4.00 per share for 20 consecutive trading days, the Champion Warrants must be exercised within 30 calendar days of the Company providing written notice, or they will be cancelled.

In the absence of a reliable measurement of the property acquired, the transaction has been measured at the fair value of the common shares and common share purchase warrants issued. The fair value of the 7,000,000 common share purchase warrants was calculated using the Black-Scholes option pricing model with the following assumptions:

Share price	$0.93
Risk-free interest rate	1.26%
Expected volatility based on historical volatility	84%
Expected life of warrants	3 years
Expected dividend yield	Nil
Fair value	$1,780,000
Fair value per warrant	$0.25

In the event that Fancamp provides notice, within 10 days of the receipt of the Company's notice, that Fancamp does not have sufficient funds to exercise the Champion Warrants, the Company will advance a loan to Fancamp to enable Fancamp to exercise the Champion Warrants. The loan will have the following terms and conditions:

Interest	Prime rate charged by the Company's bank, calculated and compounded annually, payable by way of set off upon against amounts owed by the Company pursuant to Fancamp's 50% interest in the Royalty.
Security	Assignment of Fancamp's 50% interest in the Royalty and the common shares of the Company issued pursuant to the exercise of the Champion Warrants.
Repayment	Payable by way of set off against amounts owed by the Company pursuant to Fancamp's 50% interest in the Royalty. To the extent that the Company exercises the Fancamp Warrants (as defined below), the exercise price payable by the Company will be settled by way of set off against the loan. To the extent that the loan has not been repaid within 15 years from the date of granting of the loan, the common shares of the Company assigned by Fancamp as security for the loan shall be forfeited by Fancamp to the Company.

In the event that Fancamp is not able to obtain shareholder approval for a change in control in the event that the Company exercises the Fancamp Warrants, Fancamp has agreed that it will only exercise warrants equal to the number of Fancamp Warrants exercisable by the Company divided by 5.

Set out below is a summary of the acquisition:

Consideration	**Fair value $**
14,000,000 common shares	13,020,000
7,000,000 warrants	1,780,000
	14,800,000
Non-controlling interest on date of acquisition	8,877,154
Excess consideration	5,922,846

A change in the interest of a joint venture that does not result in a loss of control is accounted for as an equity transaction. As a result, the amount of the consideration in excess of the non-controlling interest on the date of acquisition of $5,922,846 was charged to deficit.

Transaction costs for an equity transaction are accounted for as a deduction from equity. Transaction costs of $469,387 have been charged to deficit.

Waiver of option rights
On May 17, 2012, the Company granted a waiver to Fancamp of the Company's option to purchase a 0.5% Royalty interest of Fancamp's 50% interest in the Royalty. As consideration for the waiver, Fancamp made a payment of $2,000,000 to the Company, which the Company used to acquire 8,000,000 common shares of Fancamp for $0.25 per share.

Private placement for units of Fancamp

On May 17, 2012, the Company acquired 10,000,000 units of Fancamp for $0.30 per unit for cash of $3,000,000. Each unit consisted of one common share and one non-transferable common share purchase warrant entitling the Company to purchase one common share for $0.60 between November 17, 2014 and May 17, 2015 ("Fancamp Warrants"). Of the acquisition price of the units, $2,074,610 was allocated to the common shares and $925,390 was allocated to the common share purchase warrants.

The fair value of the 10,000,000 common share purchase warrants was calculated using the Black-Scholes option pricing model with the following assumptions:

	March 31, 2013	May 17, 2012
Share price	$0.10	$0.225
Risk-free interest rate	1.11%	1.21%
Expected volatility based on historical volatility	89%	104%
Expected life of warrants	2.13 years	3 years
Expected dividend yield	Nil	Nil
Fair value	$111,000	$925,390
Fair value per warrant	$0.011	$0.0925

As a result of regulatory requirements, subject to the approval of the shareholders of Fancamp, the Company has agreed not to exercise Fancamp Warrants to the extent that the exercise would result in a change of control of Fancamp. If the weighted-average closing price of the common shares of Fancamp is over $0.80 per share for 20 consecutive trading days, the Fancamp Warrants must be exercised (to the extent that the exercise would not result in a change of control of Fancamp) within 30 calendar days of Fancamp providing written notice, or those Fancamp warrants will be cancelled.

The Company and Fancamp have entered into a reciprocal rights agreement governing certain investor rights and obligations as between them. 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.

Acquisition of Hope Lake Extension and Oil Can Extension

On July 26, 2012, the Company acquired a 100% interest in the Hope Lake Extension consisting of 632.45 hectares and the Oil Can Extension consisting of 40.97 hectares. In order to acquire its interest, the Company issued 25,000 common shares with a fair value of $22,850.

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.

Private placement for common shares of Cartier
On December 10, 2012, the Company acquired 2,000,000 common shares of Cartier for $0.25 per common share for cash of $500,000.

Settlement of amount due from Cartier
On December 10, 2012, the Company accepted 568,000 common shares of Cartier with a fair value of $142,000 in settlement of amount due from Cartier. Two directors and one officer of the Company are directors of Cartier.

Acquisition of other claims

On May 16, 2011, the Company acquired a 100% interest in claim blocks covering 4.16 square kilometres, which are included in Other properties under Fermont. In order to acquire its interest, the Company paid $2,500 and issued 25,000 common shares with a fair value of $71,000. The claims are subject to a 2% net smelter return royalty ("NSR"), of which, the Company has the option to purchase one-half for $1,000,000. The Company has a right of first refusal on the NSR.

Powderhorn
The Company owns 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. In order to earn its interest, the Company made option payments, issued common shares and incurred exploration expenditures as follows:

	Option payments	Common shares		Exploration expenditures
	$	Number	$	$
To earn 70% interest				
Prior to March 31, 2008	40,000	250,000	65,000	200,000
June 11, 2008	10,000	250,000	245,000	300,000
At the earliest date the Company completes the exploration expenditure requirements, makes an economic discovery as evidenced by a pre-feasibility study or June 11, 2009	–	100,000	28,000	–
June 11, 2011	–	–	–	500,000
	50,000	600,000	338,000	1,000,000

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%.

Attikamagen
The Company owns 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.

Attikamagen option and joint venture agreement

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, a joint venture will be formed to incur additional exploration expenditures. If a joint venturer chooses not to 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 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% can 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 has given notice that it has 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. The Company is undertaking due diligence to verify those claims.

Option for the Gullbridge

The Company owns a 51% interest in the Gullbridge Property in the Buchans Mining Camp, Newfoundland and has an option to increase its interest to 85%. In order to earn its 51% interest, the Company made option payments, issued common shares and incurred exploration expenditures as follows:

	Option payments	Common shares		Exploration expenditures
	$	Number	$	$
To earn 51% interest				
On closing	10,000	50,000	28,500	–
May 5, 2009	10,000	100,000	33,000	200,000
March 23, 2010	–	75,000	76,500	–
May 5, 2011	10,000	75,000	126,000	200,000
May 5, 2012	–	–	–	400,000
	30,000	300,000	264,000	800,000

On May 15, 2012, the Company issued 50,000 common shares with a fair value of $49,000 in satisfaction of the remaining $154,000 of exploration expenditures that were to have been incurred by May 5, 2012.

In order to increase its interest from 51% to 85%, the Company must 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

9. Capital stock

Authorized
An unlimited number of common shares.

Issued

	Number of common shares	$
Balance as at March 31, 2011	82,987,501	69,130,196
Public offering of common shares	15,000,000	30,000,000
Issued for exploration and evaluation (note 8)	100,000	197,000
Exercise of stock options	780,000	781,500
Fair value of stock options exercised	–	518,607
Fair value of warrants issued	–	(12,840)
Exercise of warrants	6,346,704	6,116,100
Fair value of warrants exercised	–	2,464,037
Fair value of warrants expired	–	689
Share issue costs, net of tax	–	(2,247,476)
Balance, March 31, 2012	105,214,205	106,947,813
Issued for exploration and evaluation (note 8)	75,000	71,850
Acquisition of non-controlling interest (note 8)	14,000,000	13,020,000
Exercise of stock options	590,000	265,500
Fair value of stock options exercised	–	201,752
Exercise of warrants	22,260	25,599
Fair value of warrants exercised	–	15,505
Fair value of warrants expired	–	2,520,311
Share issue costs, net of tax	–	(85,380)
Balance, March 31, 2013	119,901,465	122,982,950

Financings

Public offering of common shares
On March 12, 2012, the Company completed a public offering of 15,000,000 common shares at a price of $2.00 per share for gross proceeds of $30,000,000. In connection with the private placement, the Company paid a commission of $1,800,000 representing 6% of the gross proceeds of the public offering.

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

	Common share purchase warrants			Unit warrants			
	Number of warrants	Weighted-average exercise price $	Amount $	Number of warrants	Weighted-average exercise price $	Amount $	Total $
Balance, March 31, 2011	11,393,867	1.28	6,206,477	105,550	0.52	28,412	6,234,889
Issued	52,775	0.79	12,840	–	–	–	12,840
Exercised	(6,241,154)	0.97	(2,435,625)	(105,550)	0.52	(28,412)	(2,464,037)
Expired	(6,668)	0.79	(689)	–	–	–	(689)
Balance, March 31, 2012	5,198,820	1.62	3,783,003	–	–	–	3,783,003
Issued (note 8)	7,000,000	3.00	1,780,000	–	–	–	1,780,000
Exercised	(22,260)	1.15	(15,505)	–	–	–	(15,503)
Expired	(2,954,338)	1.86	(2,520,311)	–	–	–	(2,520,313)
Balance, March 31, 2013	9,222,222	2.59	3,027,187	–	–	–	3,027,187

For the year ended March 31, 2013, the weighted-average share price at the date of exercise of the common share purchase warrants was $1.38 (2012 - $1.68).

A summary of the Company's warrants outstanding at March 31, 2013 is presented below:

Common share warrant exercise price	Expiry date	Number of warrants
$1.20 until October 7, 2012, and thereafter, $1.50	October 7, 2013	2,222,222
$3.00	May 17, 2015	7,000,000
		9,222,222

Stock options
On August 10, 2012, the shareholders of the Company approved an amendment to replenish the number of shares reserved for issuance under the stock option plan. The Company may grant up to 15,000,000 stock options (March 31, 2012 - 15,000,000) to directors, officers, employees and consultants that vest on the date of grant for a term not exceeding 5 years. At March 31, 2013, 4,660,000 stock options are available to be granted.

	Number of options	Weighted-average exercise price $
Balance, March 31, 2011	8,507,500	0.83
Granted	4,292,500	1.43
Exercised	(780,000)	1.00
Balance, March 31, 2012	12,020,000	1.04
Exercised	(590,000)	0.45
Expired	(185,000)	0.45
Cancelled	(1,495,000)	1.36
Balance, March 31, 2013	9,750,000	1.03

The weighted-average share price on the date of exercise of the stock options was $0.70 (2012 - $1.93).
A summary of the Company's outstanding and exercisable stock options at March 31, 2013 is presented below:

Exercise price	Expiry date	Options outstanding and exercisable
$0.70 (expired subsequent to March 31, 2013)	May 16, 2013	210,000
$1.15	October 1, 2013	70,000
$0.30	September 16, 2014	1,145,000
$0.33	September 24, 2014	152,500
$0.405	November 9, 2014	50,000
$0.80 (50,000 stock options cancelled subsequent to March 31, 2013)	January 14, 2015	1,425,000
$0.85	February 2, 2015	300,000
$1.00	March 2, 2015	350,000
$1.00 (50,000 stock options cancelled subsequent to March 31, 2013)	October 3, 2015	2,200,000
$1.00	October 4, 2015	250,000
$1.50	October 4, 2015	500,000
$1.00	October 24, 2015	100,000
$1.10	November 5, 2015	50,000
$2.17	January 10, 2016	150,000
$1.50 (200,000 stock options cancelled subsequent to March 31, 2013)	June 24, 2016	200,000
$1.50 (550,000 stock options cancelled subsequent to March 31, 2013)	September 9, 2016	1,675,000
$1.30	December 23, 2016	922,500
		9,750,000

Share-based compensation
In the absence of a reliable measurement of the services provided by consultants, the services have been measured at the fair value of the stock options granted.

No stock options were granted in the year ended March 31, 2013. The weighted average fair value of stock options granted in the year ended March 31, 2012 was $1.01, which was calculated using the Black-Scholes option pricing model with the following weighted-average assumptions:

Exercise price	$1.43
Share price	$1.31
Risk-free interest rate	1.33%
Expected volatility based on historical volatility	107%
Expected life of stock options	5 years
Expected dividend yield	0%
Forfeiture rate	0%

The stock options granted in the year ended March 31, 2012 vested on the date of grant and the fair value of the stock options was recorded as share-based compensation.

Non-controlling interest
At March 31, 2012, the non-controlling interest represented a 17.5% interest in the Fermont joint venture that was controlled by the Company. On May 17, 2012, the Company acquired the 17.5% interest in the Fermont joint venture (note 8).

10. Income taxes

The Company's effective income tax rate differs from the amount that would be computed by applying the federal and provincial statutory rate of 26.5% (2011 - 27.8%) to the loss for the year. The reasons for the difference are as follows:

	2013 $	2012 $
Income tax recovery based on statutory rate	2,094,648	2,460,398
Share-based compensation and other non-deductible items	(37,804)	(1,216,841)
Share issue costs	22,626	561,869
Timing difference on acquisition of non-controlling interest	(2,408,441)	–
Change in rate and other	161,661	(213,773)
Change in deferred income tax not recognized	167,310	(1,591,653)
	–	–

Deferred income tax assets and liabilities
The Company's deferred income tax assets and liabilities are valued using the future rate of 26.5% (2012 - 25%), which is the effective rate when they will be realized, and are as follows:

	As at March 31, 2013	2012
Asset		
Non-capital loss carryforward and share issue costs	5,824,018	4,394,236
Investments	913,431	–
Deferred income taxes not recognized	(2,525,543)	(2,692,853)
	4,211,906	1,701,383
Liability		
Exploration and evaluation	(4,211,906)	(1,701,383)
	–	–

Losses carried forward
At March 31, 2013, the Company had non-capital loss carryforwards which expire as follows:

	$
2027	153,000
2028	406,000
2029	1,089,000
2030	1,812,000
2031	4,291,000
2032	5,789,000
2033	5,622,000
	19,162,000

Resource deductions
At March 31, 2013, the Company has cumulative Canadian exploration expenses of $39,386,039 (2012 - $25,349,000) and cumulative Canadian development expenses of $7,874,309 (2012 - $10,142,000) which may be carried forward indefinitely to reduce taxable income in future years.

11. 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, receivables, due from Cartier and accounts payable and accrued liabilities
The fair values of cash and cash equivalents, short-term investments, receivables, 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 Cartier and Fancamp are measured at the bid market price on the measurement date.

The fair value of the investment in common share purchase warrants of Fancamp is 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 March 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	4,601,089	–	–	4,601,089
Investment in Fancamp				
Common shares	1,798,890	–	–	1,798,890
Common share purchase warrants	–	111,000	–	111,000
Investment in Cartier				
Common shares	535,200	–	–	535,200

As at March 31, 2012

	Level 1 $	Level 2 $	Level 3 $	Total $
Financial asset at fair value through profit and loss				
Cash and cash equivalents and short-term investments	41,467,828	–	–	41,467,828

12. 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 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 receivables related to amounts due from joint venture partner of $nil (March 31, 2012 - $823,547) included in receivables. The maximum exposure to credit risk is equal to the balances of cash and cash equivalents and short-term investments and amounts due from joint venture partner.

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 a high credit quality Canadian chartered banks.

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 investment as at March 31, 2013 had changed by 10%, with all other variables held constant, the loss would have decreased or increased by approximately $289,000.

Interest rate risk
The Company's exposure to interest rate risk is limited due to the short-term nature of its financial instruments. The Company has no interest-bearing debt.

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 year.

13. Related party transactions

	Years ended March 31,		Outstanding at March 31,	
	2013	**2012**	**2013**	**2012**
	$	**$**	**$**	**$**
Exploration and evaluation				
Paid to a company controlled by a director	227,500	44,000	16,950	–
Paid or payable to 2 companies controlled by officers	3,364,605	6,146,071	146,774	609,445
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 or payable to a company controlled by a director	–	250,200	–	66,414
Professional fees				
Paid or payable for legal fees to a company controlled by a director	438,715	232,224	212,212	234,224
Consulting fees				
Paid or payable to a company controlled by a close family member of a director	152,450	50,000	–	5,748

See notes 5 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:

	Years ended March 31,		Outstanding at March 31,	
	2013	**2012**	**2013**	**2012**
	$	**$**	**$**	**$**
Consulting fees	790,833	1,486,000	40,000	470,748
Share-based payments, representing share-based compensation	–	1,282,000	–	–
	790,833	2,768,000	40,000	470,748

These transactions were in the normal course of business.

14. Commitments

Commitments for annual basic premises rent are as follows:

	$
Less than 1 year	145,885
1-5 years	76,892
More than 5 years	–
	222,777

See notes 6 and 8 for further commitments.

15. Subsequent events

Issue of convertible note
On April 30, 2013, the Company issued a convertible note for $563,620 in settlement of accounts payable outstanding at March 31, 2013. 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 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.

Termination of Agreement with the Port
On June 28, 2013, the Company provided notice to the Port terminating the Agreement and requested the repayment of the long-term advance of $6,000,000.