

## **Cartier Iron Corporation**

### **Management's Discussion and Analysis**

This Management's Discussion and Analysis ("MD&A") provides discussion and analysis of the financial condition and results of operations of Cartier Iron Corporation (the "Company") for the 3 months ended March 31, 2014 and should be read in conjunction with the unaudited condensed interim financial statements and the accompanying notes. The MD&A is the responsibility of management and is dated as of May 30, 2014.

All dollar amounts are stated in Canadian dollars unless otherwise indicated. Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).

#### **Forward-Looking Statements**

This MD&A may contain, without limitation, statements concerning possible or assumed future operations, performance or results preceded by, followed by or that include words such as "believes", "expects", "potential", "anticipates", "estimates", "intends", "plans" and words of similar connotation, which would constitute forward-looking statements. Forward-looking statements are not guarantees. The reader should not place undue reliance on forward-looking statements and information because they involve risks and uncertainties that may cause actual operations, performance or results to be materially different from those indicated in these forward-looking statements. The Company is under no obligation to update any forward-looking statements contained herein should material facts change due to new information, future events or other factors. These cautionary statements expressly qualify all forward-looking statements in this MD&A.

#### **The Company**

The Company is a public company engaged in the acquisition, exploration and development of mineral resource properties.

The Company is a reporting issuer in Ontario and Alberta, and on January 29, 2013, its common shares commenced trading on the Canadian National Stock Exchange under the trading symbol "CFE".

#### **Overall Performance**

##### **Gagnon Holdings**

Champion Iron Mines Limited ("Champion"), a wholly-owned subsidiary of Australian-based Champion Iron Limited, granted an option to the Company (the "Agreement") to acquire a 65% interest in the Aubertin-Tougaard, Aubrey-Ernie, Black Dan, Jeannine Lake, Penguin Lake, Silicate-Brutus and Three Big Lakes in the Fermont Iron Ore District in the Labrador Trough in northeastern Quebec ("Gagnon Holdings"), referred to as "Cluster 3" by Champion.

Subsequent staking, announced by the Company on February 20, 2013, increased the Gagnon Holdings to 649 claims covering 343.69 square kilometres. The staked claims border the Penguin Lake, Black Dan and Aubrey-Ernie properties, which were amalgamated, along with the staked claims, into the new, contiguous Round Lake Property (see Table 1 below).

Table 1: Summary of Gagnon Holdings: Cartier Iron Corporation

<b>Property</b>	<b>Number of claims</b>	<b>Area (km<sup>2</sup>)</b>
Aubertin-Tougaard	52	27.59
Jeannine Lake	13	6.92
Round Lake (formerly Aubrey-Ernie, Penguin Lake & Black Dan)	519	274.66
Silicate-Brutus	56	29.75
Three Big Lakes	9	4.77
<b>Totals</b>	<b>649</b>	<b>343.69</b>

In order to earn its interest, the Company must make option payments, issue common shares and incur exploration expenditures, as follows:

	Option payments \$	Common shares	Exploration expenditures \$
Option payment due upon conditional approval from a stock exchange for the listing of the shares of the Company, common shares due upon execution of Agreement <sup>1</sup>	100,000	1,000,000	–
December 10, 2013 <sup>2</sup>	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

<sup>1</sup> Option payment made and common shares were issued.

<sup>2</sup> Exploration expenditures were incurred, option payment and common share issuance remain outstanding.

Pursuant to the Agreement, the Company issued an option payment of 1,000,000 common shares to Champion and completed a private placement of 2,000,000 common shares to Champion at a price of \$0.25 per share for cash proceeds of \$500,000. With subsequent open market purchases, Champion now owns 19.9% of the outstanding common shares of the Company.

In connection with the Private Placement, the two companies signed a Pre-emptive Rights Agreement. Until December 31, 2014, Champion has the right to participate in the Company's private placements to maintain its proportionate interest in the outstanding shares of the Company and until the Company has at least 30,000,000 common shares outstanding, Champion has the right to participate in the Company's private placements to increase its holdings of the Company's shares up to 38%.

The two companies also signed a Board Representation and Standstill Agreement. Until December 31, 2017, Champion has the right to nominate one director to the Company's Board of Directors and is restricted from voting in certain circumstances. Champion shall not vote against the election of any nominee to the Board of Directors proposed by the Company or any resolutions supported by the Company's Board of Directors, subject to certain exceptions. The agreement also restricts Champion from selling the Company's common shares without the Company's consent until December 31, 2017, and then limits monthly sales thereafter.

The Company has the option to satisfy the exploration expenditures by (i) paying cash to Champion or the applicable governmental authorities on account of assessment work and/or taxes; or (ii) by issuing the number of common shares to Champion determined by dividing the amount by the 20 day average closing price of the common shares within 5 trading days prior to the date of issue.

Upon the Company earning its 65% interest, a joint venture will be formed to incur additional exploration expenditures. If a joint venture partner 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. The other joint venture partner 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 Champion proposes to acquire any property within 10 kilometres of the Gagnon Holdings, the acquirer must offer the property at cost to the other party for inclusion in the Gagnon properties.

Two officers of the Company are officers of Champion, and subsequent to the signing of the Agreement, on January 10, 2013, Champion's nominee was elected to the Company's Board of Directors at the Company's Annual and Special Shareholders' Meeting. Champion's nominee director currently on the Company's Board is an officer of Champion.

### ***Gagnon Holdings - Exploration***

The Gagnon Holdings are adjacent and in close proximity to Arcelormittal's Mont Reed property which encompasses the suspended Mont Reed Mine open pit.

Five of the seven mineral concessions enclose catalogued iron occurrences, which, in the aggregate, host historic mineral resources<sup>1</sup> of 267.5 million tonnes @ 30.0% iron. These historical mineral resources estimates pre-date National

<sup>1</sup> All historical Mineral Resource estimates outlined in this disclosure are non-compliant to NI 43-101 Mineral Resources and Mineral Reserves

Instrument (NI) 43-101 and, accordingly, are not compliant with the requirements of NI 43-101- *Standards of Disclosure for Mineral Projects*. As a result, the historical estimates should not be relied upon. No “qualified person”, (as defined in NI 43-101) has done sufficient work to classify the historical estimates as current “mineral resources” (as defined in NI 43-101). The Company is not treating the historical resource estimates as current mineral resources or mineral reserves.

In late January, 2013, the Company commenced with an exploration drilling program at the Penguin Lake Project, part of the newly amalgamated property designated the Round Lake Property. Ten NQ-diameter drill-holes, totalling 3,315 m were completed at the Penguin Lake Project. The drill holes were designed to intersect magnetite/ hematite-rich iron formation, coincident with a strong magnetic-response anomaly<sup>2</sup>, in the area of the catalogued “Lac Pingouin Zone 1” Occurrence<sup>3</sup> (<http://sigeom.mrnf.gouv.qc.ca/> Cogite # 23C/01-0004), which has an historic mineral resource<sup>1</sup> of 46.7 Million tonnes grading 30% FeT (Total Iron)<sup>4</sup>, estimated from the results of nine historic diamond-drill holes.

The Phase 1 drilling campaign intersected a total of 1600 metres of iron formation with an average grade of 29.5% FeT. Selected “best” intervals include: 242 m grading 25.2% FeT from hole PL13-04; 129 m grading 34.4% FeT in hole PL13-05; 112 m of 29.4% FeT encountered in hole PL13-07, and; 300 m grading 33% FeT in hole PL13-10. A comprehensive list of composite assay results from the drill programme can be found in the Company’s press release dated April 25, 2013, which is available under the Company’s filings on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company’s website at [www.cartieriron.com](http://www.cartieriron.com).

The Phase 1 drilling campaign results and previous magnetic survey data has provided the Company’s technical team with a better understanding of the sub-surface geology and has led them to postulate a bowl-shaped geometry to the iron formation. The Phase 1 drilling mainly intersected the south-east part of the “bowl”, indicating there may be significant upside resource potential to the west, where the iron formation is interpreted to re-surface.

The Company further reported that it had completed a summer field exploration campaign on the Gagnon Holdings and that it had commissioned MRB & Associates (“MRB”) of Val d’Or, Quebec to complete a National Instrument 43-101 compliant Mineral Resource Estimate (“MRE”) for the Penguin Lake Project.

On December 19, 2013, the Company reported the completion of a current MRE for the Penguin Lake Project, authored by Abder Ladidi, P. Geo., an independent Qualified Person of MRB. Based on 10 drill holes totaling 3,315 m, the MRE reported 531 million tones (“Mt”) grading 33.1% Total Iron (“FeT”) of In-pit Inferred Resources at a 15% FeT cut-ff grade. The global in-situ mineral resource of 534.8 Mt grading 33.1% FeT was subject to a Whittle pit optimization to estimate the portion of in-situ Mineral Resource within the pit shell. P&E Mining Consultants of Brampton, ON were contracted by MRB to run the pit shell using a 1.05:1.00 \$CDN:\$US exchange rate, a mining cost of \$2.50/Tonne, and a charge of \$18.10/Tonne for the total processing, G&A, and freight costs. The process recovery, estimated to be 82%, an iron ore price of \$1.77/dmtu, and a 48° overall pit-slope, were used to complete the Whittle pit optimization. The sensitivity of the resource estimates are demonstrated by comparing the proportion of the mineral resources that may be economically exploited within the optimized pit shell to the global in-situ resource. A summary of the Global In-Situ Mineral Resource Estimate is presented in Table 2 and the results of the In-Pit Mineral Resource are presented in Table 3.

*Table 2: Global In-situ Mineral Resource Estimate, Penguin Lake Project*

Cut-off Grade	Global Inferred Resources*				Below Cut-off			
	Tonnes (millions)	Grade			Tonnes (millions)	Grade		
		FeT%	CaO%	MgO%		FeT%	CaO%	MgO%
15%	534.8	33.1	3.1	2.8	0.0	0.0	0.0	0.0
20%	534.7	33.1	3.1	2.8	0.1	15.4	2.1	1.7
25%	531.4	33.2	3.0	2.8	3.4	23.2	4.7	3.0
30%	466.4	33.9	2.9	2.8	68.4	28.2	4.1	2.7

standards, and should therefore not be relied upon. A Qualified Person has not done sufficient work to upgrade or classify these Historical Mineral Resources as current NI 43-101 compliant Mineral resources.

<sup>2</sup> 2008 GPR Geophysics Report & Survey Data: 2008 Airborne Survey, Fermont Properties, for Champion Iron Mines Limited (GM63919); 2011 Fugro Airborne Survey, for Champion Iron Mines Limited (GM65900).

<sup>3</sup> The on-line documented information on the Lac Pingouin Occurrence describes the rocks hosting the mineralization and the historic resource, and can be viewed on-line at <http://sigeom.mrnf.gouv.qc.ca/> (COGITE #23C/01-0004).

<sup>4</sup> Historical Mineral Resource for the Lac Pingouin occurrence are from MRNFQ Assessment Files GM12096 and GM13035.

Table 3: In-Pit Mineral Resource Estimate, Penguin Lake Project

Cut-off Grade	In-Pit Inferred Resources*				Below Cut-off			
	Tonnes (millions)	Grade			Tonnes (millions)	Grade		
		FeT%	CaO%	MgO%		FeT%	CaO%	MgO%
<b>15%</b>	<b>531.2</b>	<b>33.1</b>	<b>3.1</b>	<b>2.8</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
20%	531.1	33.1	3.1	2.8	0.0	15.4	2.1	1.7
25%	527.8	33.2	3.0	2.8	3.4	23.2	4.7	3.0
30%	463.9	33.9	2.9	2.8	67.3	28.2	4.1	2.7

\* The quantity and grade of the reported Mineral Resources within the Project are categorized as Inferred Mineral Resources. Inferred Mineral Resources are that part of a Mineral Resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from drill core. There is no guarantee that further exploration will upgrade the Inferred Mineral Resources to Indicated or Measured Mineral Resources. Mineral Resources which are not Mineral Reserves do not have demonstrated economic viability. The estimate of Inferred Mineral Resources may be materially affected by environmental, permitting, legal, title, taxation, socio-political, marketing, or other relevant issues.

The 10 drill holes that define the MRE drilled only the southern portion of the deposit. The deposit occurs in the form of a multiply refolded tightly overturned synform that produces a bowl-like shape of shallow dipping iron formation host rock. No recent drilling has been completed in the northern portion of the deposit however, the strong correlation of magnetic response to where iron formation surfaces and a historic drill hole located in the NW portion of the deposit allow for projection of the modelled iron formation and an estimate of the exploration target potential<sup>5</sup>. The interpreted 3D model of iron formation includes an additional 700 to 900 million tonnes of similar grade as suggested by the current Inferred Resource, predominantly in the undrilled portion of the deposit to the north and northwest where additional resources might be identified.

A comparison of the current global in-situ mineral resource and in-pit mineral resource demonstrates the amenable geometry of the deposit to open-pit mining with 99+% of the in-situ resource occurring within the optimized pit shell.

Furthermore, it is apparent that a natural geological cut-off grade exists for the modelled high grade iron oxide deposit that is above the economic cut-off grade. As can be seen by the quantity and grade of below cut-off grade material at the higher cut-off grades, the natural cut-off grade of the deposit is near 25% FeT where only 0.6% of the material is below cut-off at an average grade of 23.2% and well above the economic cut-off grade of 15% FeT.

The current resource reported in the MRE comprises less than half of the modelled bow-shaped deposit and makes the Penguin Lake deposit the largest iron resource in the southern Gagnon Terrane.

On March 24, 2014, the Company announced it has engaged BBA Inc. ("BBA") of Montreal to complete a Preliminary Economic Assessment ("PEA") of the Penguin Lake Project. Additional work planned for the near-term at Penguin Lake includes detailed geological mapping, collection of a bulk sample and a diamond-drilling programme aimed at advancing the project towards Pre-Feasibility.

Further exploration programs at the Gagnon Holdings are contingent upon the Company raising an adequate amount of financing.

#### **Multi-User Railway Pre-Feasibility**

On October 16, 2013 the Company commented on the recent announcement by the Québec Government Economic Policy regarding the initiation of a Pre-Feasibility Study for a new railway that would link the expanding facilities at the Port of Sept-Îles to the Labrador Trough iron deposits in the Côte-Nord Region of north-eastern Québec.

<sup>5</sup> Exploration Target Potential is not a Mineral Resource. There is insufficient work completed to estimate the quantity and grade or quality of the exploration target on the basis of geological evidence and sampling. There is no guarantee that further exploration will define additional mineral resources from any portion of the exploration target potential.

The Québec Government's October 7, 2013 announcement affirms their awareness of the potential rapid-growth markets related to the development of the Côte-Nord Region, and acknowledges that expansion of the current infrastructure is essential to ensuring the continued economic and social development of this northern territory. To this end, the Government has set aside \$20 Million to finance the completion of a Pre-Feasibility Study on building a new multi-user railway link to transport iron ore from the Labrador Trough.

The Company further commented that a new multi-user railway link to Sept-Îles would help unlock the iron resources underlying Cartier Iron's Gagnon Holdings, which in all likelihood would be within easy reach of this proposed new railway line. The Company stated its intention to participate in any stakeholder negotiations going forward. The Company views the Québec Government's October 7, 2013 announcement as a potentially significant catalyst that could attract new investment to the region and also provide significant benefit to the Company, the provincial economy and the region's First Nations peoples.

With the election of the Quebec Liberal Party to a majority government on April 7, 2014, the Company notes and welcomes that the new government has pledged to restart the Plan Nord development plan to support the undertaking of large-scale infrastructure programs designed to fuel economic growth from the resources sector in Quebec's north, including its portion of the Labrador Trough.

### ***Borel River Property, Quebec***

The Company owns a 100% interest in the Borel River iron ore property ("Borel River"), which consists of 108 claims covering 4,459.14 hectares situated on the western shore of Ungava Bay in northern Quebec, subject to a 2% royalty. The Company has the right of first refusal on the sale of the royalty and has the option to reduce the royalty from 2% to 1% by making a payment of \$1,000,000.

The Borel River is located near the western shores of Ungava Bay in northern Quebec (*NTS 24N/12*). The area is accessible via helicopter or float plane from Kangirsuk Airport, 50 km to the north, or from Aupaluk Airport, 25 km to the south; both of which are serviced by Air Inuit from Montreal, Quebec City and Sept-Îles. Borel River is underlain by approximately 20 km of a north-south trending iron formation between the Morgan Lake and Hopes Advance property holdings of Oceanic Iron Ore Corp. The property is named after the Borel River, which flows from west to east across the middle of the Property and drains into False Bight in Ungava Bay.

Several highly metamorphosed, magnetite-specularite and meta-taconite iron deposits that contain 30% to 35% Iron (Fe) are known to exist in the vicinity of the Borel River Property (i.e. Morgan, Castle Mountain). These contain significant historic iron resources and are being aggressively explored by Oceanic Iron Ore Corp. Although considered speculative, these deposits point to the considerable potential for additional iron resources within the area. The iron formation underlying the Borel River Property remains unexplored and untested along the 20 km extent of the Property.

Future exploration programs at the Borel River project have been deferred in order to better allocate any available capital resources on the Company's higher priority projects in the Gagnon Holdings.

### **Risks and Uncertainties**

The Company is in the exploration stage and has no revenue. As at March 31, 2014, the Company had a working capital deficit of \$1,622,684 (December 31, 2013 - \$1,455,956) and for the 3 months ended March 31, 2014, the Company incurred losses of \$16,714 (2013 - \$152,276). The working capital deficit and losses limit the Company's ability to fund operations and the acquisition, exploration and development of mineral resource properties. As a result, there is significant doubt about the Company's ability to continue as a going concern.

The continued operations of the Company is dependent upon the support of its creditors and the Company's ability to secure equity financing to meet its existing obligations and finance the acquisition, exploration and development of mineral resource properties. The Company is actively seeking to raise the necessary equity financing, however, there can be no assurance that additional equity financing will be available.

The Company is exposed to the inherent risks associated with mineral exploration and development, including the uncertainty of mineral resources and their development into mineable reserves; the uncertainty as to potential project delays from circumstances beyond the Company's control; and the timing of production; as well as title risks, risks associated with joint venture agreements and the possible failure to obtain mining licences.

## Results of Operations

	3 months ended March 31,	
	2014	2013
	\$	\$
<b>Expenses</b>		
Professional fees	5,118	29,424
General and administrative	8,011	21,298
Investor relations	6,750	60,166
Loss on sale of marketable securities	–	3,564
Decrease (increase in fair value of marketable securities)	(3,165)	37,824
<b>Loss and comprehensive loss</b>	<b>16,714</b>	<b>152,276</b>

The reduction in expenses reflects the Company's efforts to conserve cash.

## Summary of Quarterly Results

	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014
	\$	\$	\$	\$	\$	\$	\$	\$
	(note 1)			(note 2)		(note 3)	(note 4)	
Revenue	–	–	–	–	–	–	–	–
Loss (income)								
- Total	127,595	86,141	69,622	152,276	106,649	42,302	(486)	16,714
- Per share	0.037	0.014	0.014	0.003	0.006	0.002	–	0.001

### Notes

1. Loss for Q2 2012 reflects a decrease in the fair value of marketable securities of \$41,299.
2. Loss for Q1 2013 reflects a decrease in the fair value of marketable securities of \$37,824.
3. Loss for Q2 2013 reflects a decrease in the fair value of marketable securities of \$30,865.
4. Income for Q4 2013 reflects an increase in the fair value of marketable securities of \$27,663.

## Liquidity and Capital Resources

The Company is in the exploration stage and has no revenue. As at March 31, 2014, the Company had a working capital deficit of \$1,622,684 (December 31, 2013 - \$1,455,956) and for the 3 months ended March 31, 2014, the Company incurred losses of \$16,714 (2013 - \$152,276). The working capital deficit and losses limit the Company's ability to fund operations and the acquisition, exploration and development of mineral resource properties. As a result, there is significant doubt about the Company's ability to continue as a going concern.

The continued operations of the Company is dependent upon the support of its creditors and the Company's ability to secure equity financing to meet its existing obligations and finance the acquisition, exploration and development of mineral resource properties. The Company is actively seeking to raise the necessary equity financing, however, there can be no assurance that additional equity financing will be available.

With respect to the Gagnon Holdings, the Company must make option payments, issue common shares and incur exploration expenditures, as follows:

	Option payments \$	Common shares Number	Fair value \$	Exploration expenditures \$
Option payment due upon conditional approval from a stock exchange for the listing of the shares of the Company and common shares due upon execution of agreement (issued)	100,000	1,000,000	250,000	–
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	250,000	6,000,000

The Company has not made the option payment or issued the common shares due on December 31, 2013. The Company is currently in discussions with Champion to resolve this matter.

The Company owes \$2,100,000 to Champion. Of that amount, \$100,000 is unsecured, bears interest at the rate of LIBOR plus 2% and is due on September 13, 2014. The remaining amount due to Champion is unsecured, non-interest bearing and payable on demand.

### Transactions with Related Parties

	Year ended March 31, 2014 \$	Outstanding as at March 31, 2014 \$
<b>Exploration and evaluation</b>		
A.S. Horvath Engineering Inc., a company, in which, Alex Horvath, a director of the Company, has an ownership interest,	5,000	–
MRB & Associates, a company, in which, John Langton, a director of the Company has an ownership interest.	74,462	19,190

### Critical Accounting 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.

#### *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.

#### *Share-based compensation*

The Company uses the Black-Scholes option pricing model in determining share-based compensation, 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, the actual share-based compensation expense may vary from the amount estimated.

### **Changes in Accounting Policies including Initial Adoption**

#### **New standards and interpretations not yet adopted**

The effective date of the following amendment to standards and interpretations is to be determined:

#### *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.

The Company has not determined the extent of the impact of these standards and does not plan to early adopt these new standards.

### **Financial Instruments and Other Instruments**

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, accounts payable and accrued liabilities, due from Eloro and due to Champion*

The fair values of cash and cash equivalents, accounts payable and accrued liabilities, due from Eloro and due to Champion are estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. At March 31, 2014, the fair value of these balances approximated their carrying value due to their short term to maturity.

#### *Marketable securities*

The fair value of marketable securities is estimated based on observable inputs.

#### *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

Marketable securities are classified as Level 1 financial assets.



### ***Financial risk management***

The Company's activities expose it to a variety of financial risks that arise as a result of its exploration 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 financial statements.

The Board of Directors oversees management's establishment and execution of the Company's risk management framework. Management has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities.

### ***Credit risk***

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the Company's cash and cash equivalents and due from Eoro. The Company's limits its exposure to credit risk on its cash and cash equivalents by holding deposits with high credit quality Canadian chartered bank.

### ***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. Accounts payable and accrued liabilities are subject to normal trade terms and the amount due to Eoro is payable upon demand.

### ***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.

### ***Equity price risk***

Equity price risk arises from the Company's marketable securities. The Company's approach to managing equity price risk is to optimize the return from its marketable securities within acceptable parameters for equity price risk. The Company estimates that if the fair value of its marketable securities as at March 31, 2014 had changed by 25%, with all other variables held constant, the net loss would have decreased or increased by \$14,010.

### ***Currency risk***

Currency risk arises from the Company's financial instruments and purchases that are denominated in a currency other than the Canadian dollar, the Company's functional currency. As all of the Company's purchases are in Canadian dollars, the Company limits its exposure to currency risk by maintaining its cash and cash equivalents in Canadian dollars.

### ***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 share capital, 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.

As the Company is an exploration stage company and has no revenues, its principal source of capital is from the issue of common shares or advances from related parties. 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.

## Other Information

### **Additional Disclosure for Venture Companies without Significant Revenue**

The following table sets forth a breakdown of material components of the general and administration costs, capitalized or expensed exploration and development costs of the Company for the periods indicated.

	<b>3 months ended March 31,</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>General and administrative expenses</b>		
Office	4,454	3,927
Public company costs	3,556	16,915
Travel	–	456
	<hr/> 8,011	<hr/> 21,298

## Exploration and evaluation

	<b>December 31,</b>	<b>Exploration</b>	<b>March 31,</b>
	<b>2013</b>	<b>expenditures</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Property</b>			
Borel River	379,884	2,152	382,036
Gagnon	2,415,602	147,862	2,563,464
	<hr/> 2,795,486	<hr/> 150,014	<hr/> 2,945,500

## Shares Outstanding as at May 30, 2014

### **Shares**

#### *Authorized:*

Unlimited number of common shares.

#### *Outstanding:*

19,332,320 common shares.

### **Stock options**

#### *Authorized:*

1,933,232 stock options, representing 10% of the issued and outstanding common shares.

#### *Outstanding:*

50,000 options exercisable at \$0.35 until February 1, 2018.