Champion Iron Mines Limited

(formerly Champion Minerals Inc.)

Condensed Interim Consolidated Financial Statements

September 30, 2012

(expressed in Canadian dollars)

(unaudited)

Champion Iron Mines Limited

(formerly Champion Minerals Inc.)

Consolidated Statements of Financial Position

(expressed in Canadian dollars)
(unaudited)

	Notes	As at September 30, 2012 $	As at March 31, 2012 $
Assets			
Current			
Cash and cash equivalents		13,943,851	41,401,828
Short-term investments		66,000	66,000
Receivables		2,925,738	4,022,303
Due from Northfield Metals Inc.	3	185,170	135,170
Prepaid expenses and deposits		479,159	538,095
		17,599,918	46,163,396
Long-term advances	4	4,000,000	-
Investment		3,060,386	-
Exploration and evaluation	5	79,528,765	63,502,139
		104,189,069	109,665,535
Liabilities			
Current			
Accounts payable and accrued liabilities	9	4,132,712	6,414,484
Shareholders' equity			
Capital stock	6	121,389,577	106,947,813
Warrants	6	4,165,187	3,783,003
Contributed surplus		8,942,792	8,947,921
Deficit		(34,441,199)	(24,005,626)
		100,056,357	95,673,111
Non-controlling interest	5	-	7,577,940
		100,056,357	103,251,051
		104,189,069	109,665,535
Commitments	4 and 5		

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.)

Consolidated Statements of Loss and Comprehensive Loss

(expressed in Canadian dollars)
(unaudited)

	3 months ended September 30, 2012 $	3 months ended September 30, 2011 $	6 months ended September 30, 2012 $	6 months ended September 30, 2011 $
Revenue				
Interest	100,308	64,339	194,740	175,024
Other income	-	-	58,400	23,425
	100,308	64,339	253,140	198,449
Expenses				
Professional fees	131,200	75,000	163,959	148,273
Consulting fees	412,401	197,225	765,147	366,681
Share-based compensation	-	2,634,000	-	2,859,000
General and administrative	299,564	199,974	610,343	354,039
Investor relations	279,508	231,706	686,611	504,840
Travel	80,371	151,667	130,805	234,045
Unrealized loss on investment	475,614	-	1,939,614	-
	1,678,658	3,489,572	4,296,479	4,466,878
Loss and comprehensive loss	(1,578,350)	(3,425,233)	(4,043,339)	(4,268,429)
Loss per share - basic and diluted	(0.01)	(0.04)	(0.03)	(0.05)
Weighted average number of shares outstanding - basic and diluted	119,312,987	87,319,105	115,688,226	85,477,322

See accompanying notes to the consolidated financial statements

Champion Iron Mines Limited

(formerly Champion Minerals Inc.)

Consolidated Statements of Changes in Equity

(expressed in Canadian dollars)
(unaudited)

	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 5)	71,850	-	-	-	-	71,850
Acquisition of non-controlling interest (note 5)	13,020,000	1,780,000	-	(5,922,846)	(8,877,154)	-
Transaction costs on acquisition of non-controlling interest (note 5)	-	-	-	(469,387)	-	(469,387)
Exercise of stock options	6,750	-	-	-	-	6,750
Fair value of stock options exercised	5,129	-	(5,129)	-	-	-
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	-	-	-	(4,043,339)	-	(4,043,339)
Balance, September 30, 2012	121,389,577	4,165,187	8,942,792	(34,441,199)	-	100,056,357
Balance, March 31, 2011	69,130,196	6,234,889	5,152,526	(15,155,271)	1,836,871	67,199,211
Issued for exploration and evaluation	197,000	-	-	-	-	197,000
Exercise of stock options	266,500	-	-	-	-	266,500
Fair value of stock options exercised	177,035	-	(177,035)	-	-	-
Fair value of warrants issued	(12,840)	12,840	-	-	-	-
Exercise of warrants	3,911,615	-	-	-	-	3,911,615
Fair value of warrants exercised	1,410,398	(1,410,398)	-	-	-	-
Share-based compensation	-	-	2,859,000	-	-	2,859,000
Contribution by joint venture partner	-	-	-	-	3,431,000	3,431,000
Loss	-	-	-	(4,268,429)	-	(4,268,429)
Balance, September 30, 2011	75,079,904	4,837,326	7,834,491	(19,423,700)	5,267,871	73,595,897

Champion Iron Mines Limited

(formerly Champion Minerals Inc.)

Consolidated Statements of Cash Flows

(expressed in Canadian dollars)
(unaudited)

	6 months ended September 30, 2012 $	2011 $
Cash provided by (used in)		
Operating activities		
Loss	(4,043,339)	(4,268,429)
Items not affecting cash		
Share-based compensation	-	2,859,000
Unrealized loss on investment	1,939,614	-
Changes in non-cash operating working capital		
Receivables	1,096,565	(3,446,557)
Prepaid expenses and deposits	(41,879)	(665,714)
Accounts payable and accrued liabilities	(5,676,705)	2,967,279
	(6,725,745)	(2,554,421)
Financing activities		
Exercise of stock options	6,750	266,500
Exercise of warrants	25,599	3,911,615
Repayment of note payable	-	(500,000)
Share issue costs	(85,380)	-
	(53,031)	3,678,115
Investing activities		
Short-term investments	-	14,029,734
Advance to Northfield Metals Inc.	(50,000)	(16,040)
Long-term advances	(3,000,000)	-
Investment in Fancamp Exploration Ltd.	(5,000,000)	-
Transaction costs on acquisition of non-controlling interest	(469,387)	-
Proceeds on waiver of royalty (note 5)	2,000,000	-
Exploration and evaluation	(14,159,695)	(18,693,404)
	(20,679,082)	(4,679,710)
Net increase in cash and cash	(27,457,859)	(3,556,016)
Cash and cash equivalents, beginning of period	41,401,828	27,747,442
Cash and cash equivalents, end of period	13,943,851	24,191,426
Non-cash transactions		
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	-	-

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
These interim financial statements are prepared in accordance with IAS 34, *Interim Financial Reporting*, using accounting policies consistent with IFRS.

The policies applied in these interim financial statements are based on IFRS issued and outstanding as of September 30, 2012. Any subsequent changes to IFRS that are reflected in the annual financial statements for the year ending March 31, 2013 could result in the restatement of these interim financial statements.

These 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, 2012.

The interim financial statements were approved and authorized for issue by the Board of Directors on November 13,

Financial instruments

Investments
The Company has classified investments at fair value through profit or loss.

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 10, Consolidation ("IFRS 10")
IFRS 10 requires an entity to consolidate an investee when it 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 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 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.

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 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 consolidated 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.

3. Due from Northfield Metals Inc.

As at September 30, 2012, the amount of $185,170 due from Northfield Metals Inc. (“Northfield”) is unsecured, non-interest bearing and is due on demand. As at March 31, 2012, two directors of the Company were directors of Northfield.

4. Long-term advances

	September 30, 2012 $	**March 31, 2012 $**
Sept-Îles Port Authority	3,000,000	–
Canadian National Railway Company	1,000,000	–
	4,000,000	–

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 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. The Company will pay the amount secured by the hypothec in 10 monthly payments of $1,000,000 commencing on August 1, 2012, $1,790,000 on June 1, 2013 and $12,791,000 on July 1, 2013.

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.

Canadian National Railway Company
On August 24, 2012, the Company signed an agreement with Canadian National Railway Company ("CN") to participate in a feasibility study of a proposed new multi-user railway that would connect mining projects in the Labrador Trough to the deep water port in Sept-Îles. The Company has committed to contribute $1,000,000 towards the completion of the feasibility study. Under certain circumstances, these funds could be refunded to the Company.

5. Exploration and evaluation

	March 31, 2012 $	Acquisition costs $	Exploration $	Gain on waiver of royalty $	September 30, 2012 $
Fermont					
Consolidated Fire Lake North					
Fire Lake North	31,463,404	–	16,838,929	(150,142)	48,152,191
Oil Can	4,185,865	1,390	852,777	(63,739)	4,976,293
Bellechase	1,564,040	–	14,965	(48,867)	1,530,138
Midway	734,632	–	4,365	(57,657)	682,340
	37,947,941	1,390	17,711,036	(319,405)	55,340,962
Harvey-Tuttle	8,430,336	–	7,406	(352,691)	8,085,051
Moire Lake	4,007,199	–	151,710	(94,193)	4,064,716
O'Keefe Purdy	4,302,515	–	9,897	(266,289)	4,046,124
Other	5,804,683	21,460	51,903	(967,422)	4,910,624
	60,492,674	22,850	17,931,952	(2,000,000)	76,447,477
Powderhorn	1,490,405	–	3,350	–	1,493,755
Attikamagen	503,198	–	–	–	503,198
Gullbridge	1,015,862	4,473	49,000	–	1,069,336
	63,502,139	27,323	17,984,302	(2,000,000)	79,513,766

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 0.5% of the Royalty 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 it 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 the 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
	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 the deficit.

Transaction costs for an equity transaction are accounted for as a deduction from equity. Transaction costs of $469,499 have been charged to the deficit.

Waiver of option rights

On May 17, 2012, the Company granted a waiver to Fancamp of the Company's option to purchase 0.5% 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:

	September 30, 2012	**May 17, 2012**
Share price	$0.155	$0.225
Risk-free interest rate	1.06%	1.21%
Expected volatility based on historical volatility	80%	104%
Expected life of warrants	2.96 years	3 years
Expected dividend yield	Nil	Nil
Fair value	$270,000	$925,390
Fair value per warrant	$0.0270	$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 the 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

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

	Option payments $	**Common shares**	**Exploration expenditures $**
Upon conditional approval from a stock exchange for the listing of the shares of Northfield	100,000	1,000,000	–
1 year after signing of an option and joint venture agreement	150,000	500,000	500,000
2 years after signing of an option and joint venture agreement	250,000	500,000	750,000
3 years after signing of an option and joint venture agreement	250,000	500,000	–
4 years after signing of an option and joint venture agreement	250,000	–	4,750,000
	1,000,000	2,500,000	6,000,000

The Company and Northfield agreed that the option constitutes a binding agreement and agreed to negotiate the terms of and execute a mutually satisfactory option and joint venture agreement by December 31, 2012.

Upon Northfield 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. Northfield 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 Northfield 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.

Two officers of the Company are officers of Northfield.

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. Powderhorn is encumbered with a 2.85% net smelter royalty ("NSR"), of which, 1.85% can be purchased by the joint venture participants for $2,300,000 to reduce the NSR to 1%.

Attikamagen

Attikamagen consists of 946 claims covering 310 square kilometres in Labrador and Quebec. Attikamagen is 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 52 claims representing the initial claims acquired in 2007 ("Aggregate Royalty"). The Company has an option to purchase the Aggregate Royalty 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 its Attikamagen Property. 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
	13,000,000

On or about June 6, 2012, the optionee earned an increase in its interest in Attikamagen from 51% to 56%, leaving the Company with a 44% interest.

Option for the Gullbridge Property

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 Number	 $	Exploration expenditures $
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	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

6. Capital stock

Authorized
An unlimited number of common shares.

Issued

	Number of common shares	$
Balance, March 31, 2012	105,214,207	106,947,813
Issued for exploration and evaluation (note 5)	75,000	71,850
Acquisition of non-controlling interest (note 5)	14,000,000	13,020,000
Exercise of stock options	15,000	6,750
Fair value of warrants exercised	–	5,129
Exercise of warrants	22,260	25,599
Fair value of warrants exercised	–	15,505
Fair value of warrants expired	–	1,382,311
Share issue costs	–	(85,380)
Balance, September 30, 2012	119,326,465	121,389,577

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, 2012	5,198,820	1.62	3,783,003
Issued (note 5)	7,000,000	3.00	1,780,000
Exercised	(22,260)	1.15	(15,505)
Expired	(2,162,338)	1.50	(1,382,311)
Balance, September 30, 2012	10,014,222	2.61	4,165,187

A summary of the Company's warrants outstanding at September 30, 2012 is presented below:

Common share warrant exercise price	Expiry date	Number of warrants
$1.20 until October 7, 2012, and thereafter, $1.50 until October 7, 2013	October 7, 2013	2,222,222
$2.84	February 3, 2013	792,000
$3.00	May 17, 2015	7,000,000
		10,014,222

Stock options

The Company has established a stock option plan, under which, the Company may grant up to 15,000,000 stock options (March 31, 2012 – 15,000,000) to directors, officers, employees and consultants. Stock options may be granted for a term not exceeding 5 years and vest on the date of grant. 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, of which, 11,620,000 stock options have been granted, of which, 15,000 were exercised, leaving 3,380,000 stock options available to be granted.

	Number of options	Weighted-average exercise price $
Balance, March 31, 2012	12,020,000	1.04
Exercised	(15,000)	0.45
Cancelled	(400,000)	1.30
Balance, September 30, 2012	11,605,000	1.03

A summary of the Company's outstanding stock options at September 30, 2012 is presented below:

Exercise price	Expiry date	Options outstanding and exercisable
$0.45	January 10, 2013	760,000
$0.70	May 16, 2013	210,000
$0.30	September 16, 2014	1,145,000
$0.33	September 24, 2014	152,500
$0.405	November 9, 2014	50,000
$0.80	January 14, 2015	1,450,000
$0.85	February 2, 2015	300,000
$1.00	March 2, 2015	350,000
$1.15	October 1, 2013	70,000
$1.00	October 3, 2015	2,225,000
$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	June 24, 2016	200,000
$1.50	September 9, 2016	2,200,000
$1.30	December 23, 2016	1,442,500
		11,605,000

7. 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 Northfield Metals Inc. and accounts payable and accrued liabilities
The fair values of cash and cash equivalents, short-term investments, receivables, due from Northfield Metals Inc. and accounts payable and accrued liabilities are estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. At September 30, 2012 and March 31, 2012, the fair value of these balances approximated their carrying values due to their short term to maturity.

Investment
The fair value in the investment in common shares of Fancamp is measured at the bid market price on the measurement date.

The fair value of the investment in common share purchase warrants 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

Cash and cash equivalents, short-term investments and investment in common shares of Fancamp are measured at fair value at Level 1 of the fair value hierarchy. Investment in common share purchase warrants of Fancamp are measured at fair value at Level 2 of the fair value hierarchy.

8. 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 consolidated 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 and 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 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 September 30, 2012 had changed by 10%, with all other variables held constant, the loss would have decreased or increased by approximately $327,000.

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.

9. Related party transactions

	6 months ended September 30, 2012 $	2011 $	Outstanding as at September 30, 2012 $	Outstanding as at March 31, 2012 $
Exploration and evaluation				
Paid to a company controlled by a director	137,500	60,000	16,950	–
Paid or payable to 2 companies controlled by officers	2,320,228	3,427,751	368,478	609,445
Transaction costs on acquisition of non-controlling interest				
Paid for legal fees to a company controlled by a director	205,725	–	–	–
Professional fees				
Paid or payable for legal fees to a company controlled by a director	134,877	104,831	36,815	234,224
Consulting fees				
Paid or payable to a company controlled by a close family member of a director	112,450	–	11,300	5,748

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:

	6 months ended September 30, 2012 $	2011 $	Outstanding as at September 30, 2012 $	Outstanding as at March 31, 2012 $
Consulting fees	385,000	282,000	73,900	470,748

These transactions were in the normal course of business.