Champion Minerals Inc.

Consolidated Financial Statements
March 31, 2012 and 2011
(expressed in Canadian dollars)

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Champion Minerals Inc.

We have audited the accompanying consolidated financial statements of Champion Minerals Inc., and its subsidiary, which comprise the consolidated statements of financial position as at March 31, 2012, March 31, 2011 and April 1, 2010 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years ended March 31, 2012 and March 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Champion Minerals Inc. and its subsidiary as at March 31, 2012, March 31, 2011 and April 1, 2010 and its financial performance and its cash flows for the years ended March 31, 2012 and March 31, 2011 in accordance with International Financial Reporting Standards.

Collins Barrow Toronto LLP

Licensed Public Accountants
Chartered Accountants
June 29, 2012
Toronto, Ontario

Champion Minerals Inc.
Consolidated Statements of Financial Position
(expressed in Canadian dollars)

	Notes	As at March 31, 2012 $ (note 1)	As at March 31, 2011 $ (note 11)	As at April 1, 2010 $ (note 11)
Assets				
Current				
Cash and cash equivalents		41,401,828	27,747,442	6,225,219
Short-term investments		66,000	14,029,734	-
Receivables		4,022,303	737,114	401,766
Due from Northfield Metals Inc.	4	135,170	7,500	-
Prepaid expenses and deposits		538,095	380,889	178,772
		46,163,396	42,902,679	6,805,757
Exploration and evaluation	5	63,502,139	28,465,034	7,621,010
		109,665,535	71,367,713	14,426,767
Liabilities				
Current				
Accounts payable and accrued liabilities	10	6,414,484	3,168,502	2,070,525
Note payable	5	-	1,000,000	-
		6,414,484	4,168,502	2,070,525
Deferred income taxes	7	-	-	326,000
		6,414,484	4,168,502	2,396,525
Shareholders' equity				
Capital stock	6	106,947,813	69,130,196	15,584,671
Warrants	6	3,783,003	6,234,889	2,035,794
Contributed surplus		8,947,921	5,152,528	1,093,238
Deficit		(24,005,626)	(15,155,273)	(6,683,461)
		95,673,111	65,362,340	12,030,242
Non-controlling interest	5, 6	7,577,940	1,836,871	-
		103,251,051	67,199,211	12,030,242
		109,665,535	71,367,713	14,426,767
Commitments	5, 12			
Subsequent events	13			

On behalf of the Board:

Thomas Larsen
Director

Donald Sheldon
Director

See accompanying notes to the consolidated financial statements

Champion Minerals Inc.
Consolidated Statements of Loss and Comprehensive Loss
(expressed in Canadian dollars)

	Notes	Years ended March 31, 2012 $	2011 $ (note 11)
Expenses			
Professional fees		372,006	198,300
Consulting fees		2,021,381	1,297,000
Share-based compensation	6	4,314,000	5,313,000
General and administrative		944,562	563,819
Investor relations		1,121,455	1,263,717
Travel		524,930	376,230
Part XII.6 tax		-	542
Interest		(284,556)	(113,546)
Other income		(163,425)	-
		8,850,353	8,899,062
Loss before income taxes		(8,850,353)	(8,899,062)
Deferred income tax recovery	7	-	427,250
Loss and comprehensive loss		(8,850,353)	(8,471,812)
Loss per share-basic and diluted		(0.10)	(0.14)
Weighted average number of shares outstanding - basic and diluted		87,639,526	62,460,459

See accompanying notes to the consolidated financial statements

Champion Minerals Inc.
Consolidated Statements of Changes in Equity

(expressed in Canadian dollars)

	Capital stock $	Warrants $	Contributed surplus $	Deficit $	Non-controlling interest $	Total $
Balance, March 31, 2011 (note 11)	69,130,196	6,234,889	5,152,528	(15,155,273)	1,836,871	67,199,211
Public offering of common shares	30,000,000	-	-	-	-	30,000,000
Share issue costs, net of tax	(2,247,476)	-	-	-	-	(2,247,476)
Issued for exploration and evaluation	197,000	-	-	-	-	197,000
Exercise of stock options	781,500	-	-	-	-	781,500
Fair value of stock options exercised	518,607	-	(518,607)	-	-	-
Fair value of warrants issued	(12,840)	12,840	-	-	-	-
Exercise of warrants	6,116,100	-	-	-	-	6,116,100
Fair value of warrants exercised	2,464,037	(2,464,037)	-	-	-	-
Fair value of warrant expired	689	(689)	-	-	-	-
Share-based compensation	-	-	4,314,000	-	-	4,314,000
Contribution by joint venture partner	-	-	-	-	5,741,069	5,741,069
Loss	-	-	-	(8,850,353)	-	(8,850,353)
Balance, March 31, 2012	106,947,813	3,783,003	8,947,921	(24,005,626)	7,577,940	103,251,051
Balance, April 1, 2010 (note 11)	15,584,671	2,035,794	1,093,238	(6,683,461)	-	12,030,240
Issued for exploration and evaluation	5,452,400	-	-	-	-	5,452,400
Private placement of units	15,190,000	-	-	-	-	15,190,000
Private placement of flow-through common shares	625,000	-	-	-	-	625,000
Private placement of common shares	30,000,000	-	-	-	-	30,000,000
Fair value of warrants issued	(6,822,036)	6,822,036	-	-	-	-
Exercise of stock options	1,765,400	-	-	-	-	1,765,400
Share-based compensation	-	-	5,313,000	-	-	5,313,000
Fair value of stock options exercised	1,253,710	-	(1,253,710)	-	-	-
Exercise of warrants	6,730,274	-	-	-	-	6,730,274
Fair value of warrants exercised	2,618,644	(2,618,644)	-	-	-	-
Fair value of warrants expired	4,297	(4,297)	-	-	-	-
Share issue costs, net of tax	(3,170,914)	-	-	-	-	(3,170,914)
Renunciation of flow-through expenditures	(101,250)	-	-	-	-	(101,250)
Contribution by joint venture partner	-	-	-	-	1,836,871	1,836,871
Loss	-	-	-	(8,471,812)	-	(8,471,812)
Balance, March 31, 2011 (note 11)	69,130,196	6,234,889	5,152,528	(15,155,273)	1,836,871	67,199,211

Champion Minerals Inc.
Consolidated Statements of Cash Flows
(expressed in Canadian dollars)

	Years ended March 31, 2012 $	2011 $ (note 11)
Cash provided by (used in)		
Operating activities		
Loss	(8,850,353)	(8,471,812)
Items not affecting cash		
Share-based compensation	4,314,000	5,313,000
Deferred income tax	-	(427,250)
Changes in non-cash operating working capital		
Receivables	(3,285,189)	(335,348)
Prepaid expenses and deposits	(157,206)	(202,116)
Accounts payable and accrued liabilities	5,554,153	596,521
	(2,424,595)	(3,527,005)
Financing activities		
Issue of common shares	30,000,000	45,814,999
Exercise of stock options	781,500	1,765,400
Exercise of warrants	6,116,100	6,730,274
Repayment of note payable	(1,000,000)	-
Share issue costs	(2,247,476)	(3,170,914)
	33,650,124	51,139,759
Investing activities		
Advance to Northfield Metals Inc.	(127,670)	(7,500)
Short-term investments	13,963,734	(14,029,734)
Exploration and evaluation	(31,407,207)	(12,053,297)
	(17,571,143)	(26,090,531)
Net increase in cash and cash equivalents	13,654,386	21,522,223
Cash and cash equivalents, beginning of year	27,747,442	6,225,219
Cash and cash equivalents, end of year	41,401,828	27,747,442
Non-cash transactions		
Issued for exploration and evaluation		
Common shares	197,000	5,452,450
Notes payable	-	1,000,000
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 a public company 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 are prepared in accordance with IFRS as issued by the International Accounting Standards Board.

These are the Company's first annual consolidated financial statements prepared in accordance with IFRS and IFRS 1 *First-time Adoption of International Financial Reporting Standards.* In previous years, the Company prepared its consolidated financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). See note 11 for details on the impact of the transition from Canadian GAAP to IFRS.

The consolidated financial statements were approved and authorized for issue by the Board of Directors on June 29, 2012.

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

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

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

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

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

Impairment of exploration and evaluation
Expenditures on exploration and evaluation are initially capitalized with the intent to establish commercially viable reserves. The Company makes estimates about future events and circumstances in determining whether the carrying amount of exploration and evaluation exceeds its recoverable amount.

Estimates of mineral resources
The amounts used in impairment calculations are based on estimates of mineral resources. Resource estimates are based on engineering data, estimated future prices, expected future rates of production and the timing of future capital expenditures, all of which are subject to many uncertainties and interpretations. The Company expects that, over time, its resource estimates will be revised upward or downward based on updated information such as the results of future drilling, testing and production levels, and may be affected by changes in commodity prices. See note 5.

Deferred income taxes
Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates at the reporting date in effect for the period in which the temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized as part of the provision for income taxes in the period that includes the enactment date. The recognition of deferred income tax assets is based on the assumption that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. See note 7.

Share-based payments
The Company uses the Black-Scholes option pricing model in determining share-based payments, which requires a number of assumptions to be made, including the risk-free interest rate, expected life, forfeiture rate and expected share price volatility. Consequently, actual share-based compensation and warrant valuations may vary from the amounts estimated. See note 6.

3. Significant accounting policies and future accounting changes

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

Basis of consolidation
Jointly controlled operations
Many of the Company's activities are conducted jointly with others. These consolidated financial statements include the accounts of the Company and its joint venture. As the Company has a controlling interest in the joint venture, the assets, liabilities, results of operations and cash flows of the joint venture have been consolidated and the corresponding non-controlling interest has been reflected separately.

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

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

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

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

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

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

The Company has classified cash and cash equivalents and short-term investments 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.

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

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

The Company has classified receivables and due from Northfield Metals Inc. as loans and receivables.

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

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

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

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

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

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

Impairment of non-derivative financial assets

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

Financial assets carried at amortized cost

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

Available-for-sale financial assets

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

Cash and cash equivalents

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

Exploration and evaluation

Recognition and measurement

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

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

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

The technical feasibility and commercial viability of extracting a mineral resource from a property is considered to be determinable when proved and/or probable reserves are determined to exist and the necessary permits have been received to commence production. A review of each property is carried out at least annually. Upon determination of technical feasibility and commercial viability, exploration and evaluation is first tested for impairment and then reclassified to property, plant and equipment or expensed to the statement of loss and comprehensive loss to the extent of any impairment. As at March 31, 2012, March 31, 2011 and April 1, 2010, the Company had no property, plant and equipment.

Impairment

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

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

Decommissioning liabilities

The Company's activities give rise to dismantling, decommissioning and site disturbance remediation activities. Provision is made for the estimated cost of site restoration. Decommissioning obligations are measured at the present value of management's best estimate of expenditures required to settle the present obligation at the balance sheet date. The fair value of the estimated obligation is recorded as a liability with a corresponding increase in the carrying amount of the related asset. The obligation is subsequently adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as accretion costs whereas increases or decreases due to changes in the estimated future cash flows or changes in the discount rate are capitalized. Actual costs incurred upon settlement of the decommissioning obligations are charged against the provision to the extent the provision was established. As at March 31, 2012, March 31, 2011 and April 1, 2010, the Company had no decommissioning liabilities.

Share capital

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

Flow-through shares

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

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

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

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

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

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

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

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

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

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

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

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

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

Loss per share

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

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for periods beginning on or after January 1, 2013.

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.

(expressed in Canadian dollars)

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.

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.

4. Due from Northfield Metals Inc.

The amount of $135,170 (March 31, 2011 - $ 7,500; April 1, 2010 - $nil) 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 $ (note 11)	Acquisition costs $	Exploration $	March 31, 2012 $
Fermont				
Bellechase	1,149,932	–	414,108	1,564,040
Harvey-Tuttle	8,106,843	–	323,493	8,430,336
Fire Lake North	8,939,068	–	22,524,336	31,463,404
Moire Lake	1,154,474	–	2,852,725	4,007,199
O'Keefe Purdy	1,181,178	–	3,121,337	4,302,515
Oil Can	299,731	–	3,886,134	4,185,865
Other	5,313,063	74,713	1,151,539	6,539,315
	26,144,289	74,713	34,273,672	60,492,674
Powderhorn	1,396,263	–	94,142	1,490,405
Attikamagen	503,198	–	–	503,198
Gullbridge	421,284	136,000	458,578	1,015,862
	28,465,034	210,713	34,826,392	63,502,139

	April 1, 2010 $ (note 11)	Acquisition costs $	Exploration $	March 31, 2011 $ (note 11)
Fermont				
Bellechase	842,640	191,188	116,104	1,149,932
Harvey-Tuttle	2,105,400	1,379,875	4,621,568	8,106,843
Fire Lake North	1,746,888	587,417	6,604,763	8,939,068
Moire Lake	50,701	368,521	735,252	1,154,474
O'Keefe Purdy	116,992	1,041,834	22,352	1,181,178
Oil Can	28,004	249,375	22,352	299,731
Other	527,515	4,376,026	409,522	5,313,063
	5,418,140	8,194,236	12,531,913	26,144,289
Powderhorn	1,303,506	–	92,757	1,396,263
Attikamagen	503,198	–	–	503,198
Gullbridge	396,166	–	25,118	421,284
	7,621,010	8,194,236	12,649,788	28,465,034

(expressed in Canadian dollars)

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

Fermont

The Company, through a joint venture, owns an 82.5% interest in Fermont consisting of 17 mineral concessions ("Fermont") covering an area of 710 square kilometres situated in northeastern Quebec. As the Company controls the joint venture, the joint venture is accounted for as a subsidiary in these consolidated financial statements. On the date of acquisition of control of the joint venture, the entire purchase price was allocated to exploration and evaluation.

Completion of option to acquire a 65% interest in Fermont

Effective June 8, 2010, the Company acquired a 65% interest in Fermont by making option payments, issuing common shares and incurring exploration expenditures, as follows:

	Option payments $	Common shares Number	$	Exploration expenditures $
On closing	100,000	700,000	231,000	–
November 27, 2008	100,000	–	–	–
May 27, 2009	200,000	300,000	87,000	750,000
August 31, 2009 amendment	–	400,000	142,000	–
May 27, 2010	200,000	400,000	368,000	–
June 8, 2010	400,000	1,500,000	1,200,000	5,250,000
	1,000,000	3,300,000	2,028,000	6,000,000

Upon the Company earning its 65% interest, a joint venture was formed to incur additional exploration expenditures. If the other joint venturers do not fund their proportionate interest in the joint venture, their interest will be diluted and, when their interest is reduced below 10%, their 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 Fermont, the purchaser must offer the property proposed to be acquired at cost to the other party for inclusion in the joint venture.

The Company also has the right of first refusal on the sale or transfer of Lamellee Lake consisting of 15 claims covering 7.9 square kilometres.

The Company has the option to earn an additional 2.5% interest in any of the 17 mineral concessions 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 concession.

Fermont is subject to a 3% net smelter return royalty ("NSR"), of which, the Company has the option to purchase 1% for $3,000,000. The Company has the right of first refusal on the NSR and the other joint venture interests in Fermont.

Acquisition of an additional 17.5% interest in Fermont

On July 12, 2010, the Company increased its interest in Fermont to 82.5% by acquiring an additional 17.5% interest in the joint venture by issuing 4,000,000 common shares valued at $3,600,000 and making a payment of $2,000,000, of which, $1,000,000 was paid on closing, $500,000 was paid on July 12, 2011 and $500,000 was paid on January 12, 2012.

Acquisition of the remaining 17.5% interest in Fermont

Subsequent to March 31, 2012, the Company increased its interest in Fermont to 100% by acquiring the remaining 17.5% interest in the joint venture (note 13).

(expressed in Canadian dollars)

Acquisition of other claims on behalf of the joint venture
On September 15, 2010, the Company paid $25,000 and issued 125,000 common shares valued at $110,000 to acquire a 100% interest in additions to the O'Keefe-Purdy and Moire Lake claim blocks on behalf of the joint venture. Including the additions, the O'Keefe-Purdy claim block consists of 215 claims covering 111.2 square kilometres and the Moire Lake claim block consists of 26 claims covering 11.5 square kilometres.

On March 30, 2011, the Company acquired a 100% interest in the Black Dan and East Inlet claim blocks on behalf of the joint venture, which are included in Other properties under Fermont. The Black Dan and East Inlet claim block consists of 61 claims covering 32.3 square kilometres. In order to acquire its interest, the Company paid $60,000 and issued 80,000 common shares valued at $174,400.

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

Powderhorn
The Company owns a 70% interest in the Powderhorn Lake Project ("Powderhorn"), which consists of 115 claims covering an area of 29 square kilometres situated in the Buchans-Robert's Arm Belt in Central Newfoundland. In order to earn its interest, the Company made option payments, issued common shares and incurred exploration expenditures as follows:

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

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

Attikamagen
The Company owns a 100% interest in 946 claims covering 310 square kilometres in Labrador and Quebec.

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 ("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:

(expressed in Canadian dollars)

	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 (extended from March 26, 2012)	2,500,000
To increase to 60% interest	
March 26, 2014 (extended from March 26, 2013)	3,000,000 (increased by $500,000)
	13,000,000

On February 7, 2012, the optionee earned a 51% interest in Attikamagen. Subsequent to March 31, 2012, the optionee increased its interest in Attikamagen to a 56% interest.

Option for the Gullbridge

The Company has an option to earn an 85% interest in the Gullbridge 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	Common shares $	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, amended (note 13)	–	–	–	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

Subsequent to March 31, 2012, the Company earned a 51% interest in Gullbridge.

(expressed in Canadian dollars)

6. Capital stock

Authorized
An unlimited number of common shares.

Issued

	Number of shares	$
Balance as at April 1, 2010 (note 11)	41,543,313	15,584,671
Issued for exploration and evaluation (note 5)	6,105,000	5,452,400
Private placement of units	13,933,333	15,190,000
Private placement of flow-through shares	480,769	625,000
Private placement of common shares	12,000,000	30,000,000
Exercise of stock options	2,350,000	1,765,400
Fair value of stock options exercised	–	1,253,710
Fair value of warrants issued	–	(6,822,036)
Exercise of warrants	6,575,088	6,730,274
Fair value of warrants exercised	–	2,618,644
Fair value of warrants expired	–	4,297
Renunciation of flow-through expenditures premium	–	(101,250)
Share issue costs, net of tax	–	(3,170,914)
Balance as at March 31, 2011 (note 11)	82,987,503	69,130,196
Public offering of common shares	15,000,000	30,000,000
Issued for exploration and evaluation (note 5)	100,000	197,000
Exercise of stock options	780,000	781,500
Fair value of stock options exercised	–	518,607
Fair value of warrants issued	–	(12,840)
Exercise of warrants	6,346,704	6,116,100
Fair value of warrants exercised	–	2,464,037
Fair value of warrants expired	–	689
Share issue costs, net of tax	–	(2,247,476)
Balance, March 31, 2012	105,214,207	106,947,813

Financings

Private placements of units

On April 30, 2010, the Company completed a private placement of 10,600,000 units at a price of $1.15 per unit for gross proceeds of $12,190,000. Each unit consists of one common share and one-half of one common share warrant, with each whole warrant entitling the holder to purchase one common share for $1.50 until April 30, 2012. In connection with the private placement, the Company paid a commission of $731,400 and issued 636,000 broker warrants, with each broker warrant entitling the holder to purchase one common share for $1.15 until April 30, 2012.

In the absence of a reliable measurement of the services received, the services have been measured at the fair value of the broker warrants issued. The fair value of the 5,300,000 common share purchase warrants and 636,000 broker warrants was calculated using the Black-Scholes option pricing model with the following assumptions:

	Common share purchase warrants	Broker warrants
Share price	$1.12	$1.12
Risk-free interest rate	1.86%	1.86%
Expected volatility based on historical volatility	124%	124%
Expected life of warrants	2 years	2 years
Expected dividend yield	Nil	Nil
Fair value	$3,831,114	$433,000
Fair value per warrant	$0.64	$0.70

(expressed in Canadian dollars)

On October 8, 2010, the Company completed a private placement of 3,333,333 units at a price of $0.90 per unit for gross proceeds of $3,000,000. Each unit consists of one common share and one common share warrant entitling the holder to purchase one common share for $1.20 until October 7, 2012, and thereafter, $1.50 until October 7, 2013.

The fair value of the 3,333,333 common share purchase warrants was calculated using the Black-Scholes option pricing model with the following assumptions:

Share price	$0.92
Risk-free interest rate	1.52%
Expected volatility based on historical volatility	108%
Expected life of warrants	3 years
Expected dividend yield	Nil
Fair value	$1,822,000
Fair value per warrant	$0.55

Private placements of flow-through common shares
On November 15, 2010, the Company completed a private placement of 480,769 flow-through common shares at a price of $1.30 per share for gross proceeds of $625,000.

Private placement of common shares
On February 3, 2011, the Company completed a private placement of 12,000,000 common shares at a price of $2.50 per share for gross proceeds of $30,000,000. In connection with the private placement, the Company paid a commission of $1,800,000 representing 6% of the gross proceeds of the private placement and issued 792,000 broker warrants entitling the holder to purchase one common share for $2.84 until February 3, 2013.

In the absence of a reliable measurement of the services received, the services have been measured at the fair value of the broker warrants issued. The fair value of for the 792,000 broker warrants was calculated using the Black-Scholes option pricing model with the following assumptions:

Share price	$2.77
Risk-free interest rate	1.77%
Expected volatility based on historical volatility	99%
Expected life of warrants	2 years
Expected dividend yield	Nil
Fair value	$1,138,000
Fair value per warrant	$1.44

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

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

(expressed in Canadian dollars)

	Common share purchase warrants			Unit warrants			
	Number of warrants	Weighted-average exercise price $	Amount $	Number of warrants	Weighted-average exercise price $	Amount $	Total $
Balance, April 1, 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	(67,896)	(2,618,644)
Expired	(25,000)	0.70	(4,297)	–	–	–	(4,297)
Balance, March 31, 2011	11,393,867	1.28	6,206,477	105,550	0.52	28,412	6,234,889
Issued	52,775	0.79	12,840	–	–	–	12,840
Exercised	(6,241,154)	0.97	(2,435,625)	(105,550)	0.52	(28,412)	(2,464,037)
Expired	(6,668)	0.79	(689)	–	–	–	(689)
Balance, March 31, 2012	5,198,820	1.62	3,783,003	–	–	–	3,783,003

The weighted average share price at the date of exercise was $1.68 (2011 - $1.62) for the common share purchase warrants and $2.17 (2011 - $2.49) for the unit warrants.

A summary of the Company's warrants outstanding at March 31, 2012 is presented below:

Common share warrant exercise price	Expiry date	Warrants outstanding
$1.50	April 30, 2012	2,162,338
$1.15	April 30, 2012	22,260
$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
		5,198,820

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; April 1, 2010 – 4,075,000) to directors, officers, employees and consultants. To date, the Company has granted 15,000,000 stock options, leaving no stock options available to be granted. 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, April 1, 2010	3,262,500	0.40
Granted	7,950,000	1.00
Exercised	(2,350,000)	0.75
Cancelled	(355,000)	1.00
Balance, March 31, 2011	8,507,500	0.83
Granted	4,292,500	1.43
Exercised	(780,000)	1.00
Balance, March 31, 2012	12,020,000	1.04

The weighted-average share price on the date of exercise is $1.93 (2011 - $2.42).

(expressed in Canadian dollars)

A summary of the Company's outstanding and exercisable stock options at March 31, 2012 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	1,145,000
$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	2,500,000
$1.30	December 23, 2016	1,442,500
		12,020,000

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

The weighted average fair value of stock options granted was $1.01 (2011 - $0.69) which was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2012	2011
Share price	$1.31	$1.01
Risk-free interest rate	1.33%	2.04%
Expected volatility based on historical volatility	107%	100%
Expected life of stock options	5 years	5 years
Expected dividend yield	0%	0%
Forfeiture rate	0%	0%

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

Non-controlling interest
The non-controlling interest represents a 17.5% interest in the joint venture controlled by the Company (note 5).

(expressed in Canadian dollars)

7. Income taxes

During 2012, the Company issued $nil (2011 - $625,000) of flow-through common shares pursuant to the *Income Tax Act* (Canada). On February 28, 2011, the deductions for income tax purposes of the expenditures of $625,000 related to the flow-through shares issued in 2011 were renounced to the subscribers of the flow-through shares. Share capital was reduced and deferred income tax liability was increased by $nil (2011 - $101,000). In 2011, since the Company had unrecorded loss carryforwards, the Company recorded a deferred income taxes recovery of $427,250.
The Company's effective income tax rate differs from the amount that would be computed by applying the federal and provincial statutory rate of 27.8% (2011 - 30.13%) to the loss for the year. The reasons for the difference are as follows:

	2012	**2011**
	$	$
Income tax recovery based on statutory rate	2,460,398	2,681,287
Share-based compensation and other non-deductible items	(1,216,841)	(1,614,876)
Share issue costs	561,869	792,729
Change in rate and other	(213,773)	(275,690)
Effect of flow-through share premium on renunciation	–	(55,000)
Change in deferred income tax not recognized	(1,591,653)	(1,101,200)
	–	427,250

Deferred income tax assets and liabilities
The Company's deferred income tax assets and liabilities are valued using the future rate of 25% (2010 - 25%), which is the effective rate when they will be realized, and are as follows:

	2012	**As at March 31, 2011**	**As at April 1, 2010**
Asset			
Non-capital loss carryforward and share issue costs	4,394,236	2,714,060	1,066,000
Deferred income taxes not recognized	(2,692,853)	(1,101,200)	–
	1,701,383	1,612,860	1,066,000
Liability			
Exploration and evaluation	(1,701,383)	(1,612,860)	(1,392,000)
	–	–	(326,000)

Losses carried forward
At March 31, 2012, the Company had non-capital loss carryforwards which expire as follows:

	$
2027	153,000
2028	406,000
2029	1,089,000
2030	1,812,000
2031	4,291,000
2032	5,789,000
	13,540,000

Resource deductions
At March 31, 2012, the Company has cumulative Canadian exploration expenses of $25,349,000 (2011 - $6,388,000) and cumulative Canadian development expenses of $10,142,000 (2011 - $9,932,000) which may be carried forward indefinitely to reduce taxable income in future years.

8. 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., accounts payable and accrued liabilities and note payable
The fair values of cash and cash equivalents, short-term investments, receivables, due from Northfield Metals Inc., accounts payable and accrued liabilities and note payable are estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. At March 31, 2012, March 31, 2011 and April 1, 2010, the fair value of these balances approximated their carrying value due to their short term to maturity.

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 and short-term investments are measured at fair value at Level 1 of the fair value hierarchy.

9. 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 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, short-term investments and receivables related to amounts due from joint venture partner of $823,547 (March 31, 2012 - $156,160; April 1, 2010 - $nil) included in receivables. The maximum exposure to credit risk is equal to the balances of cash and cash equivalents and short-term investments and amounts due from joint venture partner.

The Company limits its exposure to credit risk on its cash and cash equivalents by holding its cash and cash equivalents and short-term investments in deposits with a high credit quality Canadian chartered banks.

Liquidity risk

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

Market risk

Market risk is the risk that changes in market prices, such as equity prices, foreign exchange rates, and interest rates will affect the Company's income or the value of its financial instruments.

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 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 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.

(expressed in Canadian dollars)

10. Related party transactions

	Years ended March 31, 2012 $	2011 $	Outstanding at March 31, 2012 $	2011 $	Outstanding at April 1, 2010 $
Exploration and evaluation					
Paid or payable to 2 companies controlled by directors	44,000	131,138	–	12,457	11,287
Paid or payable to 2 companies controlled by officers	6,146,071	3,360,244	609,445	459,541	293,588
Common shares					
Share issue costs for legal fees paid or payable to a company controlled by a director	250,200	188,685	66,414	33,140	–
Professional fees					
Paid or payable for legal fees to a company controlled by a director	232,224	149,637	234,224	–	41,225
Consulting fees					
Paid or payable to a company controlled by a close family member of a director	50,000	–	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:

	Years ended March 31, 2012 $	2011 $	Outstanding at March 31, 2012 $	2011 $	Outstanding at April 1, 2010 $
Consulting fees	1,486,000	1,061,000	470,748	428,695	309,500
Share-based payments, representing share-based compensation	1,282,000	2,053,000	–	–	–
	2,768,000	3,114,000	470,748	428,695	309,500

These transactions were in the normal course of business.

11. First-time adoption of IFRS

These financial statements are the first annual consolidated financial statements prepared in accordance with IFRS. The accounting policies set out in note 3 have been applied in preparing the consolidated financial statements for the years ended March 31, 2012 and March 31, 2011 and the opening statement of financial position at April 1, 2010.

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 at the historical cost determined under Canadian GAAP as at April 1, 2010, which the Company believes did not include any material costs which were incurred prior to securing the legal rights to explore the properties. The Company has elected to continue to capitalize exploration and evaluation costs.

Business Combinations
IFRS 1 allows for IFRS 3, *Business Combinations*, to be applied retrospectively or prospectively. The Company elected to adopt IFRS 3 prospectively to business combinations subsequent to 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 the consolidated financial statements presented under Canadian GAAP.

Champion Minerals Inc.
Notes to Consolidated Financial Statements
March 31, 2012 and 2011
(expressed in Canadian dollars)

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	380,889	–	380,889
	42,902,679	–	42,902,679
Exploration and evaluation	28,465,034	–	28,465,034
	71,367,713	–	71,367,713
Liabilities			
Current			
Accounts payable and accrued liabilities	3,168,502	–	3,168,502
Notes payable	1,000,000	–	1,000,000
	4,168,502	–	4,168,502
Shareholders' equity			
Capital stock	69,075,196	55,000	69,130,196
Warrants	6,234,889	–	6,234,889
Contributed surplus	5,152,528	–	5,152,528
Deficit	(15,100,273)	(55,000)	(15,155,273)
	65,362,340	–	65,362,340
Non-controlling interest	1,836,871	–	1,836,871
	67,199,211	–	67,199,2141
		–	
	71,367,713	–	71,367,713

(expressed in Canadian dollars)

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
Interest	(113,546)	–	(113,546)
	8,899,062	–	8,899,062
Loss before income taxes	(8,899,062)	–	(8,899,062)
Future income tax recovery	482,250	(55,000)	427,250
Loss and comprehensive loss	(8,416,812)	(55,000)	(8,471,812)
Loss per share-basic and diluted	(0.14)	–	(0.14)

Impact on statement of cash flows for the last reporting year under Canadian GAAP – March 31, 2012
There was no effect on cash flow from operations, financing activities or investing activities as a result of transition to IFRS.

Reconciliation note
Under Canadian GAAP, the proceeds on the issue of flow-through shares were recognized in equity, net of the tax effects of renunciation. Under IFRS, 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 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 recovery 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:

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

	Year ended March 31, 2011 $
Consolidated statements of loss and comprehensive loss	
Deferred income tax recovery	(55,000)

(expressed in Canadian dollars)

12. Commitments

Commitments for annual basic premises rent are as follows:

	$
Less than 1 year	329,903
1-5 years	206,875
More than 5 years	–
	533,778

13. Subsequent events

Acquisition of 51% interest in Gullbridge
On May 1, 2012, the Company earned a 51% interest in Gullbridge upon issuing 50,000 common shares with a fair value of $69,000 in satisfaction of the remaining $154,000 of exploration expenditures that were to have been incurred by May 5, 2012.

Acquisition of the remaining 17.5% interest in Fermont
On May 17, 2012, the Company acquired the remaining 17.5% joint venture interest in Fermont 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 has been 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 NSR. The Company retains the right of first refusal on the sale of the NSR and the option to purchase 0.5% of the NSR for $1,500,000 from the holder of the 50% interest in the NSR not owned by Fancamp.

Acquisition
As consideration for the acquisition, the Company issued 14,000,000 common shares with a fair value of $18,340,000 and 7,000,000 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 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 NSR.
Security	Assignment of the Fancamp's 50% interest in the NSR 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 NSR. 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.

Waiver of option rights
The Company granted a waiver to Fancamp of the Company's option to purchase 0.5% of the Fancamp's 50% interest in the NSR. 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
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"). 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.