Champion Iron Mines Limited

Condensed Interim Financial Statements
September 30, 2013
(expressed in Canadian dollars)
(unaudited)

Champion Iron Mines Limited
Statements of Financial Position

(expressed in Canadian dollars)
(unaudited)

	Notes	As at September 30, 2013 $	As at March 31, 2013 $
Assets			
Current			
Cash and cash equivalents		11,912,422	4,535,089
Short-term investments		66,000	66,000
Receivables	3	601,468	1,849,351
Advance	4	6,000,000	-
Due from Cartier Iron Corporation	5	1,790,000	75,000
Prepaid expenses and deposits		364,435	279,229
		20,734,325	6,804,669
Long-term advance	4	-	6,000,000
Investments	6	1,266,800	2,445,090
Exploration and evaluation	7	75,118,485	84,125,831
		97,119,610	99,375,590
Liabilities			
Current			
Accounts payable and accrued liabilities		1,101,247	2,921,476
Convertible notes	8	203,945	-
		1,305,192	2,921,476
Shareholders' equity			
Capital stock	9	124,958,896	122,982,950
Warrants	9	4,304,187	3,027,187
Contributed surplus		8,746,169	8,746,169
Deficit		(42,194,834)	(38,302,192)
		95,814,418	96,454,114
		97,119,610	99,375,590

On behalf of the Board:

Thomas Larsen
Director

Donald Sheldon
Director

Champion Iron Mines Limited
Statements of Loss and Comprehensive Loss

(expressed in Canadian dollars)
(unaudited)

	Notes	3 months ended September 30, 2013 $	3 months ended September 30, 2012 $	6 months ended September 30, 2013 $	6 months ended September 30, 2012 $
Revenue					
Interest		156,626	100,308	173,504	194,740
Other income		-	-	-	58,400
		156,626	100,308	173,504	253,140
Expenses					
Professional fees		222,496	131,200	501,161	163,959
Consulting fees		659,473	412,401	1,031,125	765,147
General and administrative		229,665	299,564	406,577	610,343
Investor relations		339,450	279,508	693,087	686,611
Travel		86,893	80,371	229,226	130,805
Interest		3,945	-	3,945	-
Unrealized loss on investments	6	374,895	475,614	1,201,025	1,939,614
		1,916,817	1,678,658	4,066,145	4,296,479
Loss and comprehensive loss		(1,760,191)	(1,578,350)	(3,892,642)	(4,043,339)
Loss per share - basic and diluted		(0.01)	(0.01)	(0.03)	(0.03)
Weighted average number of shares outstanding - basic and diluted		131,549,820	119,312,987	125,757,468	115,688,226

Champion Iron Mines Limited
Statements of Changes in Equity

(expressed in Canadian dollars)
(unaudited)

	Capital stock $	Warrants $	Contributed surplus $	Deficit $	Non-controlling interest $	Total $
Balance, March 31, 2013	122,982,950	3,027,187	8,746,169	(38,302,192)	-	96,454,114
Issued for exploration and evaluation	190,000	-	-	-	-	190,000
Conversion of convertible debt	373,175	-	-	-	-	373,175
Private placement	3,000,000	-	-	-	-	3,000,000
Fair value of warrants issued	(1,277,000)	1,277,000	-	-	-	-
Share issue costs	(310,229)	-	-	-	-	(310,229)
Loss	-	-	-	(3,892,642)	-	(3,892,642)
Balance, September 30, 2013	124,958,896	4,304,187	8,746,169	(42,194,834)	-	95,814,418
Balance, March 31, 2012	106,947,813	3,783,003	8,947,921	(24,005,626)	7,577,940	103,251,051
Issued for exploration and evaluation	71,850	-	-	-	-	71,850
Acquisition of non-controlling interest	13,020,000	1,780,000	-	(5,922,846)	(8,877,154)	-
Transaction costs on acquisition of non-controlling interest	-	-	-	(469,387)	-	(469,387)
Exercise of stock options	6,750	-	-	-	-	6,750
Fair value of stock options exercised	5,129	-	(5,129)	-	-	-
Exercise of warrants	25,599	-	-	-	-	25,599
Fair value of warrants exercised	15,505	(15,505)	-	-	-	-
Fair value of warrants expired	1,382,311	(1,382,311)	-	-	-	-
Contribution by joint venture partner	-	-	-	-	1,299,214	1,299,214
Share issue costs	(85,380)	-	-	-	-	(85,380)
Loss	-	-	-	(4,043,339)	-	(4,043,339)
Balance, September 30, 2012	121,389,577	4,165,187	8,942,792	(34,441,199)	-	100,056,357

Champion Iron Mines Limited
Statements of Cash Flows
(expressed in Canadian dollars)
(unaudited)

	6 months ended September 30, 2013	2012
	$	$
Cash provided by (used in)		
Operating activities		
Loss	(3,892,642)	(4,043,339)
Items not affecting cash		
Interest not paid	3,945	-
Unrealized loss on investments	1,201,025	1,939,614
Changes in non-cash operating working capital		
Receivables	1,247,883	1,096,565
Prepaid expenses and deposits	(85,206)	(41,879)
Accounts payable and accrued liabilities	(2,653,939)	(5,676,725)
	(4,178,934)	(6,725,764)
Financing activities		
Repayment of convertible note	(145,000)	-
Exercise of stock options	-	6,750
Exercise of warrants	-	25,599
Issue of common shares	3,000,000	-
Share issue costs	(310,229)	(85,380)
	2,544,771	(53,031)
Investing activities		
Advances to Cartier Iron Corporation	(1,715,000)	(50,000)
Long-term advances	-	(3,000,000)
Investment in Cartier Iron	(22,735)	-
Investment in Fancamp Exploration Ltd.	-	(5,000,000)
Transaction costs on acquisition of non-controlling interest	-	(469,387)
Proceeds on waiver of royalty	-	2,000,000
Advance on refundable tax credit on exploration expenditures	11,000,000	-
Exploration and evaluation	(250,769)	(14,159,695)
	9,011,496	(20,679,082)
Net increase in cash and cash equivalents	7,377,333	(27,457,877)
Cash and cash equivalents, beginning of period	4,535,089	41,401,828
Cash and cash equivalents, end of period	11,912,422	13,943,951
Non-cash transactions		
Issue of convertible note to settle accounts payable	718,525	-
Issue of common shares		
Exploration and evaluation	190,000	71,850
Conversion of convertible debt	373,175	
Non-controlling interest	-	13,020,000
Issue of warrants for non-controlling interest	-	1,780,000
Supplementary information		
Interest paid	-	-
Income taxes paid	-	-

See accompanying notes to the consolidated financial statements

1. Nature of operations

Champion Iron Mines Limited (the “Company”) is engaged in the exploration and development of iron ore properties in Quebec and Newfoundland.

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

2. Basis of presentation

Statement of compliance
These condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, using accounting policies consistent with International Financial Reporting Standards and its interpretations adopted by the International Accounting Standards Board.

The accounting policies used in these condensed interim financial statements are consistent with those disclosed in the Company’s audited financial statements for the year ended March 31, 2013, except for changes in accounting policies resulting from the adoption of new accounting standards.

These condensed 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, 2013.

These condensed interim financial statements were approved and authorized for issue by the Board of Directors on November 14, 2013.

Changes in accounting standards
On April 1, 2013, the Company adopted the following new standards, amendments to standards and interpretations which are effective for periods beginning on or after January 1, 2013:

- IFRS 10 *Consolidation*
- IFRS 11 *Joint Arrangements*
- IFRS 12 *Disclosure of Interests in Other Entities*
- IFRS 13 *Fair Value Measurement*
- IAS 27 *Separate Financial Statements*
- IAS 28 *Investments in Associates and Joint Ventures*

The adoption of these accounting standards had no impact on the financial statements previously issued by the Company. As a result, no reconciliations are provided for the adoption of these new accounting standards.

New standards and interpretations not yet adopted
The following amendment to standards and interpretations is effective for periods beginning on or after January 1, 2015:

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

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

IFRS 9 is expected to have an effect on the financial statements of the Company. The Company has not determined the extent of the impact of this standard and does not plan to early adopt this new standard.

3. Receivables

The Company filed a Quebec Corporation Income Tax Return claiming a refundable tax credit on exploration expenditures and a Quebec Mining Duties Return claiming a credit on duties refundable for losses, as follows:

	Years ended March 31, 2013	2012	2011
	$	$	$
Refundable tax credit on exploration expenditures	7,555,705	9,912,375	3,590,837
Credit on duties refundable for losses	1,122,562	1,403,549	950,061

These credits are not included in receivables as it is the Company's policy to record such credits as a reduction to exploration and evaluation when there is reasonable assurance that the Company has complied with all conditions needed to obtain the credits. The amount of the credits are subject to audit by Revenu Québec and Ressources naturelles et Faune Québec.

The Company has received an advance of $11,000,000 against the claims for refundable tax credits on exploration expenditures of $13,502,212 for the years ended March 31, 2011 and 2012, pending the completion of the audit of the claims (note 7).

4. Advance

Sept-Îles Port Authority ("Port")
On June 28, 2013, the Company provided notice to the Port terminating the Agreement with the Port and requested the repayment of the long-term advance of $6,000,000, and accordingly, the long-term advance was reclassified from a long-term asset to a current asset.

5. Due from Cartier Iron Corporation

The amount due from Cartier Iron Corporation ("Cartier") is unsecured, non-interest bearing and is due on demand. One director and one officer of the Company are directors of Cartier. See note 12.

6. Investments

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

	September 30, 2013	March 31, 2013
	$	$
Fancamp Exploration Ltd.	910,000	1,909,890
Cartier Iron Corporation	356,800	535,200
	1,266,800	2,445,090

During the 6 months ended September 30, 2013, the Company increased its interest in the outstanding common shares of Cartier to 19.9% through the purchase of 225,500 common shares of Cartier in the open market.

The decrease in fair value of investments of $1,201,025 (2013 - $1,939,614) has been recorded as an unrealized loss on investments in the statements of loss and comprehensive loss.

7. Exploration and evaluation

	March 31, 2013 $	Acquisition costs $	Refundable tax credit $ (note 3)	Exploration $	September 30, 2013 $
Fermont					
Consolidated Fire Lake North	60,921,905	–	(8,096,236)	1,694,151	54,519,821
Harvey-Tuttle	8,050,375	–	(1,162,163)	3,683	6,891,895
Moire Lake	4,070,050	–	(843,228)	13,359	3,240,181
O'Keefe Purdy	4,151,873	–	(738,813)	11,003	3,424,063
Other	3,863,839	–	(159,560)	23,934	3,728,213
	81,058,042	–	(11,000,000)	1,746,130	71,804,173
Attikamagen	503,948	–	–	455	504,403
Powderhorn	1,494,505	111,402	–	24,864	1,630,771
Gullbridge	1,069,336	78,598	–	31,204	1,179,138
	84,125,831	190,000	(11,000,000)	1,802,653	75,118,485

Fermont
The Company owns a 100% interest in Fermont consisting of 14 mineral concessions covering an area of 747 square kilometres situated in northeastern Quebec ("Fermont"). For reporting purposes, Fire Lake North, Oil Can, Bellechasse and Midway properties were consolidated into one property known as Consolidated Fire Lake North.

Other properties include the Hope Lake, Casse Lake, Claire Lake, Audrey-Ernie, Three Big Lakes, Aubertin-Tougard Lakes, Jeannine Lake, Silicate-Brutus Lakes, Penguin and Black Dan properties.

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

	Option payments $	Common shares	Exploration expenditures $
Upon execution of agreement (received)	–	1,000,000	–
Upon conditional approval from a stock exchange for the listing of the common shares of Cartier (received)	100,000	–	–
December 10, 2013	150,000	500,000	500,000
December 10, 2014	250,000	500,000	750,000
December 10, 2015	250,000	500,000	–
December 10, 2016	250,000	–	4,750,000
	1,000,000	2,500,000	6,000,000

Upon Cartier earning its 65% interest, a joint venture will be formed to incur additional exploration expenditures. If the Company does not fund its proportionate interest in the joint venture, its interest will be diluted and, when its interest is reduced below 10%, its interest would be reduced solely to a 1% royalty. Cartier will have the option to reduce the royalty from 1% to 0.5% by making a payment of $3,000,000.

In the event that the Company or Cartier proposes to acquire any property within 10 kilometres of the Cluster 3 Properties, the acquirer must offer the property at cost to the other party for inclusion in the Cluster 3 Properties.

Waiver of right of first refusal on the Lac Lamêllée Property

The Company has a right of first refusal on any disposition of Fancamp's interest in the Lac Lamêllée Property consisting of 29 mining claims contiguous with the Company's Consolidated Fire Lake North property. On September 16, 2013, the Company agreed to waive its right of first refusal to allow Fancamp to sell its interest in the Lac Lamêllée Property to Gimus Resources Inc. ("Gimus"). In consideration for the waiver, the Company will receive 2,000,000 common shares of Gimus at a deemed price of $0.10 per share for deemed proceeds of $200,000 and 4,000,000 common shares of Fancamp at a deemed price of $0.05 per share for deemed proceeds of $200,000 ("Fancamp Shares"). The Fancamp Shares will be subject to the existing reciprocal rights agreement governing certain investor rights and obligations between the Company and Fancamp, including the provision that 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. In addition, the Company will subscribe to 2,000,000 units of Gimus at a price up to $0.10 per unit, with each unit consisting of common shares and common share purchase warrants as determined by Gimus. The proposed sale of Lac Lamêllée Property by Fancamp to Gimus is expected to close by December 31, 2013, subject to a number of conditions and regulatory approval.

Attikamagen

The Company owns a 100% interest in 946 claims covering 310 square kilometres in Labrador and Quebec. The Company originally acquired 4 licences covering 52 claims ("Original Claims") and acquired an additional 894 claims primarily by staking. The Original Claims are encumbered with an aggregate royalty of $1.50 per tonne of iron content in any and all iron ore, pellets or other products produced from those claims, which royalty may be purchased for $2,500,000.

Attikamagen option and joint venture agreement

On May 12, 2008, the Company granted an option to earn up to a 60% interest in Attikamagen. In order to earn its interest, the optionee must incur exploration expenditures as follows:

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

Upon the optionee earning its 60% interest, a joint venture will be formed to incur additional exploration expenditures. If a joint venturer chooses not to fund its proportionate interest in the joint venture, its interest will be diluted and, when its interest is reduced below 10%, its interest would be reduced solely to a 2% royalty on the sale price of all minerals mined from Attikamagen and any property within 10 kilometres of Attikamagen owned by the payer of the royalty, of which, 1% can be purchased by the payer of the royalty for $7,500,000 to reduce the royalty to 1%.

On or about May 15, 2012, the optionee earned an increase in its interest in Attikamagen from 51% to 56%, leaving the Company with a 44% interest. The optionee has given notice that it has incurred sufficient exploration expenditures to earn an increase in its interest in Attikamagen from 56% to 60% and to further increase its interest and dilute the Company's interest for exploration expenditures that the optionee has incurred without contribution from the Company. The Company is undertaking due diligence to verify those claims.

On September 30, 2013, the Company agreed to sell its remaining interest in Attikamagen to Century Iron Mines Corporation ("Century") for 2,000,000 Century common shares and 1,000,000 Century warrants entitling the Company to purchase one common share of Century for:

Exercise price	Exercise period
$0.75	From closing to 1 year after closing
$1.00	From 1 year after closing to 2 years after closing
$1.50	From 2 years after closing to 3 years after closing
$2.00	From 3 years after closing to 4 years after closing
$2.50	From 4 years after closing to 5 years after closing

Century will assume the existing royalty on Attikamagen and will grant the Company a 1% royalty on the sale of minerals mined from Attikamagen until $2,500,000 has been paid, and thereafter, a 2% royalty on the sale of minerals mined from Attikamagen.

The transaction has been approved by the Board of Directors of the Company and Century, but is subject to the approval of the Toronto Stock Exchange.

Powderhorn and Gullbridge

Prior to July 26, 2013, the Company owned a 70% interest in the Powderhorn Lake Project ("Powderhorn"), which consists of 115 claims covering an area of 29 square kilometres situated in the Buchans-Robert's Arm Belt in Central Newfoundland. Powderhorn is encumbered with a 2.85% net smelter royalty ("NSR"), of which, 1.85% can be purchased by the participants for $2,300,000 to reduce the NSR to 1%.

Prior to July, 26, 2013, the Company owned a 51% interest in the Gullbridge Property in the Buchans Mining Camp, Newfoundland and had an option to increase its interest to 85%. In order to increase its interest from 51% to 85%, the Company was required to issue common shares and incur exploration expenditures as follows:

	Number of common shares	Exploration expenditures $
To increase to 75% interest		
May 1, 2014	150,000	700,000
To increase to 85% interest	–	All necessary expenditures up to the completion of a positive bankable feasibility study

On July 26, 2013, the Company acquired the remaining 30% interest in Powderhorn and 49% interest in Gullbridge for 1,000,000 common shares with a fair value of $190,000 and a 1% royalty on Gullbridge, which the Company has the option to acquire for $1,000,000 or 1,000,000 common shares. The Company also has the right of first refusal on any sale, transfer, mortgage or grant of security interest or any other disposition or encumbrance in the royalty.

8. Convertible notes

	$
Balance, March 31, 2013	–
Issued	718,175
Repaid	(145,000)
Conversion to common shares	(373,175)
Interest	3,945
Balance, September 30, 2013	203,945

On April 30, 2013, the Company issued a convertible note for $563,620 ("Convertible Note 1") in settlement of accounts payable. The terms of the convertible note are as follows:

Maturity date	July 15, 2013
Interest rate	12 % per annum
Repayment	3 monthly instalments of $50,000 commencing on May 1, 2013 and the balance of $413,620 on July 15, 2013.
Conversion	After the Maturity date or upon the occurrence of an event of default, the holder has the option to convert the note including unpaid interest into common shares of the Company based on a conversion price equal to the greater of $0.33 and the volume weighted average trading price for the ten trading days preceding the conversion date.

During the 3 months ended June 30, 2013, the Company repaid $100,000 and on August 1, 2013, the Company issued 1,054,480 common shares at a price of $0.25 per common share to settle $263,270 of Convertible Note 1, leaving $200,000 outstanding.

On June 20, 2013, the Company issued a convertible note for $154,905 ("Convertible Note 2") in settlement of accounts payable. The terms of the convertible note are as follows:

Maturity date	July 15, 2013
Interest rate	12 % per annum
Repayment	$154,905 on July 15, 2013.
Conversion	After the Maturity date or upon the occurrence of an event of default, the holder has the option to convert the note including unpaid interest into common shares of the Company based on a conversion price equal to the greater of $0.33 and the market price of the common shares on the conversion date.

On August 1, 2013, the Company repaid $45,000 and issued 439,663 common shares at a price of $0.25 per common share to settle Convertible Note 2.

9. Capital stock

Authorized
An unlimited number of common shares.

Issued

	Number of common shares	$
Balance, March 31, 2013	119,901,465	122,982,950
Private placement	15,000,000	3,000,000
Fair value of warrants issued	–	(1,277,000)
Acquisition of exploration and evaluation (note 7)	1,000,000	190,000
Conversion of convertible debt (note 8)	1,494,144	373,175
Share issue costs	–	(310,229)
Balance, September 30, 2013	137,395,609	124,958,896

Private placement
On July 31, 2013, the Company completed a private placement of 15,000,000 units at a price of $0.20 per unit for proceeds of $3,000,000. Each unit consists of one common share and one common share purchase warrant entitling the holder to purchase one common share for $0.25 until July 31, 2015. In connection with the private placement, the Company paid an 8% cash commission.

The fair value of the 15,000,000 common share purchase warrants was calculated using the Black-Scholes option pricing model with the following assumptions:

Share price	$0.21
Risk-free interest rate	1.15%
Expected volatility based on historical volatility	84%
Expected life of warrants	2 years
Expected dividend yield	Nil
Fair value	$1,277,000
Fair value per warrant	$0.0852

The Company and the subscriber have agreements governing certain investor rights and obligations. Until the subscriber holds less than 10% of the outstanding shares of the Company, it will have a pre-emptive right to participate in any financing to maintain its percentage interest in the outstanding common shares of the Company on a non-diluted basis. The subscriber will have the right to participate as the initial subscriber for up to $4,000,000 in any financing completed by the Company until January 31, 2015. The subscriber will be restricted from transferring securities of the Company until July 31, 2014, subject to certain exceptions and procedures, after which time, transfers will be permitted subject to certain restrictions until July 31, 2015.

Warrants

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

	Number of warrants	**Weighted-average exercise price $**	**Amount $**
Balance, March 31, 2013	9,222,222	2.59	3,027,187
Issued	15,000,000	0.25	1,277,000
Balance, September 30, 2013	24,222,222	1.14	4,304,187

A summary of the Company's common share purchase warrants outstanding at September 30, 2013 is presented below:

Common share warrant exercise price	**Expiry date**	**Number of warrants**
$1.50 (expired subsequent to September 30, 2013)	October 7, 2013	2,222,222
$3.00 exercisable between November 17, 2014 and May 17, 2015	May 17, 2015	7,000,000
$0.25	July 31, 2015	15,000,000
		24,222,222

Stock options

The Company may grant up to 15,000,000 stock options (March 31, 2013 - 15,000,000) to directors, officers, employees and consultants that vest on the date of grant for a term not exceeding 5 years. At September 30, 2013, 6,070,000 stock options are available to be granted.

	Number of options	**Weighted-average exercise price $**
Balance, March 31, 2013	9,750,000	1.03
Expired	(210,000)	0.70
Cancelled	(1,200,000)	1.33
Balance, September 30, 2013	8,340,000	1.00

A summary of the Company’s outstanding stock options at September 30, 2013 is presented below:

Exercise price	Expiry date	Options outstanding and exercisable
$1.15 (expired subsequent to September 30, 2013)	October 1, 2013	70,000
$0.30	September 16, 2014	1,145,000
$0.33	September 24, 2014	152,500
$0.405	November 9, 2014	50,000
$0.80	January 14, 2015	1,375,000
$0.85	February 2, 2015	150,000
$1.00	March 2, 2015	350,000
$1.00	October 3, 2015	2,100,000
$1.00	October 4, 2015	250,000
$1.50	October 4, 2015	500,000
$1.00	October 24, 2015	50,000
$1.10	November 5, 2015	50,000
$2.17	January 10, 2016	150,000
$1.50	September 9, 2016	1,025,000
$1.30	December 23, 2016	922,500
		8,340,000

10. 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, due from Cartier, accounts payable and accrued liabilities and convertible notes
The fair values of cash and cash equivalents, short-term investments, due from Cartier, accounts payable and accrued liabilities and convertible notes approximate their carrying value due to their short term to maturity.

Investments
The fair values of the investment in common shares of Cartier and Fancamp are measured at the bid market price on the measurement date.

The fair value of the investment in common share purchase warrants of Fancamp is measured using a Black-Scholes option pricing model. Measurement inputs include share price on the measurement date, exercise price, expected volatility (based on historical volatility), expected life, expected dividends and the risk-free interest rate (based on government bonds).

Stock options
The fair value of stock options is measured using a Black-Scholes option pricing model. Measurement inputs include share price on grant date, exercise price, expected volatility (based on historical volatility or historical volatility of securities of comparable companies), weighted average expected life and forfeiture rate (both based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds).

Classification of fair value of financial instruments
The Company classified the fair value of its financial instruments measured at fair value according to the following hierarchy based on the amount of observable inputs used to value the instrument:

- Level 1 - quoted prices in active markets for identical assets and liabilities;
- Level 2 - inputs, other than the quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly;
- Level 3 - inputs for the asset or liability that are not based on observable market data.

As at September 30, 2013

	Level 1 $	Level 2 $	Level 3 $	Total $
Financial asset at fair value through profit and loss				
Cash and cash equivalents and short-term investments	11,978,422	–	–	11,978,422
Investment in Fancamp				
Common shares	900,000	–	–	900,000
Common share purchase warrants	–	10,000	–	10,000
Investment in Cartier				
Common shares	356,800	–	–	356,800

11. Financial risk management

The Company's activities expose it to a variety of financial risks that arise as a result of its exploration, development, production and financing activities, including credit risk, liquidity risk and market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these interim condensed 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 due from Cartier.

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

Liquidity risk

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

Market risk

Market risk is the risk that changes in market prices, such as equity prices, foreign exchange rates and interest rates will affect the Company's income or the value of its financial instruments. The Company is exposed to equity price risk with respect to investments. The Company estimates that if the fair value of its investment as at September 30, 2013 had changed by 10%, with all other variables held constant, the loss would have decreased or increased by approximately $127,000.

Interest rate risk

The Company's exposure to interest rate risk is limited due to the short-term nature of its financial instruments.

Capital management

Capital of the Company consists of capital stock, warrants, contributed surplus and deficit. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can acquire, explore and develop mineral resource properties for the benefit of its shareholders. The Company manages its capital structure and makes adjustments based on the funds available to the Company in light of changes in economic conditions. The Board of Directors has not established quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain the future development of the Company. In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that consider various factors, including successful capital deployment and general industry conditions. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company's principal source of capital is from the issue of common shares. In order to achieve its objectives, the Company intends to raise additional funds as required.

The Company is not subject to externally imposed capital requirements and there were no changes to the Company's approach to capital management during the period.

12. Related party transactions

	6 months ended September 30, 2013 $	6 months ended September 30, 2012 $	Outstanding as at September 30, 2013 $	Outstanding as at March 31, 2013 $
Exploration and evaluation				
Paid to a company controlled by a director	82,500	137,500	–	16,950
Paid or payable to 2 companies controlled by officers	623,518	2,320,228	144,846	146,774
Transaction costs on acquisition of non-controlling interest				
Paid for legal fees to a company controlled by a director	–	205,725	–	–
Common shares				
Share issue costs for legal fees paid to a company controlled by a director	25,020	–	–	–
Professional fees				
Paid or payable for legal fees to a company controlled by a director	347,689	134,877	234,569	212,212
Consulting fees				
Paid or payable to a company controlled by a close family member of a director	–	112,450	–	5,748

See notes 5, 6 and 7 for related party transactions with Cartier.

Compensation of key management personnel

The Company considers its directors and officers to be key management personnel. Transactions with key management personnel are set out as follows:

	6 months ended September 30, 2013 $	6 months ended September 30, 2012 $	Outstanding as at June 30, 2013 $	Outstanding as at March 31, 2013 $
Consulting fees	417,500	385,000	40,000	40,000