

# **Champion Minerals Inc.**

## **Consolidated Financial Statements**

**December 31, 2011**

**(expressed in Canadian dollars)**

**(unaudited)**

### **Management's Comments on Unaudited Consolidated Financial Statements**

These unaudited consolidated financial statements of Champion Minerals Inc. (the "Company") have been prepared by management and approved by the Board of Directors of the Company.

These unaudited consolidated financial statements have not been reviewed by the Company's external auditors.

# Champion Minerals Inc.

## Consolidated Statements of Financial Position

(expressed in Canadian dollars)  
(unaudited)

	As at December 31, 2011 \$	As at March 31, 2011 \$  (note 11)
<b>Assets</b>		
Current		
Cash and cash equivalents	15,995,847	27,747,442
Short-term investments	-	14,029,734
Receivables	3,231,598	737,114
Due from Northfield Metals Inc. (note 3)	43,540	7,500
Prepaid expenses and deposits	912,294	380,888
	<u>20,183,280</u>	<u>42,902,678</u>
Exploration and evaluation (note 4)	59,906,929	28,465,034
	<u>80,090,209</u>	<u>71,367,712</u>
<b>Liabilities</b>		
Current		
Accounts payable and accrued liabilities	1,920,948	3,168,499
Note payable (note 5)	500,000	1,000,000
	<u>2,420,948</u>	<u>4,168,499</u>
<b>Shareholders' equity</b>		
Capital stock (note 6)	75,080,593	69,130,196
Warrants (note 6)	4,836,638	6,234,889
Contributed surplus	9,289,491	5,152,528
Deficit	(21,604,884)	(15,155,271)
	<u>67,601,838</u>	<u>65,362,343</u>
Non-controlling interest (notes 4 and 6)	10,067,423	1,836,871
	<u>77,669,261</u>	<u>67,199,214</u>
	<u>80,090,209</u>	<u>71,367,713</u>

Commitments (notes 4 and 10)

**On behalf of the Board:**

Thomas Larsen  
**Director**

Paul Ankcorn  
**Director**

# Champion Minerals Inc.

## Consolidated Statements of Loss and Comprehensive Loss

(expressed in Canadian dollars)  
(unaudited)

	3 months ended		9 months ended	
	December 31,		December 31,	
	2011	2010	2011	2010
	\$	\$	\$	\$
		(note 11)		(note 11)
<b>Expenses</b>				
Professional fees	49,445	29,933	197,718	136,034
Consulting fees	241,472	194,000	608,153	467,000
Stock-based compensation (note 6)	1,455,000	3,135,000	4,314,000	4,880,000
General and administrative	183,699	208,539	537,738	413,146
Investor relations	299,172	370,240	804,012	886,369
Travel	166,591	128,825	400,636	301,392
Part XII.6 tax	-	(6,164)	-	(6,164)
	<u>2,395,379</u>	<u>4,060,374</u>	<u>6,862,258</u>	<u>7,077,777</u>
<b>Loss before the following items</b>	(2,395,379)	(4,060,374)	(6,862,258)	(7,077,777)
Interest	74,196	-	249,219	5,849
Other income	140,000	-	163,425	-
<b>Loss and comprehensive loss</b>	<u>(2,181,183)</u>	<u>(4,060,374)</u>	<u>(6,449,613)</u>	<u>(7,071,928)</u>
<b>Loss per share-basic and diluted</b>	<u>(0.02)</u>	<u>(0.06)</u>	<u>(0.07)</u>	<u>(0.12)</u>
<b>Weighted average number of shares outstanding - basic and diluted</b>	<u>88,935,437</u>	<u>64,161,824</u>	<u>86,296,717</u>	<u>57,852,949</u>

# Champion Minerals Inc.

## Consolidated Statements of Changes in Equity

(expressed in Canadian dollars)  
(unaudited)

	Capital stock \$	Warrants \$	Contributed surplus \$	Deficit \$	Non- controlling interest \$	Total \$
<b>Balance, March 31, 2011</b>	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)	-	-	-	-
Stock-based compensation	-	-	4,314,000	-	-	4,314,000
Contribution by joint venture partner	-	-	-	-	8,230,551	8,230,551
Loss	-	-	-	(6,449,613)	-	(6,449,613)
<b>Balance, December 31, 2011</b>	<b>75,079,904</b>	<b>4,837,326</b>	<b>9,289,491</b>	<b>(21,604,884)</b>	<b>10,067,422</b>	<b>77,669,266</b>
<b>Balance, March 31, 2010</b>	15,584,671	2,035,794	1,093,238	(6,683,461)	-	12,030,242
Issued for mineral resource properties	5,278,000	-	-	-	-	5,278,000
Private placement of units	15,190,000	-	-	-	-	15,190,000
Private placement of flow-through common shares	625,000	-	-	-	-	625,000
Fair value of warrants issued	(5,227,785)	5,670,785	-	-	-	443,000
Exercise of stock options	406,250	-	-	-	-	406,250
Fair value of stock options granted	-	-	4,880,000	-	-	4,880,000
Fair value of stock options exercised	297,406	-	(297,406)	-	-	-
Exercise of warrants	4,796,257	-	-	-	-	4,796,257
Fair value of warrants exercised	1,821,768	(1,817,471)	-	-	-	4,297
Fair value of warrants expired	-	(4,300)	-	-	-	(4,300)
Share issue costs, net of tax	(1,213,009)	-	-	-	-	(1,213,011)
Contribution by joint venture partner	-	-	-	-	-	-
Loss	-	-	-	(7,071,928)	-	(7,071,928)
<b>Balance, December 31, 2010</b>	<b>37,558,558</b>	<b>5,884,808</b>	<b>5,675,832</b>	<b>(13,755,389)</b>	<b>-</b>	<b>35,363,807</b>

# Champion Minerals Inc.

## Consolidated Statements of Cash Flows

(expressed in Canadian dollars)  
(unaudited)

	9 months ended December 31,	
	2011	2010
	\$	\$
		(note 11)
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Loss for the period	(6,449,613)	(7,071,928)
Item not affecting cash		
Stock-based compensation	4,314,000	4,880,000
Changes in non-cash operating working capital		
Receivables	(2,494,484)	(228,893)
Prepaid expenses and deposit	(531,405)	(534,614)
Accounts payable and accrued liabilities	(1,649,435)	(3,481,441)
	<u>(6,810,938)</u>	<u>(6,436,876)</u>
<b>Financing activities</b>		
Issue of common shares	-	15,814,999
Exercise of stock options	266,500	406,250
Exercise of warrants	3,911,615	4,796,257
Repayment of note payable	(500,000)	-
Share issue costs	-	(1,002,009)
	<u>3,678,115</u>	<u>20,015,497</u>
<b>Investing activities</b>		
Due from Northfield Metals Inc.	(36,040)	(7,500)
Short-term investments	14,029,734	-
Exploration and evaluation	(22,612,465)	(7,208,327)
	<u>(8,618,771)</u>	<u>(7,215,827)</u>
<b>Net increase in cash and cash equivalents</b>	(11,751,594)	6,362,795
<b>Cash and cash equivalents, beginning of period</b>	27,747,442	6,225,219
<b>Cash and cash equivalents, end of period</b>	<u>15,995,847</u>	<u>12,588,014</u>
<b>Non-cash transactions</b>		
Issued for mineral resource properties		
Common shares	197,000	5,278,000
Notes payable	-	1,000,000
<b>Supplementary information</b>		
Interest paid	-	-
Income taxes paid	-	-

# Champion Minerals Inc.

## Notes to Consolidated Financial Statements

### December 31, 2011

(unaudited)

#### 1. Nature of operations

Champion Minerals Inc. (the "Company") is engaged in the exploration and development of iron ore properties in Quebec and Newfoundland.

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

#### 2. Basis of presentation and adoption of International Financial Reporting Standards ("IFRS")

##### 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 February 14, 2012, the date on which the Board of Directors approved these interim financial statements. Any subsequent changes to IFRS that are reflected in the annual financial statements for the year ending March 31, 2012 could result in the restatement of these interim financial statements, including the transition adjustments recognized on the changeover to IFRS.

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, 2011 that were prepared in accordance with accounting principles generally accepted in Canada ("Canadian GAAP").

##### New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations are effective for periods beginning on or after January 1, 2013. The Company has not yet assessed the impact of such standards, amendments and interpretations or determined whether it will adopt any of them early.

##### *IFRS 9, Financial Instruments ("IFRS 9")*

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

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

##### *IFRS 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.

## **3. Due from Northfield Metals Inc.**

The amount of \$43,540 due from Northfield Metals Inc. ("Northfield") is unsecured, non-interest bearing and is due on demand. Two directors of the Company are directors of Northfield.

## **4. Exploration and evaluation**

	<b>March 31, 2011</b>	<b>Acquisition costs</b>	<b>Exploration</b>	<b>December 31, 2011</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Fermont	11,666,428	73,500	8,501,098	20,241,027
Bellechase	147,404	—	406,017	553,421
Fire Lake North	7,637,938	—	15,428,576	23,066,514
Harvey-Tuttle	5,964,143	—	293,967	6,258,110
Moire Lake	712,900	—	2,770,893	3,483,793
O'Keefe Purdy Audrea Lakes	—	—	3,016,854	3,016,854
Penguin Lake	15,475	—	—	15,475
Powderhorn	1,396,263	—	124,675	1,520,938
Attikamagen	503,198	—	—	503,198
Gullbridge	421,285	136,000	690,314	1,247,599
	<b>28,465,034</b>	<b>209,500</b>	<b>31,232,395</b>	<b>59,906,929</b>

### **Fermont Property**

The Company owns an 82.5% joint venture interest in the Fermont Property covering an area of 710 square kilometres situated in northeastern Quebec.

The Company has the option to earn an additional 2.5% interest in any Claim Block by issuing 250,000 common shares on a one-time basis and incurring all necessary expenditures to completion of a positive bankable feasibility study for the respective Claim Block.

The Claims are subject to a 3% net smelter return royalty (“NSR”) payable to the two vendors on a 50/50 basis, of which, the Company has the option to purchase one-third for \$3,000,000. The Company has a right of first refusal on the NSR and the other joint venturer’s interest in the Claims.

If the other joint venturer does not choose 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 the NSR. In the event that the Company or the other joint venturer proposes to acquire any property within 10 kilometres of the Fermont Property, the purchaser must offer the property proposed to be acquired to the other party for inclusion in the joint venture at cost.

On May 16, 2011, the Company acquired a 100% interest in claim blocks covering 4.16 square kilometres. 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. Powderhorn is subject to 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 1.0%. The Company’s 70% interest is subject to a joint venture agreement with the vendor who holds the remaining 30% interest.

**Attikamagen**

The Company owns a 49% interest in 938 claims covering 310.7 square kilometres in Labrador and Quebec. The claims include 52 claims comprising the Attikamagen Lake Iron Property in western Labrador that are subject to an aggregate royalty of \$1.50 per tonne of iron content in any and all iron ore, pellets or other products produced, which the Company has an option to purchase 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:

	<b>Exploration expenditures \$</b>
<b>To earn 51% interest</b>	
March 26, 2009 (incurred)	2,500,000
March 26, 2011 (incurred)	2,500,000
March 26, 2012 (incurred)	2,500,000
	<hr/> 7,500,000
<b>To increase to 56% interest</b>	
March 26, 2013	2,500,000
<b>To increase to 60% interest</b>	
March 26, 2014	3,000,000
	<hr/> 13,000,000

On February 7, 2012, the Company confirmed that the optionee had earned a 51% interest in the Attikamagen Property. Up to February 14, 2012, the optionee has advanced \$12,720,000 for exploration expenditures; however, the optionee has not advised the Company with respect to its intention to increase to a 56% interest in the Attikamagen Property.

**Option for the Gullbridge Property**

The Company has an option to earn an 85% interest in the Gullbridge Property in the Buchans Mining Camp, Newfoundland. In order to earn its interest, the Company must make the option payments, issue common shares and incur exploration expenditures as follows:



	Option payments \$	Common shares Number	\$	Exploration expenditures \$
<b>To earn 51% interest</b>				
On closing (paid and issued)	10,000	50,000	28,500	-
May 5, 2009 (paid, issued and incurred)	10,000	100,000	33,000	200,000
March 23, 2010 (issued)	-	75,000	76,500	-
May 5, 2011 (paid, issued and incurred)	10,000	75,000	126,000	200,000
May 5, 2012	-	-	-	400,000
	30,000	300,000	264,000	800,000
<b>To increase to 75% interest</b>				
2 years after earning 51% interest	-	150,000	-	700,000
<b>To increase to 85% interest</b>				
	-	-	-	All necessary expenditures up to the completion of a positive bankable feasibility study

The Company and the optionor are currently verifying that the Company has incurred the required exploration expenditures to earn a 51% interest in Gullbridge.

#### 5. Note payable

The note payable of \$500,000 is unsecured, non-interest bearing and was paid on January 12, 2012.

#### 6. Capital stock

##### Authorized

An unlimited number of common shares.

##### Issued

	Number of shares	\$
Balance, March 31, 2011	82,987,503	69,130,196
Issued for exploration and evaluation	100,000	197,000
Exercise of stock options	305,000	266,500
Fair value of stock options exercised	-	177,035
Fair value of warrants issued	-	(12,840)
Exercise of warrants	4,634,098	3,911,615
Fair value of warrants exercised	-	1,410,398
Fair value of warrants expired	-	689
Balance, December 31, 2011	88,026,600	75,080,593

## Warrants

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

	Common share purchase warrants			Unit warrants			Total \$
	Number of warrants	Weighted- average exercise price \$	\$	Number of warrants	Weighted- average exercise price \$	\$	
Balance, March 31, 2010	7,590,907	0.76	1,939,486	333,360	0.54	96,308	2,035,794
Issued	10,175,238	1.51	6,822,036	-	-	-	6,822,036
Exercised	(6,347,278)	1.04	(2,550,748)	(227,810)	0.56	(67,897)	(2,618,644)
Expired	(25,000)	0.70	(4,297)	-	-	-	(4,297)
Balance, March 31, 2011	11,393,867	1.28	6,206,473	105,500	0.52	28,411	6,234,889
Issued	52,775	0.79	12,840	-	-	-	12,840
Exercised	(4,528,549)	0.86	(1,381,987)	105,050	0.52	(28,411)	(1,410,398)
Expired	(6,668)	0.79	(689)	-	-	-	(689)
Balance, December 31, 2011	6,911,425	1.55	4,836,637	-	-	-	4,836,637

A summary of the Company's warrants outstanding at December 31, 2011 is presented below:

Common share warrant exercise price	Expiry date	Warrants outstanding
\$1.50	April 30, 2012	2,732,147
\$1.15	April 30, 2012	453,945
\$1.20 until October 7, 2012, and thereafter, \$1.50	October 7, 2013	2,933,333
\$2.84	February 3, 2013	792,000
		6,911,425

## 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, 2011 – 12,000,000) to directors, officers, employees and consultants. As at December 31, 2011, there were no stock options available to be granted. Stock options may be granted for a term not exceeding 5 years and vest on the date of grant.

	Number of options	Weighted- average exercise price
Balance, March 31, 2011	8,507,500	0.83
Granted	4,292,500	1.43
Exercised	(305,000)	0.87
Balance, December 31, 2011	12,495,000	1.04

A summary of the Company's outstanding stock options at December 31, 2011 is presented below:

<b>Exercise price</b>	<b>Expiry date</b>	<b>Options outstanding and exercisable</b>
\$0.45	January 10, 2013	775,000
\$0.70	May 16, 2013	310,000
\$0.30	September 16, 2014	1,195,000
\$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	2,250,000
\$1.00	October 4, 2015	500,000
\$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	2,650,000
\$1.30	December 23, 2016	1,442,500
		<b>12,495,000</b>

A summary of the stock options granted during the 9 months ended December 31, 2011 and the assumptions for the calculation of the fair value of those stock options using the Black-Scholes option pricing model is presented below:

<b>Date of grant</b>	<b>June 24, 2011</b>	<b>September 9, 2011</b>	<b>December 23, 2011</b>
Options granted	200,000	2,650,000	1,442,500
Exercise price	\$1.50	\$1.50	\$1.30
Expiry date	June 24, 2016	September 9, 2016	December 23, 2016
Fair value	\$225,000	\$2,634,000	\$1,455,000
Risk-free interest rate	2.04%	1.29%	1.31%
Expected volatility	100%	107%	107%
Expected life of options	5 years	5 years	5 years
Expected dividend yield	0%	0%	0%

The stock options vested on the date of grant and the fair value of the stock options was recorded as stock-based compensation.

#### **Non-controlling interest**

The non-controlling interest represents a 17.5% interest in the joint venture for the Fermont Property, which is controlled by the Company.

#### **7. Capital disclosures**

Capital of the Company consists of the equity attributable to the common shareholders, comprised of share capital, 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 continue to explore and develop its 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 does not establish 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.

As the Company is an exploration stage company, it has no revenues and its principal source of capital is from the issue of common shares. In order to achieve its objectives, the Company will spend its existing working capital and 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.

## 8. Financial instruments and risk management

### Fair value

Fair value represents the amount at which a financial instrument could be exchanged between willing parties, based on current markets for instruments with the same risk, principal and remaining maturity. Fair value estimates are based on quoted market values and other valuation methods.

The carrying value of cash and cash equivalents, short-term investments, accounts payable and accrued liabilities and notes payable approximates fair value due to the short-term nature of these financial instruments.

### Risk management

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk and interest rate risk.

#### Currency risk

As the majority of the Company's expenditures are in Canadian dollars, the Company limits its exposure to currency risk by maintaining its cash and cash equivalents in Canadian dollars.

#### Credit risk

Credit risk is the risk of a loss if a counterparty to a financial instrument fails to meet its contractual obligations. The Company limits its exposure to credit risk by holding its cash in deposits with high credit quality Canadian financial institutions.

#### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages its liquidity risk through the management of its capital structure as outlined in note 7. Accounts payable are all due within 30 days and notes payable of \$500,000 was paid on January 12, 2012.

#### Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk due to the short-term nature of its financial instruments.

## 9. Related party transactions

	9 months ended		Outstanding as at	
	2011	2010	2011	2010
	\$	\$	\$	\$
<b>Exploration and evaluation</b>				
Paid or payable to a company controlled by a director (2010 - 2 companies)	110,000	63,437	–	12,547
Paid or payable to 2 companies controlled by officers	4,742,345	1,938,210	365,907	–
<b>Common shares</b>				
Share issue costs for legal fees paid or payable to a company controlled by a director	–	124,728	–	–
<b>Professional fees</b>				
Paid or payable for legal fees to a company controlled by a director	132,266	126,012	11,377	–
<b>Consulting fees</b>				
Consulting fees paid or payable to 2 companies controlled by directors (2010 - 1 company)	207,000	94,000	–	–
Consulting fees paid or payable to two companies controlled by officers	216,000	117,000	–	–

## 10. Commitments

Commitments for annual basic premises rent are as follows:

Year	\$
2012	30,732
2013	84,461
2014	82,384
Thereafter	124,491
	322,068

## 11. First-time adoption of IFRS

These interim financial statements are prepared in accordance with IAS 34, *Interim Financial Reporting*, using accounting policies consistent with IFRS. An explanation of how the transition from Canadian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows for the comparative 9 months ended December 31, 2010 is set out in the following tables.

### Reconciliation of equity at the date of comparative financial statements – December 31, 2010

	Canadian GAAP \$	Effect of transition to IFRS \$	IFRS \$
<b>Assets</b>			
Current			
Cash and cash equivalents	12,588,014	–	12,588,014
Receivables	630,659	–	630,659
Due from Northfield Metals Inc.	7,500	–	7,500
Prepaid expenses and deposits	713,386	–	713,386
	13,939,558	–	13,939,558
Exploration and evaluation	22,724,348	–	22,724,348
	36,663,906	–	36,663,906
<b>Liabilities</b>			
Current			
Accounts payable and accrued liabilities	206,098	–	206,098
Current portion of notes payable	500,000	–	500,000
	706,098	–	706,098
Notes payable	500,000	–	500,000
Future income taxes	94,000	–	94,000
	1,300,098	–	1,300,098
<b>Shareholders' equity</b>			
Capital stock	37,558,558	55,000	37,613,558
Warrants	5,884,808	–	5,884,808
Contributed surplus	5,675,830	–	5,675,830
Deficit	(13,755,389)	(55,000)	(13,700,389)
	35,363,807	–	35,363,807
	36,663,906	–	36,663,906

### Reconciliation of comprehensive loss for the period covered by comparative financial statements – 9 months ended December 31, 2010

The adoption of IFRS resulted in no changes to the amounts reported in the statement of loss and comprehensive loss for the 3 months and 9 months ended December 31, 2010 compared to financial statements prepared under Canadian GAAP.

**Reconciliation note**

Under IFRS, the issue of flow-through shares are 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 other liabilities 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.

The following table summarizes the adjustments resulting from the change in accounting for flow-through shares:

	<b>December 31, 2011</b>
	<b>\$</b>
<b>Consolidated statements of financial position</b>	
Capital stock	55,000
Deficit	(55,000)

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**12. Subsequent events**

On February 7, 2012, the Company confirmed that the optionee had earned a 51% interest in the Attikamagen Property. Up to February 14, 2012, the optionee has advanced \$12,720,000 for exploration expenditures; however, the optionee has not advised the Company with respect to its intention to increase to a 56% interest in the Attikamagen Property (note 4).

On January, 12, 2012, the Company repaid the note payable of \$500,000 (note 5).