# *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 year ended December 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 April 30, 2015.

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.

**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 its common shares are listed for trading on the Canadian Securities Exchange under the trading symbol "CFE".

**Overall Performance**

- Completed $1,360,011 in private placement financings during the quarter ended December 31, 2014.
- Converted $1,050,000 of debt into equity.
- Received $613,898 in refundable tax credits subsequent to the year end, in January, 2015.

***$500,000 Private Placement – October, 2014***

On October 17, 2014, the Company completed a private placement of 2,941,172 units at a price of $0.17 per unit for proceeds of $500,000 (the "Private Placement"). Each unit consisted of one common share and one-half of one warrant, with each whole warrant entitling the holder to purchase one common share for $0.22 until April 17, 2016. If the average closing price of the Company's common shares is greater than $0.40 per share for 20 consecutive business days, the warrants must be exercised within 10 calendar days (or such longer period as the Company may provide) after the Company gives notice by press release and mail to each warrant holder, failing which, the warrants will expire.

***Conversion of $1,050,000 due to Champion Iron Mines Limited ("Champion") – October, 2014***

Concurrently, with the completion of the Private Placement, the Company converted $1,050,000 of the $2,100,000 due to Champion into 6,176,471 units ("Conversion"). Champion is a wholly-owned subsidiary of Australian-based Champion Iron Limited. Each unit consisted of one common share and one-half warrant, with each whole warrant entitling Champion to purchase one common share of the Company for $0.22 until April 17, 2016. If the average closing price of the Company's common shares is greater than $0.40 for 20 consecutive business days, the warrants must be exercised within 10 calendar days (or such longer period as the Company may provide) after the Company gives notice by press release and mail to Champion, failing which, the warrants will expire.

The remaining $1,050,000 due to Champion was converted to a demand loan, which is unsecured, bears interest at the rate of LIBOR plus 2% and is due 6 months after Champion demands repayment (the "Demand Loan"). Champion will have the right to convert the Demand Loan plus accrued but unpaid interest into common shares of the Company at a conversion price equal to the lowest subscription price per common share paid for the most recent capital raising undertaken by the Company at the time of the conversion, subject to the minimum pricing rules and stock exchange approval.

***Relationship with Champion***

Champion holds 11,019,971 common shares of the Company, representing approximately 33% of the outstanding common shares of the Company. The holdings of Champion in the Company are subject to the terms of a pre-emptive rights agreement and an agreement respecting board representation rights and standstill obligations, entered into on December 10, 2012.

Until December 31, 2017, Champion shall not sell common shares without the prior written consent of the Company, and thereafter, Champion shall not sell more than 2,000,000 common shares during any 30-day period.

Until December 31, 2017, provided that Champion owns at least 10% of the outstanding common shares of the Company:

a) The Company shall take all commercially reasonable steps to have a nominee of Champion elected as a director ("Champion Nominee") the board of directors of the Company ("Board").
b) Champion shall not vote against any shareholder resolution recommended by the Board, except in the event that the Champion Nominee dissented when the Board approved a shareholder resolution that that proposes to: (i) reduce the voting or dividend rights of the common shares; (ii) issue shares which carry a number of votes proportionately greater than the capital to be represented thereby or which carry dividend rights at a rate which would substantially impair the dividends ordinarily payable on the common shares; and (iii) approve a transaction with an arm's length third party, which must be passed by at least two-thirds of the votes cast and in respect of which a shareholder has dissent rights.
c) Champion shall not vote in favour of the election of nominees to the Board who are not proposed by the then Board.
d) Champion shall not (i) participate in a take-over bid for any securities of the Company; (ii) solicit proxies from any shareholder or attempt to influence the voting by any shareholders other than in support of initiatives recommended by the Board or (iii) seek to influence or control the management, Board or the policies or affairs of Company; or (iv) make any public or private announcement or disclosure with respect to the foregoing.

***$860,011 Private placements – December, 2014***

On December 29, 2014, the Company completed a private placement of 294,200 units at a price of $0.17 per unit for gross proceeds of $50,014. Each unit consisted of one common share and one-half of one warrant, with each whole warrant entitling the holder to purchase one common share for $0.22 until June 29, 2016. In connection with the private placement, the Company paid a finder's fee equal to 8% of the gross proceeds and issued 11,768 broker warrants entitling the holder to purchase one common share for $0.22 until June 29, 2016.

On December 29, 2014, the Company completed a private placement of 3,599,988 flow-through units at a price of $0.225 per unit for gross proceeds of $809,997. Each unit consisted of one common share issued on a flow-through basis under the *Income Tax Act* (Canada) and one-half of one warrant, with each whole warrant entitling the holder to purchase one common share for $0.35 until June 29, 2016. In connection with the private placement, the Company paid a finder's fee equal to 8% of the gross proceeds of the private placement and issued 144,000 broker warrants entitling the holder to purchase one common share for $0.35 until June 29, 2016.

***Receipt of resource credit***

On January 26, 2015, the Company received $613,898 in respect of the receivable for the Refundable Tax Credit for the year ended December 31, 2013.

***Conversion of amount due from Eloro***

On January 27, 2015, the Company converted the balance of $238,000 due from Eloro into 4,760,000 Eloro common shares at a deemed value of $0.05 per share. Following the conversion, Cartier holds 5,010,000 Eloro common shares, representing 37% of the outstanding Eloro common shares. The Company will have significant influence over Eloro and will account for its investment in Eloro as investment in an associate using the equity method.

***Settlement of accounts payable***

On March 4, 2015, the Company made a payment of $42,050 to settle accounts payable of $157,025 outstanding as at December 31, 2014 to a company, of which, a director is a shareholder. Accordingly, the Company recorded a gain of $114,975 on the settlement in the 2014 financial statements.

***Gagnon Holdings***

The Company has an option from Champion to acquire a 65% interest in the Round Lake (formerly known as Penguin Lake, Black Dan and Aubrey-Ernie), Aubertin-Tougard, Jeannine Lake, Silicate-Brutus and Big Three Lakes Properties, ("Gagnon Holdings"), referred to as "Cluster 3" by Champion.

At December 31, 2014, the option covered 640 claims covering 340.83 square kilometres. On January 18, 2015, the Company abandoned 227 claims covering 37.61 square kilometres of Round Lake. On April 15, 2015, the Company abandoned 111 claims covering 60.84 square kilometres comprising the remaining claims of the Silicate-Brutus, Aubertin-Tougard and Big Three Lakes properties. Subsequent to the abandonments, the Company has an option to earn a 65% interest in the following properties:

Table 1: Summary of Gagnon Holdings: Cartier Iron Corporation

| Property | Number of claims | Area ($km^2$) |
|---|---|---|
| Jeannine Lake | 21 | 11.17 |
| Round Lake *(formerly Aubrey-Ernie, Penguin Lake & Black Dan)* | 302 | 159.82 |
| **Totals** | **323** | **170.99** |

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 (paid and issued) | 100,000 | 1,000,000 | – |
| December 10, 2013 (paid, issued and incurred) | 150,000 | 500,000 | 500,000 |
| December 10, 2014 (issued and incurred) | – | 500,000 | 750,000 |
| Due on the date that the Company receives its refundable tax credit on eligible exploration expenditures incurred in Québec for the year ended December 31, 2013 (extended from December 10, 2014)(paid on January 26, 2015)) | 250,000 | – | – |
| December 10, 2015 | 250,000 | 500,000 | – |
| December 10, 2016 | 250,000 | – | 4,750,000 |
| | 1,000,000 | 2,500,000 | 6,000,000 |

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.

A director of the Company is a director of Champion Iron Limited.

***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.

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[1], in the area of the catalogued "Lac Pingouin Zone 1"

[1] *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).*

Occurrence[2] (http://sigeom.mrnf.gouv.qc.ca/ Cogite # 23C/01-0004), which has an historic mineral resource of 46.7 Million tonnes grading 30% FeT (Total Iron)[3], 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 and on the Company's website at 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 48º 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*

| | Global Inferred Resources* | | | | Below Cut-off | | | |
|---|---|---|---|---|---|---|---|---|
| Cut-off Grade | 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 |

[2] *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).*

[3] *Historical Mineral Resource for the Lac Pingouin occurrence is from MRNFQ Assessment Files GM12096 and GM13035. All historical Mineral Resource estimates are non-compliant to NI 43-101 Mineral Resources and Mineral Reserves 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 Mineral Resources.*

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

| | In-Pit Inferred Resources* | | | | Below Cut-off | | | |
|---|---|---|---|---|---|---|---|---|
| Cut-off Grade | Tonnes (millions) | Grade | | | Tonnes (millions) | Grade | | |
| | | FeT% | CaO% | MgO% | | FeT% | CaO% | MgO% |
| | | | | | | | | |
| **15%** | **531.2** | **33.1** | **3.1** | **2.8** | **0.0** | **0.0** | **0.0** | **0.0** |
| 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[4]. 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.

Work completed during the summer and autumn at the Round Lake property included a helicopter supported prospecting program together with the resampling of core providing the Company with enough work credits to maintain the Round Lake claims in good standing.

On November 28, 2014, the Company announced that with the responsible allocation of capital funds at the forefront of its exploration strategies, the Company was re-scoping its current PEA study in order to incorporate the forthcoming findings from the Labrador Trough rail pre-feasibility study, which is due in late 2015 (see "Multi-User Railway Pre-Feasibility" section below).

4 *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.*

While the rail study proceeds through 2015, the Company will continue its metallurgical testwork studies and focus on base-case process flowsheet aspects for the Penguin Lake deposit. Metallurgical test results announced by the Company on April 28, 2015, indicate that the iron at the Penguin Lake deposit will be most efficiently liberated by a 2-stage process designed to yield iron-fines to produce a final sinter product.

The metallurgical tests were targeted towards producing a concentrate of 65% iron (Fe) and 4.5% silica (SiO2) from an average sample-grade of 30% Fe. Stage-1 gravimetric separation tests by Wilfley Table on 18 samples returned average grades of 65.3% Fe, 4.5% SiO2 and 1.1% MgO. Iron concentrate of similar grade (65% Fe / <4.5% SiO2) will be sought from the second-stage regrinding and magnetic separation process. Additional tests to determine the process model for optimal second-stage iron recovery are on-going. Overall iron recoveries of >80% are targeted for the 2-stage circuit. The maximum 4.5% SiO2 content for the Penguin Lake concentrate is a value imposed by the Company, guided by today's selective-market requirement for the highest-quality iron concentrate.

The Company is currently evaluating further exploration programs at the Gagnon Holdings while managing its capital resources to ensure it has sufficient capital to support its ongoing operations. Further exploration and development of the Company's properties are contingent upon the Company raising an adequate amount of financing.

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

With the election of the Quebec Liberal Party to a majority government on April 7, 2014, the Quebec Government affirmed their commitment on July 21, 2014 wherein the Secretariat au Plan Nord announced that they would make a financial contribution for the realization of the feasibility study regarding the new rail link of up to $20 million. The Company notes and welcomes that the new government has pledged to advance 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.

The Quebec Government passed a decree on October 1, 2014, to invest up to $20 million for the rail feasibility study which, in Phase 1, will cover a rail spur linking the port of Sept-Iles with Champion's Consolidated Fire Lake North property, located approximately 50 kms northeast of the Company's optioned Gagnon Holdings.

As announced by Champion Iron Limited, during the quarter ended September 30, 2014, Champion formed a limited liability partnership with the Quebec Government and co-miner Lac Otelnuk Mining Inc. (a joint venture between Adriana Resources Inc. and WISCO International Resources Development & Investment Limited) to manage the implementation of the rail feasibility study. Subsequently, it was announced that CANARAIL Consultants Inc. ("CANARAIL") has been retained to carry out the first phase of the feasibility study – a proposed new 310 km long railway from Sept-Îles to the southern Labrador Trough. CANARAIL is a Quebec-based rail consulting and engineering firm known for its expertise in feasibility studies, consulting, detailed design, and the supervision of construction of major projects.

The Company views these recent developments as potentially significant catalysts which could help attract new investment to the region and help unlock the value of the iron resources underlying the Gagnon Holdings.

***Borel River Property, Quebec***

The Company owns a 100% interest in 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-Iles. 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.

***Appointments to the Board of Directors***
On June 30, 2014, at the Company's Annual General Meeting, the shareholders elected Gary Lawler as a director. Mr. Lawler is serving as Champion's nominee director, replacing Alexander Horvath.

On September 24, 2014, the Company appointed Thomas G. Larsen as both a director and Chief Executive Officer of the Company.

On October 23, 2014, the Company appointed Michel Gagnon as a director, replacing Miles Nagamatsu, who continues in his capacity of Chief Financial Officer of the Company.

**Risks and Uncertainties**
The Company is in the exploration stage and has no revenue. As at December 31, 2014, the Company had a working capital of $394,411 (2013 - working capital deficit of $1,455,956) and for the year ended December 31, 2014, the Company incurred losses of $250,072 (2013 - $300,740). The level of working capital 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 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 December 31,** | | **Years ended December 31,** | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| | **$** | **$** | **$** | **$** |
| **Expenses** | | | | |
| Professional fees | 21,010 | 6,851 | 51,219 | 52,054 |
| Consulting fees | 45,000 | – | 45,000 | – |
| Stock-based compensation | – | – | – | 9,000 |
| General and administrative | 33,438 | 12,076 | 71,083 | 51,705 |
| Investor relations | 67,347 | 8,250 | 93,185 | 130,582 |
| Travel | 22,853 | – | 42,904 | 456 |
| Interest | 5,438 | – | 6,563 | – |
| Other | 22,124 | – | 22,124 | – |
| Loss on sale of marketable securities | – | – | – | 3,564 |
| Decrease in fair value of marketable securities | 14,222 | (27,663) | 32,968 | 53,376 |
| Gain on settlement of accounts payable | (114,975) | – | (114,975) | – |
| Loss and comprehensive loss | 116,457 | (486) | 250,072 | 300,740 |

***Year ended December 31***
a) increase in consulting fees reflects the commencement of the accrual for consulting fees for the Chief Executive Officer and President on October 1, 2014.
b) decrease in investor relations reflects a decrease in overall expenditures in the first half of the year.
c) increase in travel primarily reflects cost incurred for travel to Europe for investor relations.

**3 months ended December 31**
a) increase in consulting fees reflects the commencement of the accrual for consulting fees for the Chief Executive Officer and President on October 1, 2014.
b) Increase in investor relations primarily reflects the recommencement of limited investor relations.

**Summary of Quarterly Results**

| | Q1 2013<br>$<br>(note 1) | Q2 2013<br>$ | Q3 2013<br>$<br>(note 2) | Q4 2013<br>$<br>(note 3) | Q1 2014<br>$ | Q2 2014<br>$ | Q3 2014<br>$ | Q4 2014<br>$<br>(note 4) |
|---|---|---|---|---|---|---|---|---|
| Revenue | – | – | – | – | – | – | – | – |
| Loss (income) | | | | | | | | |
| - Total | 152,277 | 106,649 | 42,302 | (486) | 16,714 | 47,048 | 69,853 | 116,457 |
| - Per share | 0.003 | 0.006 | 0.002 | – | 0.001 | 0.003 | 0.004 | 0.004 |

Notes
1. Loss for Q1 2013 reflects a decrease in the fair value of marketable securities of $37,824.
2. Loss for Q2 2013 reflects a decrease in the fair value of marketable securities of $30,865.
3. Income for Q4 2013 reflects an increase in the fair value of marketable securities of $27,663.
4. Loss for Q4 2014 reflects increased level of activity.

**Liquidity and Capital Resources**

The Company is in the exploration stage and has no revenue. As at December 31, 2014, the Company had working capital of $394,411 (2013 - working capital deficit of $1,455,956) and for the year ended December 31, 2014, the Company incurred losses of $250,072 (2013 - $300,740). The level of working capital 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 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.

On January 26, 2015, the Company received $613,898 in respect of the receivable for the Refundable Tax Credit for the year ended December 31, 2013.

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

| | Option payments<br>$ | Common shares | Exploration expenditures<br>$ |
|---|---|---|---|
| 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 [1] | 100,000 | 1,000,000 | – |
| December 10, 2013 (paid, issued and incurred) | 150,000 | 500,000 | 500,000 |
| December 10, 2014 (issued and incurred) | – | 500,000 | 750,000 |
| Due on the date that the Company receives its refundable tax credit on eligible exploration expenditures incurred in Québec for the year ended December 31, 2013 (extended from December 10, 2014)(paid on January 26, 2015) | 250,000 | – | – |
| December 10, 2015 | 250,000 | 500,000 | – |
| December 10, 2016 | 250,000 | – | 4,750,000 |
| | 1,000,000 | 2,500,000 | 6,000,000 |

The remaining $1,050,000 due to Champion was converted to a demand loan, which is unsecured, bears interest at the rate of LIBOR plus 2% and is due 6 months after Champion demands repayment (the "Demand Loan"). Champion will have the right to convert the Demand Loan plus accrued but unpaid interest into common shares of the Company at a conversion price equal to the lowest subscription price per common share paid for the most recent capital raising undertaken by the Company at the time of the conversion, subject to the minimum pricing rules and stock exchange approval.

Pursuant to a flow-through financing completed on December 29, 2014, the Company is committed to make of Canadian exploration expenditures of $809,997 by December 31, 2015.

**Transactions with Related Parties**

| | Year ended December 31, 2014 $ | Outstanding as at December 31, 2014 $ |
|---|---|---|
| **Exploration and evaluation** | | |
| A.S. Horvath Engineering Inc., a company, in which, Alex Horvath, a former 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 | 285,301 | 42,050 |

**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 December 31, 2014 $ | 2013 $ | Outstanding at December 31, 2014 $ | 2013 $ |
|---|---|---|---|---|
| Consulting fees for key management personnel | 45,000 | – | 45,000 | – |

Rent for the Company's office premises shared with Champion was paid by Champion. Additional related party transactions are disclosed in notes 6, 7, 8, 9 and 16. These transactions were in the normal course of business.

**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.

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

*Going concern*
The Company applies judgment in assessing its ability to continue as a going concern for at least 12 months.

*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 and applies judgment about future events and circumstances in determining whether the carrying amount of exploration and evaluation exceeds its recoverable amount, including the ability to renegotiate option agreements.

*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.

*Flow-through share premium*
The Company applies estimates in the determination of flow-through share premium liability.

*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.

*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.

**Changes in Accounting Policies including Initial Adoption**
Effective January 1, 2014, the Company adopted the following standards and amendments to IFRS:

*IAS 32 Offsetting Financial Assets and Liabilities*
This amendment clarifies certain aspects of offsetting and net and gross settlement. The Company's adoption of this amendment had no effect on its financial statements.

*IAS 36 Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets*
This amendment modifies certain disclosure requirements about the recoverable amount of impaired assets if that amount is based on fair value less cost of disposal. The Company's adoption of this amendment had no effect on its financial statements.

*IFRIC 21 Levies*
This interpretation provides guidance on the accounting for levies within the scope of IAS 37, Provisions, Contingent Liabilities and Contingent Assets. The main features of IFRIC 21 are: (i) the obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation, and (ii) the liability to pay a levy is recognized progressively if the obligating event occurs over a period of time. The Company's adoption of this standard had no effect on its financial statements.

**New standards and interpretations not yet adopted**
The following amendment to standards will be effective for periods beginning on or after January 1, 2018:

*IFRS 9, Financial Instruments ("IFRS 9")*
This standard will replace *IAS 39, Financial Instruments: Recognition and Measurement*. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing multiple rules In IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Two measurement categories continue to exist to account for financial liabilities in IFRS 9, fair value through profit or loss ("FVTPL") and amortized cost. Financial liabilities held for trading are measured at FVTPL and all other financial liabilities are measured at amortized cost unless the fair value option is applied. In February 2014 the IASB set January 1, 2018 as the effective date for mandatory application of IFRS 9.

The Company has not determined the extent of the impact of IFRS 9 on its financial statements.

**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, accounts payable and accrued liabilities, due from Eloro and due to Champion*
The fair values of cash, 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 December 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***
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 Eloro. 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 is liabilities as they come due. Accounts payable and accrued liabilities are subject to normal trade terms and the amount due to Champion 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 December 31, 2014 had changed by 25%, with all other variables held constant, the net loss would have decreased or increased by $4,977.

*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 it 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.

| | **Years ended December 31,** | |
|---|---|---|
| | **2014** | **2013** |
| | **$** | **$** |
| **General and administrative expenses** | | |
| Office | 48,452 | 17,924 |
| Public company costs | 22,631 | 33,781 |
| | 71,083 | 51,705 |

**Exploration and evaluation**

| | **December 31, 2013** | **Option payment** | **Exploration expenditures** | **Mining tax credits** | **December 31, 2014** |
|---|---|---|---|---|---|
| | **$** | **$** | **$** | **$** | **$** |
| **Property** | | | | | |
| Borel River | 379,885 | – | 2,152 | (75,393) | 306,644 |
| Gagnon | 2,415,602 | 345,000 | 553,272 | (675,358) | 2,638,516 |
| | 2,795,486 | 345,000 | 555,424 | (750,751) | 2,945,160 |

**Shares Outstanding as at April 30, 2015**

***Shares***

*Authorized:*

Unlimited number of common shares.

*Outstanding:*

33,334,150 common shares.

***Stock options***

*Authorized:*

3,333,415 stock options, representing 10% of the issued and outstanding common shares.

*Outstanding:*

None.

***Warrants***

| Exercise price | Expiry date | Number of warrants |
|---|---|---|
| $0.22 (note) | April 17, 2016 | 4,558,821 |
| $0.22 | June 29, 2016 | 158,868 |
| $0.35 | June 29, 2016 | 1,943,994 |
| | | 6,661,683 |

Note: If the average closing price of the Company's common shares is greater than $0.40 per share for 20 consecutive business days, the warrants must be exercised within 10 calendar days (or such longer period as the Company may provide) after the Company gives notice by press release and mail to each warrant holder, failing which, the warrants will expire.