Champion Minerals Inc.

Consolidated Financial Statements

June 30, 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 June 30, 2011 $	As at March 31, 2011 $ (note12)	As at April 1, 2010 $ (note12)
Assets			
Current			
Cash and cash equivalents	36,781,127	27,747,442	6,225,219
Short-term investments	-	14,029,734	-
Receivables	2,117,403	737,114	401,766
Due from Northfield Metals Inc. (note 4)	7,500	7,500	-
Prepaid expenses and deposits	1,107,506	380,888	178,772
	40,013,536	42,902,678	6,805,757
Exploration and evaluation (note 5)	36,121,553	28,465,034	7,621,010
	76,135,089	71,367,712	14,426,767
Liabilities			
Current			
Accounts payable and accrued liabilities	4,095,835	3,168,499	2,070,525
Note payable (note 6)	1,000,000	1,000,000	-
	5,095,835	4,168,499	2,070,525
Deferred income taxes	-	-	326,000
	5,095,835	4,168,499	2,396,525
Shareholders' equity			
Capital stock (note 7)	73,343,069	69,130,196	15,584,671
Warrants (note 7)	5,323,409	6,234,889	2,035,794
Contributed surplus	5,206,744	5,152,528	1,093,238
Deficit	(15,998,468)	(15,155,271)	(6,683,461)
	67,874,754	65,362,343	12,030,242
Non-controlling interest (notes 5 and 7)	3,164,499	1,836,871	-
	71,039,253	67,199,214	12,030,242
	76,135,089	71,367,712	14,426,767

Commitments (notes 5 and 11)
Subsequent event (note 13)

On behalf of the Board:

Thomas Larsen
Director

Paul Ankcorn
Director

See accompanying notes to the consolidated financial statements

Champion Minerals Inc.
Consolidated Statements of Loss and Comprehensive Loss

(expressed in Canadian dollars)
(unaudited)

	3 months ended June 30,	
	2011	**2010**
	$	**$**
		(note12)
Expenses		
Professional fees	73,273	70,078
Consulting fees	169,456	87,500
Stock-based compensation (note 7)	225,000	-
General and administrative	154,065	75,994
Investor relations	273,134	192,777
Travel	82,378	103,482
	977,307	529,831
Loss before the following items	(977,307)	(529,831)
Interest	110,684	5,849
Other income	23,425	-
Loss and comprehensive loss	(843,197)	(523,981)
Loss per share-basic and diluted	(0.010)	(0.011)
Weighted average number of shares outstanding - basic and diluted	83,716,400	49,719,995

See accompanying notes to the consolidated financial statements

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, 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	257,500	-	-	-	-	257,500
Fair value of stock options exercised	170,782	-	(170,782)	-	-	-
Fair value of warrants issued	(11,306)	11,306	-	-	-	-
Exercise of warrants	2,676,116	-	-	-	-	2,676,116
Fair value of warrants exercised	922,781	(922,781)	-	-	-	-
Stock-based compensation	-	-	225,000	-	-	225,000
Contribution by joint venture partner					1,327,628	1,327,628
Loss	-	-	-	(843,197)		(843,197)
Balance, June 30, 2011	73,343,069	5,323,409	5,206,744	(15,998,468)	3,164,499	71,039,259
Balance, March 31, 2010	15,584,671	2,035,794	1,093,238	(6,683,461)	-	12,030,242
Issued for mineral resource properties	1,568,000	-	-	-	-	1,568,000
Private placement of units	12,190,000	-	-	-	-	12,190,000
Fair value of warrants issued	(3,388,114)	3,388,114	-	-	-	-
Exercise of stock options	60,750	-	-	-	-	60,750
Fair value of stock options exercised	45,808	-	(45,808)	-	-	-
Exercise of warrants	1,408,032	-	-	-	-	1,408,032
Fair value of warrants exercised	398,671	(398,671)	-	-	-	-
Share issue costs, net of tax	(697,639)	-	-	-	-	(697,639)
Contribution by joint venture partner					-	
Loss	-	-	-	(523,981)	-	(523,981)
Balance, June 30, 2010	27,170,179	5,025,237	1,047,430	(7,207,442)	-	26,035,404

Champion Minerals Inc.
Consolidated Statements of Cash Flows

(expressed in Canadian dollars)
(unaudited)

	3 months ended June 30, 2011	2010
	$	$
		(note12)
Cash provided by (used in)		
Operating activities		
Loss for the period	(843,197)	(523,981)
Item not affectig cash		
Stock-based compensation	225,000	-
Changes in non-cash operating working capital		
Receivables	(1,380,289)	(187,020)
Prepaid expenses and deposit	(726,618)	(108,177)
Accounts payable and accrued liabilities	2,167,157	787,263
	(557,947)	(31,915)
Financing activities		
Issue of common shares	-	12,190,000
Exercise of stock options	257,500	60,750
Exercise of warrants	2,676,116	1,408,032
Share issue costs	-	(929,639)
	2,933,616	12,729,143
Investing activities		
Short-term investments	14,029,734	-
Exploration and evaluation	(7,371,718)	(4,088,593)
	6,658,016	(4,088,593)
Net increase in cash and cash equivalents	9,033,685	8,608,635
Cash and cash equivalents, beginning of period	27,747,442	6,225,219
Cash and cash equivalents, end of period	36,781,127	14,833,854
Non-cash transactions		
Issued for mineral resource properties		
Common shares	197,000	1,568,000
Supplementary information		
Interest paid	-	-
Income taxes paid	-	-

See accompanying notes to the consolidated financial statements

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

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial statements are the first interim financial statements prepared in accordance with IAS 34, *Interim Financial Reporting*, using accounting policies consistent with IFRS, including the application of IFRS 1, *First-time Adoption of IFRS*.

The policies applied in these interim financial statements are based on IFRS issued and outstanding as of September 14, 2011, 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 ended 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").

Basis of measurement

These interim financial statements have been prepared on the historical cost basis.

Functional and presentation currency

These interim financial statements are presented in Canadian dollars, which is the Company's functional currency.

Use of estimates

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue 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 period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

- the recoverable amounts used in impairment testing of long-lived assets including estimates of reserves and resources, future commodity prices, production costs, foreign exchange rates, discount rates, inflation and income tax rates;
- the fair value of warrants and stock-based compensation determined using the Black-Scholes option pricing model using estimates for expected forfeitures, expected life and stock volatility; and
- the provision for deferred income taxes based on estimated tax bases using substantively enacted tax rates expected to apply to taxable income during the years in which the differences are expected to be recovered or settled.

First-time Adoption of IFRS
In prior periods, the Company's financial statements were prepared in accordance with Canadian GAAP. The Company has adopted IFRS on April 1, 2011 with a transition date of April 1, 2010. Under IFRS 1, IFRS standards are applied retrospectively at the transition date subject to certain exceptions and exemptions. The impact of the transition from Canadian GAAP to IFRS is set out in note 12.

3. Significant accounting policies and future accounting changes

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

Basis of consolidation
These consolidated financial statements include the accounts of the Company and its controlling interest in a joint venture, after the elimination of intercompany balances and transactions.

Financial instruments
(i) 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 not classified any financial asset as 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. Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Company from classifying investment securities as held-to-maturity for the current and the following two financial years.

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 cash and cash equivalents, receivables, due from Northfield Metals Inc. and deposits 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 debt instruments, 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.

(ii) 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 and note payable as other financial liabilities.

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
The Company has elected under IFRS 1 to adopt the provisions of IFRS 6, which allow the Company to continue with the current accounting policies followed under Canadian GAAP regarding the accounting for exploration and evaluation expenditures.

The Company capitalizes all costs relating to the acquisition (including the cash consideration and the fair value of shares issued on the date the property is acquired), exploration and development of mineral resource properties. Proceeds from options granted on properties and mining tax credits are credited to the cost of the related property. Pre-exploration costs are generally expensed unless it is considered probable that future economic benefits can be identified.

Exploration and evaluation represent property acquisition costs and are deferred costs to be charged against operations in the future and do not necessarily reflect the present or future values of the particular projects. Recoverability of the carrying amount of exploration and evaluation is dependent on successful development and commercial exploitation, or alternatively, sale of the respective project.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to property, plant and equipment.

Impairment
Exploration and evaluation are 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.

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 directors, officers, 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. 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.

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 finance cost.

Income tax
Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognized in profit or loss except to the extent that it relates 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 earnings per share is calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held. Diluted earnings per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential common shares, which comprise outstanding stock options and warrants.

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 the standard or determined whether it will adopt the standard 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.

4. Due from Northfield Metals Inc.

The amount of $7,500 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.

5. Exploration and evaluation

	March 31, 2011 $	Acquisition costs $	Exploration $	June 30, 2011 $
Fermont	11,666,428	73,500	707,794	12,447,722
Bellechase	147,404	–	72,672	220,076
Don Lake	394,046	–	–	394,046
Fire Lake North	7,243,892	–	4,976,318	12,220,210
Harvey-Tuttle	5,964,143	–	134,620	6,098,763
Moire Lake	712,900	–	1,290,728	2,003,628
Penguin Lake	15,475	–	–	15,475
Powderhorn	1,396,263	–	52,108	1,448,371
Attikamagen	439,398	–	–	439,398
Gullbridge	421,285	136,000	212,779	770,064
Pterodactyl	63,800	–	–	63,800
	28,465,034	209,500	7,447,019	36,121,553

Fermont Property
The Company owns an 82.5% joint venture interest in the Fermont Property covering an area of 647 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 then 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"), 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%.

Attikamagen
The Company owns a 100% interest in 938 claims covering 310.7 square kilometres in Labrador and Quebec. Attikamagen is 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:

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

Up to September 14, 2011, the optionee has advanced $8,800,000 and, upon the Company verifying the exploration expenditures, the optionee will have earned a 51% interest in Attikamagen.

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 $
To earn 51% interest				
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
To increase to 75% interest				
2 years after earning 51% interest	–	150,000	–	700,000
To increase to 85% interest	–	–	–	All necessary expenditures up to the completion of a positive bankable feasibility study

6. Note payable

The note payable of $1,000,000 is unsecured, non-interest bearing with $500,000 payable on July 12, 2011 (paid subsequent to June 30, 2011) and $500,000 payable on January 12, 2012.

7. Capital stock

Authorized
An unlimited number of common shares.

Issued

	Number of shares	$
Balance, March 31, 2011	82,987,503	69,231,196
Issued for exploration and evaluation	100,000	197,000
Exercise of stock options	275,000	257,500
Fair value of stock options exercised	–	170,782
Fair value of warrants issued	–	(11,306)
Exercise of warrants	3,047,766	2,676,116
Fair value of warrants exercised	–	922,781
Balance, June 30, 2011	86,410,269	73,444,069

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

	Common share purchase warrants			Unit warrants			
	Number of warrants	Weighted-average exercise price $	$	Number of warrants	Weighted-average exercise price $	$	Total $
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	46,525	0.80	11,306	–	–	–	11,306
Exercised	(2,954,717)	0.90	(897,439)	93,050	0.52	(25,343)	(922,781)
Balance, June 30, 2011	8,485,675	1.40	5,320,340	12,500	0.50	3,068	5,323,408

A summary of the Company's warrants outstanding at June 30, 2011 is presented below:

Common share warrant exercise price	Expiry date	Warrants outstanding
$0.75 (except for 5,000 warrants, exercised subsequent to June 30, 2011)	July 11, 2011	912,500
$0.75 (exercised subsequent to June 30, 2011)	July 11, 2011	19,250
$0.60 (exercised subsequent to June 30, 2011)	July 13, 2011	157,500
$0.90 (except for 1,666 warrants, exercised subsequent to June 30, 2011)	August 22, 2011	485,000
$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
		8,485,675
Unit warrant exercise price		
$0.50 (exercised subsequent to June 30, 2011)	July 11, 2011	12,500

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. Stock options may be granted for a term not exceeding 5 years and stock options granted vest on the date of grant.

	Number of options	Weighted-average exercise price
Balance, March 31, 2011	8,507,500	0.83
Granted	200,000	1.50
Exercised	(275,000)	0.94
Balance, June 30, 2011	8,432,500	0.85

A summary of the Company's outstanding stock options at June 30, 2011 is presented below:

Exercise price	**Expiry date**	**Options outstanding and exercisable**
$0.45	January 10, 2013	775,000
$0.70	May 16, 2013	310,000
$0.30	September 16, 2014	1,225,000
$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
		8,432,500

A summary of the stock options granted during the 3 months ended March 31, 2010, and the assumptions for the calculation of the fair value of those stock options using the Black-Scholes option pricing model, is presented below:

Date of grant	**June 24, 2011**
Options granted	200,000
Exercise price	$1.50
Expiry date	June 24, 2016
Fair value	$225,000
Risk-free interest rate	2.04%
Expected volatility	100%
Expected life of options	5 years
Expected dividend yield	0%

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

Non-controlling interest
The non-controlling interest represents a 17.5% interest in the joint venture controlled by the Company.

8. 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.

9. 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 it 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 is financial obligations as they come due. The Company manages its liquidity risk through the management of its capital structure as outlined in note 8. Accounts payable are all due within 30 days and notes payable are due in instalments of $500,000 payable prior to July 12, 2011 and $500,000 payable 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.

10. Related party transactions

	3 months ended June 30,		Outstanding as at June 30,	
	2011	2010	2011	2010
	$	$	$	$
Exploration and evaluation				
Paid or payable to a company controlled by a director (2010 - 2 companies)	30,000	13,761	10,000	–
Paid or payable to 2 companies controlled by officers	1,548,320	312,002	606,486	209,895
Common shares				
Share issue costs for legal fees paid or payable to a company controlled by a director	–	78,965	–	55,165
Professional fees				
Paid or payable for legal fees to a company controlled by a director	59,367	62,578	30,256	–
Consulting fees				
Consulting fees paid or payable to 2 companies controlled by directors (2010 - 1 company)	69,000	30,000	–	–
Consulting fees paid or payable to two companies controlled by officers	72,000	39,000	–	–

11. Commitments

Commitments for annual basic premises rent are as follows:

Year	**$**
2012	122,932
2013	84,461
2014	82,384
Thereafter	124,491
	414,268

12. First-time adoption of IFRS

As disclosed in Note 2, these are the Company's first condensed interim consolidated financial statements for the period covered by the first annual consolidated financial statements to be prepared in accordance with IFRS. The accounting policies set out in note 3 have been applied in preparing the condensed interim consolidated financial statements for the period ended June 30, 2011, the transitional consolidated statement of financial position as at April 1, 2010 and the comparative financial statements for the periods ended June 30, 2010 and March 31, 2011. IFRS *1 First-time Adoption of IFRS* and IAS 34 *Interim Financial Reporting* has been applied to these condensed interim consolidated financial statements.

As a result of applying IFRS 1, the Company is required to present comparative information with the application of IFRS accounting policies as at the April 1, 2010 transition date and comparative information for the 3 months ended June 30, 2010 and for the year ended March 31, 2011. IFRS 1 provides for certain mandatory and optional exemptions for first-time adopters to alleviate the retrospective application of all the accounting standards under IFRS.

An explanation of how the transition from Canadian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables.

First-time adoption exemptions applied

IFRS 1 allows first-time adopters certain exemptions from retrospective application of certain IFRS. The Company has applied the following optional exemptions to full retrospective application of IFRS and has made the following adjustments to transition from Canadian GAAP to IFRS:

Historical cost as deemed cost
IFRS 1 allows a choice to measure exploration and evaluation at its fair value at the date of transition or at historical cost determined under Canadian GAAP. The Company elected to measure exploration and evaluation upon transition to IFRS at the amount determined under Canadian GAAP as at April 1, 2010.

Business combinations
IFRS 1 allows for IFRS 3, *Business Combinations*, to be applied retrospectively or prospectively. The Company elected to adopt IFRS 3 to business combinations after the date of transition. Accordingly, all business combinations after April 1, 2010 will be accounted for in accordance with IFRS 3.

Share-based payment transactions
IFRS 1 allows that full retrospective application may not apply to certain share-based instruments depending on the grant date and vesting terms. The Company has elected to not apply IFRS 2 to share-based payments granted after November 7, 2002 that vested before the date of transition to IFRS. Accordingly, the Company has applied IFRS 2 only to unvested stock options outstanding as at April 1, 2010.

Reconciliation of equity at the date of IFRS transition – April 1, 2010
The adoption of IFRS resulted in no changes to equity as at April 1, 2010 compared to financial statements presented under Canadian GAAP.

Reconciliation of equity at the date of comparative financial statements – June 30, 2010
The adoption of IFRS resulted in no changes to equity as at June 30, 2010 compared to financial statements presented under Canadian GAAP.

Reconciliation of equity at the end of the last reporting year under Canadian GAAP – March 31, 2011

		Canadian GAAP $	Effect of transition to IFRS $	IFRS $
Assets				
Current				
Cash and cash equivalents		27,747,442	–	27,747,442
Short-term investments		14,029,734	–	14,029,734
Receivables		737,114	–	737,114
Due from Northfield Metals Inc.		7,500	–	7,500
Prepaid expenses and deposits		380,888	–	380,888
		42,902,678	–	42,902,678
Exploration and evaluation		28,465,034	–	28,465,034
		71,367,712	–	71,367,712
Liabilities				
Current				
Accounts payable and accrued liabilities		3,168,499	–	3,168,499
Notes payable		1,000,000	–	1,000,000
		4,168,499	–	4,168,499
Shareholders' equity				
Capital stock	Note	69,075,196	55,000	69,130,196
Warrants		6,234,889	–	6,234,889
Contributed surplus		5,152,528	–	5,152,528
Deficit	Note	(15,100,271)	(55,000)	(15,155,271)
		65,362,343	–	65,362,343
Non-controlling interest		1,836,871	–	1,836,871
		67,199,214	–	67,199,214
			–	
		71,367,713	–	71,367,713

Reconciliation of comprehensive loss for the period covered by comparative financial statements – June 30, 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 ended June 30, 2010 compared to financial statements prepared under Canadian GAAP.

Reconciliation of comprehensive loss for the last reporting year under Canadian GAAP – March 31, 2011

		Canadian GAAP $	Effect of transition to IFRS $	IFRS $
Expenses				
Professional fees		198,300	–	198,300
Consulting fees		1,297,000	–	1,297,000
Stock-based compensation		5,313,000	–	5,313,000
General and administrative		563,819	–	563,819
Investor relations		1,263,717	–	1,263,717
Travel		376,230	–	376,230
Part XII.6 tax		542	–	542
		9,012,606	–	9,012,606
Loss before the following items		(9,012,606)	–	(9,012,606)
Interest		113,546	–	113,546
Loss before income taxes		(8,899,060)	–	(8,899,060)
Future income tax recovery	Note	482,250	(55,000)	427,250
Loss and comprehensive loss		(8,416,810)	(55,000)	(8,471,810)
Loss per share-basic and diluted		(0.135)	(0.002)	(0.137)

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:

	April 1, 2010 $	June 30, 2010 $	March 31, 2011 $
Consolidated statements of financial position			
Capital stock	–	–	55,000
Deficit	–	–	(55,000)

	3 months ended June 30, 2010 $	Year ended March 31, 2011 $
Consolidated statements of loss and comprehensive loss		
Deferred income tax recovery	–	(55,000)

13. Subsequent event

On July 12, 2011, the Company paid $500,000 on account of a note payable (note 6).

On September 9, 2011, the Company granted 2,650,000 stock options to a director, employees and consultants, entitling the holder to purchase one common share for $1.50 until September 9, 2016.