MUSKRAT MINERALS INCORPORATED

Audited Consolidated Financial Statements

For the 12 month period ended June 30, 2015

(expressed in Canadian dollars)

Management's Responsibility for Financial Information

The consolidated financial statements, the notes thereto and other financial information contained in the management's discussion and analysis are the responsibility of management of Muskrat Minerals Incorporated and have been approved by the Board of Directors.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and, where necessary, include amounts which reflect management's best estimates and judgments based on current available information. Muskrat Minerals Incorporated maintains systems of internal accounting and administrative controls in order to provide reasonable assurance that the Corporation's assets are appropriately accounted for and adequately safeguarded, and that financial information is accurate and reliable.

The Board of Directors, through its Audit Committee, is responsible for ensuring that management fulfils its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements and the accompanying management's discussion and analysis.

The Audit Committee is composed of three non-management, independent directors and meets periodically with management and the independent auditors to review internal accounting controls, auditing matters and financial reporting issues, and to satisfy itself that all parties are properly discharging their responsibilities. The Audit Committee also reviews the consolidated financial statements and the management's discussion and analysis of financial results and reports its findings to the Board of Directors for its consideration when approving the consolidated financial statements for issuance to the shareholders.

"Francis H. MacKenzie"

Francis H. MacKenzie
President and Chief Executive Office

"Lorne S. MacFarlane"

Lorne S. MacFarlane
Chief Financial Officer

October 28, 2015

Muskrat Minerals Incorporated

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Independent Auditor's Report

To the Shareholders of
Muskrat Minerals Inc.

We have audited the accompanying consolidated financial statements of Muskrat Minerals Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at June 30, 2015 and the consolidated statements of changes in equity, loss and comprehensive loss and cash flows the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Muskrat Minerals Inc. and its subsidiaries as at June 30, 2015 and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 1 of the consolidated financial statements which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about Muskrat Minerals Inc.'s ability to continue as a going concern.

PricewaterhouseCoopers LLP
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Restated Comparative Information
The consolidated financial statements of Muskrat Minerals Inc. for the year ended June 30, 2014 (prior to the restatement of the comparatives information described in Note 17) were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on October 23, 2014. As part of our audit of the consolidated financial statements of Muskrat Minerals Inc. for the year ended June 30, 2015, we also audited the adjustments described in Note 17 that were applied to restate the consolidated financial statements for the year ended June 30, 2014. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the consolidated financial statements of Muskrat Minerals Inc. for the year ended June 30, 2014 other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the consolidated financial statements for the year ended June 30, 2014 taken as a whole.

(signed) "*PricewaterhouseCoopers LLP*"

Chartered Accountants

Muskrat Minerals Incorporated

Consolidated Balance Sheets

(Amounts presented in Canadian Dollars)

	30-Jun 2015	30-Jun 2014 (Restated see Note 17)
	$	$
Assets		
Current assets:		
Cash	**1,375,031**	1,977,562
Restricted cash (Note 5)	**610,000**	-
Accounts receivable	**62,379**	-
Other receivable	**117,417**	62,598
Prepaid and other deposits	**532,240**	431,837
Investments (Note 4)	**92,266**	474,487
	2,789,333	2,946,484
Non-current assets:		
Iron interests (Note 5)	**60,396,574**	58,107,967
Mineral claim deposits (Note 6)	-	334,045
Property and equipment (Note 7)	**141,808**	173,225
	60,538,382	58,615,237
	63,327,715	61,561,721
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade and other payables (Notes 5 and 18)	**2,952,819**	1,390,612
Current portion long term debt (Note 9)	**1,184,923**	-
	4,137,742	1,390,612
Non-current liabilities:		
Long term debt (Note 9)	**1,663,511**	1,453,032
Deferred taxes (Note 13)	**8,805,720**	10,289,326
	10,469,231	11,742,358
Shareholders' equity		
Share capital (Note 10)	**8,948,978**	8,948,978
Equity component convertible debenture (Note 9)	**649,593**	-
Stock based payment reserve	**2,243,000**	913,000
Retained earnings	**7,758,986**	9,085,851
Accumulated other comprehensive income	**117,670**	-
Equity Attributable to shareholders	**19,718,227**	18,947,829
Non-controlling interests	**29,002,515**	29,480,922
	48,720,742	48,428,751
	63,327,715	61,561,721

Note 1 - Nature of operations and going concern

Note 14 - Commitments

Note 18 - Subsequent events

The accompanying notes form an integral part of these consolidated financial statements

Approved on behalf of the Board:

David J. Hennigar

Francis H. MacKenzie

October 27, 2015

Muskrat Minerals Incorporated

Consolidated Statements of Loss and Comprehensive Loss

For the years ended June 30, 2015 and June 30, 2014

(Amounts presented in Canadian Dollars)

	years ended	
	30-Jun-15	**30-Jun-14**
	$	$
Operating expenses:		
Advertising and promotion	**1,627**	1,000
Utilities	**131,757**	137,571
Consulting	**2,816**	22,065
Dues and fees	**29,877**	20,187
Exploration costs	**923,022**	92,608
Foreign exchange losses	**175,832**	10,692
General and administrative	**205,779**	149,459
Insurance	**92,738**	126,340
Management fees	**947,118**	911,606
Professional fees	**45,750**	78,650
Rental	**912,839**	805,759
Travel	**718,606**	481,995
Stock based compensation	**1,330,000**	625,000
Salaries and wages	**476,221**	91,534
	5,993,982	3,554,466
Loss before the undernoted	**(5,993,982)**	(3,554,466)
Depreciation	**(36,732)**	(18,491)
Interest and bank changes	**(59,825)**	(31,243)
Realized gain (loss) on investments (Note 4)	**(146,293)**	622,153
Unrealized gain (loss) on investments (Note 4)	**9,615**	(263,483)
Net Loss before taxes	**(6,227,217)**	(3,245,530)
Income tax recovery (Note 13)	**1,483,610**	812,343
Net Loss	**(4,743,607)**	(2,433,187)
Net loss attributable to:		
Shareholders of the Corporation	**(2,686,633)**	(1,141,894)
Non-controlling interest	**(2,056,974)**	(1,291,293)
Net loss	**(4,743,607)**	**(2,433,187)**
Net loss per share (Note 12)	**($0.16)**	($0.07)
Weighted average number of shares outstanding (Note 10)	**17,251,018**	17,251,018
Net loss	**(4,743,607)**	(2,433,187)
Other comprehensive income		
Items that may be subsequently reclassified to loss		
Cumulative translation adjustments	**290,413**	-
Comprehensive loss	**(4,453,195)**	(2,433,187)
Comprehensive loss attributable to:		
Shareholders of the Corporation	**(2,568,962)**	(1,141,894)
Non-controlling interest	**(1,884,232)**	(1,291,293)
Comprehensive loss	**(4,453,194)**	(2,433,187)

The accompanying notes form an integral part of these consolidated financial statements

Muskrat Minerals Incorporated

Consolidated Statement of Changes in Equity
For the years ended June 30, 2015 and June 30, 2014
(Amounts presented in Canadian Dollars)

	Number of Shares Issued	Share Capital	Equity Component Convertible Debenture	Stock based payment reserve	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders Equity	Non-controlling interest	Total Equity
		$		$	$	$	$		
Balance June 30, 2013	17,251,018	8,948,978	-	288,000	7,517,703	-	16,754,681	26,907,155	43,661,836
Gain on divesture of investment in subsidiary (Note 3)	-	-	-	-	2,710,042	-	2,710,042	3,865,060	6,575,102
Net loss and comprehensive loss for the year	-	-	-	-	(1,141,894)	-	(1,141,894)	(1,291,293)	(2,433,187)
Stock-based compensation (Note 11)	-	-	-	625,000	-	-	625,000	-	625,000
Balance June 30, 2014	17,251,018	8,948,978	-	913,000	9,085,851	-	18,947,829	29,480,922	48,428,751
Net Loss	-	-	-	-	(2,686,632)	-	(2,686,632)	(2,056,974)	(4,743,607)
Other comprehensive income for the year	-	-	-	-	-	117,670	117,670	172,743	290,413
Comprehensive income (loss) for the year	-	-	-	-	(2,686,632)	117,670	(2,568,962)	(1,884,232)	(4,453,194)
Gain on divesture of investment in subsidiary (Note 3)	-	-	-	-	945,406	-	945,406	1,405,825	2,351,231
Gain on acquisition of shares in subsidiary (Note 3)	-	-	-	-	414,361	-	414,361	-	414,361
Equity attributable to convertible debenture (Note 9)	-	-	649,593	-	-	-	649,593	-	649,593
Stock-based compensation (Note 11)	-	-	-	1,330,000	-	-	1,330,000	-	1,330,000
Balance June 30, 2015	17,251,018	8,948,978	649,593	2,243,000	7,758,986	117,670	19,718,227	29,002,515	48,720,742

The accompanying notes form an integral part of these consolidated financial statements

Muskrat Minerals Incorporated

Consolidated Statements of Cash Flows
For the years ended June 30, 2015 and June 30, 2014
(Amounts presented in Canadian Dollars)

	years ended	
	30-Jun-15	**30-Jun-14**
	$	$
Cash flows generated from operating activities:		
Net loss	**(4,743,607)**	(2,433,187)
Items not involving cash:		
Depreciation	**36,732**	18,491
Forfeiture mineral claim deposits (Note 6)	**515,667**	25,863
Stock based compensation	**1,330,000**	625,000
Gain on conversion of debt	**-**	(622,153)
Loss (gain) on sale of investments	**146,293**	-
Unrealized loss (gain) on investments	**(9,615)**	263,483
Deferred taxes	**(1,483,610)**	(812,343)
Changes in non-cash operating working capital		
Other receivables	**(54,819)**	58,638
Prepaid and other deposits	**(100,403)**	6,520
Trade and other payables	**952,208**	(167,128)
	(3,411,154)	(3,036,816)
Cash flow generated from financing activities:		
Proceeds of long term debt	**2,000,000**	-
Repayment of long term debt	**(133,514)**	(138,838)
	1,866,486	(138,838)
Cash flows (provided) generated from investing activities:		
Investment in property and equipment	**-**	(24,137)
Proceed sale of investments	**245,543**	-
Proceeds sale of non-controlling interest	**2,363,600**	7,291,184
Investment in minerals claim deposits	**-**	(192,519)
Refund of minerals claim deposits	**-**	267,288
Acquisition of shares in subsidiary	**(132,500)**	-
Investment in iron interests	**(1,534,506)**	(3,244,480)
	942,137	4,097,336
Increase (decrease) in cash during the year	**(602,531)**	921,682
Cash, beginning of year	**1,977,562**	1,055,880
Cash, end of year	**1,375,031**	1,977,562

The accompanying notes form an integral part of these consolidated financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

Muskrat Minerals Incorporated ("the Corporation") was incorporated on October 4, 2000 under the laws of the Province of Alberta pursuant to the provisions of the *Business Corporations Act*. The Corporation, as a result of the recent acquisition and reorganization (see note 3), has now transitioned into the mining and exploration sector. The Corporation's Head Office is located at 1600 – 141 Adelaide Street West, Toronto, ON M5H 3L5.

The Corporation's subsidiaries, Grand River Ironsands Incorporated and North Atlantic Iron Corporation, principal place of business is Newfoundland and Labrador and the subsidiary Forks Specialty Metals Inc. principal place of business is Pennsylvania, USA.

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Corporation will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The Corporation and its subsidiaries have not yet determined whether the properties contain ore reserves that are economically recoverable. The recoverability of amounts shown for mineral properties and related deferred expenditures is dependent upon the discovery of economically recoverable reserves, confirmation of the subsidiary's interest in the underlying mining claims, the ability of the Corporation and its subsidiaries to obtain necessary financing from shareholders, investors and lenders to complete the development, and upon future profitable production or proceeds from the disposition thereof.

The Corporation has had recurring negative cash flows from operations and will require additional financing to fund its continuing exploration efforts. These uncertainties cast significant doubt upon the Corporation's ability to continue as a going concern. Management plans to raise additional debt and/or equity financing in order to continue operations. Although the Corporation has been successful in raising funds to date, there can be no assurance that adequate funding will be available in the future, or available under terms favourable to the Corporation. The consolidated financial statements do not reflect adjustments in the carrying values of the assets and liabilities, the reported expenses, and the balance sheet classifications used, that would be necessary if the Corporation was unable to realize its assets and settle its liabilities as a going concern in the normal course of operations, and such adjustments could be material.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation and Statement of Compliance

The consolidated financial statements are prepared on the historical cost basis except for certain assets, liabilities and financial instruments which are measured at their fair values, as explained in the relevant accounting policies.

The consolidated financial statements are presented in Canadian dollars which is also the Corporation's functional currency and the functional currency of its Canadian subsidiaries. The functional currency of the US subsidiary is the US dollar.

These consolidated financial statements were approved and authorized for issue by the board of directors on October 27, 2015.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") as set out in the Chartered Professional Accountants of

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of Presentation and Statement of Compliance (continued)

Canada Handbook – Accounting – Part 1 ("CPA Canada Handbook"), which incorporates International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

(b) Basis of Consolidation

On August 11, 2014 the Corporation's wholly owned subsidiaries VRI and NSL were amalgamated into the parent company. These consolidated financial statements include the accounts of the Corporation and the following entities:

- 41.3% Grand River Ironsands Incorporated ("GRI")
  A company incorporated in Nova Scotia engaged in the exploration and development of mineral deposits
- 100% Forks Specialty Metals Inc. ("FSM")
  A company incorporated in Pennsylvania engaged in iron ore smelting
- 64.6% North Atlantic Iron Corporation ("NAIC")
  A corporation incorporated in Newfoundland and Labrador engaged in the exploration and development of mineral deposits

All inter-company transactions and balances have been eliminated on consolidation.

(c) Business Combinations, Goodwill and Non-Controlling Interests

The acquisition method of accounting is used to account for the acquisition of subsidiaries and businesses as follows:

- Cost is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange;
- Identifiable assets acquired and liabilities assumed are measured at their fair values at the acquisition date;
- The excess of acquisition cost over the fair value of the identifiable net assets acquired is recorded as goodwill; and
- If the acquisition cost is less than the fair value of the net assets acquired, the difference is recognized as gain directly in the income statement.
- Transaction costs are expensed as incurred.

For each business combination, the acquirer measures the non-controlling interest in the acquiree at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed and included in administrative expenses.

When the Corporation acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to its fair value as at the acquisition date through profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Business Combinations, Goodwill and Non-Controlling Interests (continued)

acquisition date, allocated to each of the Corporation's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Transactions with non-controlling interests are treated as transactions with equity owners of the Corporation. For purchases from non-controlling interests that do not involve loss of control, the difference between the fair value of the consideration paid and the share of the carrying value of net assets acquired is recorded in equity. Similarly, gains or losses on disposals to non-controlling interests, which do not involve loss of control, are computed and recorded in equity.

(d) Iron Interests

Iron interests expenses and mining reserves are stated at cost by capitalizing related expenditures until they are ready for commercial production. Upon commercial viability, depletion commences on a unit-of-sale basis over the estimated recoverable measured and indicated reserves.

Pre-exploration are generally expensed unless management considers it probable that future economic benefits can be identified. Other general exploration expenses are charged to operations as incurred. The cost of mineral properties abandoned or sold and their related deferred exploration costs are charged to operations in the year the disposition or abandonment occurs.

The value associated with resources and exploration potential is allocated at acquisition and is classified as non-depletable until such time as it is transferred to the depletable category, generally as a result of the conversion of resource or exploration potential into reserves. On transfer, the asset is tested for impairment.

(e) Restoration, Rehabilitation and Environmental Obligation

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Property and Equipment

Property and Equipment is recorded at cost less accumulated depreciation and any impairment. The cost of an item of property and equipment consists of the purchase price and any cost directly attributable to bringing the asset to the location and condition necessary for its intended use.
Depreciation is provided using the declining balance method at the following annual rates:

Assets	Rates
Computer hardware	30%
Office furniture and equipment	20%
Industrial equipment	20%
Automotive equipment	30%

(g) Impairment of Non-Financial Assets

Property and equipment and other non-current assets with definite useful lives, are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Non-current assets that are not amortized, including investment in associate, are subject to an annual impairment assessment. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value (less costs to sell) is the amount obtainable from the sale of the asset or group of assets in an arm's length transaction between knowledgeable and willing parties, less costs to sell. Value in use is equal to the present value of future cash flows expected to be derived from the use and sale of the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU").

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds it recoverable amount. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit on a pro rata basis.

Impairment losses may be reversed, except for goodwill, in a subsequent period where the impairment no longer exists or has decreased. The carrying amount after a reversal must not exceed the carrying amount (net of depreciation) that would have been determined had no impairment loss been recognized.

(h) Share Issuance Costs

Costs incurred for the issuance of common shares are deducted from share capital.

(i) Foreign Currency

Foreign currency transactions are initially recorded in the functional currency at the transaction date exchange rate. At the balance sheet date, monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the reporting date exchange rate. Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items at year-end exchange rates are recognized in the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Foreign Currency (continued)

Non-monetary items measured at historical cost are translated using the historical exchange rate. Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

Financial statements of subsidiaries, affiliates and joint ventures for which the functional currency is not the Canadian dollar are translated into Canadian dollar as follows: all asset and liability accounts are translated at the balance sheet exchange rate and all earnings and expense accounts and cash flow statement items are translated at average exchange rates for the period. The resulting translation gains and losses are recorded as foreign currency translation adjustments in other comprehensive income and recorded in the currency translation reserve in equity. On disposal of a foreign operation the cumulative translation differences recognized in equity are reclassified to the income statement and recognized as part of the gain or loss on disposal. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into Canadian dollars at the balance sheet rate.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive income in the translation reserve.

(j) Income Taxes

Income taxes are calculated using the liability method. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the balance sheet are used to calculate deferred income tax liabilities or assets. Deferred income tax liabilities or assets are calculated using the substantively enacted rates and laws that are expected to be in effect in the periods that the temporary differences are expected to reverse. The effect of changes in rates is included in the statement of comprehensive income in the period which included the substantive enactment date. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(k) Stock based Payments

Stock based payment awards that are direct awards of stock to employees or directors, call for settlement in cash or other assets, or are stock appreciation rights that call for settlement by issuing equity instruments, are accounted for using the Black-Scholes option pricing model. The cost is recognized on a straight-line graded method basis adjusted for expected forfeitures as an employee or director expense with a corresponding increase to equity in stock based payment reserve. Consideration paid by employees or directors on the exercise of stock options is recorded as share capital.

Stock based payments with parties other than employees, assumes a rebuttable presumption that the fair value of the goods or services received can be estimated reliably. In certain circumstances, the Corporation rebuts this presumption because it cannot estimate reliably the fair value of the goods or services received. The Corporation then measures the goods or services received, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders service.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Financial Assets and Liabilities

The Corporation recognizes a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument. Such financial assets or financial liabilities are initially recognized at fair value and the subsequent measurement depends on their classification.

Financial assets classified as held-for-trading are recognized at fair value through profit and loss Financial assets classified as available-for-sale are measured at fair value with any resultant gain or loss being recognized directly under other comprehensive income. Investments in equity instruments classified as available-for-sale that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. When available-for-sale financial assets are derecognized, the cumulative gain or loss previously recognized directly in equity is recognized in profit or loss. Financial assets classified as loans and receivables and held to maturity, are measured at amortized cost using the effective interest rate method. Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

All financial liabilities are recognized initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs. Financial liabilities are classified as other financial liabilities, and are subsequently measured at amortized cost using the effective interest rate method.

The Corporation's financial assets include cash, restricted cash, investments, and loans receivable. The Corporation's financial liabilities include trade and other payables, and long term debt. Classification of these financial instruments is as follows:

Asset/Liability	Classification
Cash	Loans and receivables
Restricted cash	Loans and receivables
Investments	FVTPL
Loans receivable	Loans and receivables
Trade and other payables	Other financial liabilities
Long-term debt	Other financial liabilities

Financial assets are derecognized when the Corporation's rights to cash flows from the respective assets have expired or have been transferred and the Corporation has neither exposure to the risks inherent in those assets nor entitlement to rewards from them. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statements of operations and comprehensive loss.

The Corporation categorizes its financial assets and liabilities measured at fair value into one of three different levels depending on the observability of the inputs used in the measurement.

Level 1: This level includes assets and liabilities measured at fair value based on unadjusted quoted prices for identical assets and liabilities in active markets that are accessible at the measurement date.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Financial Assets and Liabilities (continued)

Level 2: This level includes valuations determined using directly or indirectly observable inputs other than quoted prices included within Level 1. Derivative instruments in this category are valued using models or other standard valuation techniques derived from observable market inputs.

Level 3: This level includes valuations based on inputs which are less observable, unavailable or where the observable data does not support a significant portion of the instruments' fair value.

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

(m) Impairment of Financial Assets

At each reporting date, the Corporation assesses whether there is objective evidence that a financial asset is impaired. A significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If such evidence exists, the Corporation recognizes an impairment loss, as follows:

- Financial assets carried at amortized cost: The loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.
- Available-for-Sale financial assets: The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the statement of income. This amount represents the cumulative loss in accumulated other comprehensive income (loss) that is reclassified to net income.

Impairment losses on financial assets carried at amortized cost and available-for-sale financial assets are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized. Impairment losses on available for-sale equity instruments are not reversed.

(n) Critical Accounting Estimates and Judgments

The preparation of consolidated financial statements under IFRS requires the Corporation to make estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of expenses during the period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. Actual results may differ materially from these estimates. The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows:

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Critical Accounting Estimates and Judgments (continued)

Recoverability of Iron Interests
At the end of each reporting period, the Corporation assesses each of its iron interests to determine whether any indication of impairment exists. Judgment is required in determining whether indicators of impairment exist, including factors such as, the period for which the Corporation has the right to explore, expected renewals of exploration rights, whether substantive expenditures on further exploration and evaluation of resource properties are budgeted and results of exploration and evaluation activities on the exploration and evaluation assets.

Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. The impairment analysis requires the use of estimates and assumptions, such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. Fair value of mineral assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. If the Corporation does not have sufficient information about a particular mineral resource property to meaningfully estimate future cash flows, the fair value is estimated by management through the use of, where available, comparison to similar market assets and, where available, industry benchmarks. Actual results may differ materially from these estimates.

Deferred Income Taxes
The Corporation is periodically required to estimate the tax base of assets and liabilities. Where applicable tax laws and regulations are either unclear or subject to varying interpretations, it is possible that changes in these estimates could occur that materially affect the amounts of deferred income tax assets and liabilities recorded in the consolidated financial statements. Changes in deferred tax assets and liabilities generally have a direct impact on earnings in the period of changes.

Each period, the Corporation evaluates the likelihood of whether some portion or all of each deferred tax asset will not be realized. This evaluation is based on historic and future expected levels of taxable income, the pattern and timing of reversals of taxable temporary timing differences that give rise to deferred tax liabilities, and tax planning initiatives. Levels of future taxable income are affected by, among other things, the market price for gold, production costs, quantities of proven and probable reserves, interest rates, and foreign currency exchange rates.

Share-based Payments
The Corporation makes certain estimates and assumptions when calculating the estimated fair values of stock options granted and warrants issued. The significant assumptions used include estimate of expected volatility, expected life, expected dividend rate and expected risk-free rate of return. Changes in these assumptions may result in a material change to the expense recorded for grants of stock options and the issuance of warrants.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Critical Accounting Estimates and Judgments (continued)

Valuation of Convertible Debentures

On May 1, 2015, the Corporation issued convertible debentures for gross proceeds of $2,000,000 (see note 9). The fair value of the components, being the convertible debentures and the equity component of the convertible debentures, must be calculated initially in order to allocate the proceeds to the components. The valuation is complex, as there is no active trading market for these items and is based on significant unobservable inputs. The valuation considers factors such as limited available market information, management's assumptions of expected cash flows related to the instruments, including reasonably possible alternative assumptions, maturity dates and expected return of capital on a discounted basis.

Based on management's analysis as at May 1, 2015, the fair value of the liability component of the convertible debenture instrument is $1,350,407. The Corporation has estimated the fair value of this liability based on the net present value of expected repayments, using a discount rate of 14%. If a discount rate of 19% had been used, this would have resulted in the liability being $255,715 lower and comprehensive loss being $3,246 lower. If a discount rate of 9% had been used, this would have resulted in the liability being $324,640 higher and comprehensive loss being $6,473 higher.

(o) Provisions

A provision is recognized in the consolidated balance sheets when the Corporation has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(p) Earnings Per Share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share amounts are calculated by dividing the net profit attributable to common shareholders by the weighted average number of shares outstanding during the period plus the weighted average number of shares that would be issued on the conversion of all the potential dilutive ordinary shares into common shares.

(q) Recent Accounting Pronouncements

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods after June 30, 2014. Those pronouncements that could be applicable or could have a significant impact to the Corporation are discussed below

IFRS 9, Financial instruments

IFRS 9 "Financial instruments" ("IFRS 9") introduces new requirements for the classification and measurement of financial assets. IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" to be measured at amortized cost or fair value in subsequent accounting periods following initial recognition. Specifically, financial assets that are held within a business model whose objective is to collect the

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Recent Accounting Pronouncements (continued)

contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods.

Requirements for classification and measurement of 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 was amended in November 2013, to (i) include guidance on hedge accounting, (ii) allow entities to early adopt the requirement to recognize changes in fair value attributable to changes in an entity's own credit risk, from financial liabilities designated under the fair value option, in OCI, without having to adopt the remainder of IFRS 9, and to (iii) remove the previous mandatory effective date for adoption of January 1, 2015, although the standard is available for early adoption. IFRS 9 is effective for annual periods beginning on or after January 1, 2018

IFRS 15, Revenue from Contracts and Customers

The IASB issued IFRS "Revenue from Contacts and Customers" ("IFRS 15") effective for annual periods beginning on or after January 1, 2018. IFRS 15 establishes a new control-based revenue recognition model and replaces IAS 18, "Revenue" and IAS 11, "Construction Contracts", and some revenue related interpretations. The Corporation is currently evaluating the impact of the new standard on its financial statements.

3. INVESTMENT IN SUBSIDAIRY COMPANIES

As of August 29, 2012 the Corporation had acquired 9,475,017 shares in GRI increasing its holding in GRI to 41.1% which, when combined with the holdings of Directors and associated companies, gave the Corporation effective control of GRI and its 77.5% owned subsidiary NAIC.

On April 5, 2013, Petmin Limited, an unrelated entity, ("Petmin") acquired an additional 23 common shares of NAIC increasing its non-controlling interest in NAIC from 22.5% to 25.1%, in exchange for cash consideration of $2,031,400 (US$2,000,000).

Non-controlling interest divesture

On July 17, 2013, Petmin acquired an additional 23 common shares of NAIC increasing its non-controlling interest in NAIC from 25.1% to 27.6%, in exchange for cash consideration of $2,070,400 (US$2,000,000).

On October 23, 2013, Petmin acquired an additional 23 common shares of NAIC increasing its non-controlling interest in NAIC from 27.6% to 30.0%, in exchange for cash consideration of $2,072,700 (US$2,000,000).

On April 7, 2014, Petmin acquired an additional 30 common shares of NAIC increasing its non-controlling interest in NAIC from 30.0% to 32.8%, in exchange for cash consideration of $2,193,800 (US$2,000,000).

(Amounts presented in Canadian Dollars)

3. INVESTMENT IN SUBSIDAIRY COMPANIES (continued)

On October 24, 2014, Petmin acquired an additional 15 common shares of NAIC increasing its non-controlling interest in NAIC from 32.8% to 34.1%, in exchange for cash consideration of $1,123,300 (US$1,000,000).

On February 17, 2015, Petmin acquired an additional 15 common shares of NAIC increasing its non-controlling interest in NAIC from 34.1% to 35.4%, in exchange for cash consideration of $1,240,300 (US$1,000,000).

On October 11, 2013 and November 29, 2013 GRI issued an aggregate of 433,582 flow through and non-flow through shares from treasury for an aggregate consideration of $943,854 less issue costs of $106,992 for net proceeds of $836,862. These transactions reduced the Corporation's interest in GRI from 41.07% to 40.32%.

These transactions have been treated as a divestiture of the Corporation's interests in NAIC and GRI as follows:

	year ended	
	30-Jun-15	30-Jun-14
	$	$
Proceeds from sale	2,363,600	6,336,900
Net assets sold	(12,369)	173,687
Gain on divestiture to non-controlling interests	2,351,231	6,510,587
This gain has been allocated between the Corporation and the non-controlling interest of GRI as follows:		
Non-controlling interest	1,405,825	3,865,060
Controlling interest	945,406	2,645,527
Total gain on divesture to non-controlling interests	2,351,231	6,510,587

On June 5, 2015 the Corporation acquired an additional 265,000 common shares of GRI representing 1.13% of the outstanding shares for $132,500. This transaction has been recorded as follows:

Non-controlling interest acquired	546,861
Amount paid for shares	132,500
Gain on acquisition of non-controlling interest	414,361

(Amounts presented in Canadian Dollars)

4. INVESTMENT

As part of acquisition of control of GRI in 2012 the Corporation acquired notes receivable and common shares in an associated company. The book value of these items was as follows:

	Value $
Demand loan to a Company, associated by virtue of a common director, issued January 2009 with interest at 10% per annum calculated and paid monthly. Further consideration of 100,000 common shares has been received.	87,732
Convertible debenture receivable from the same Company above, issued June 6, 2011 with interest at a rate of 10% per annum calculated and paid semiannually.	21,586
Investment in same company (100,000 common shares)	6,500
	115,818

Gain on debt conversion

On November 15, 2013 GRI accepted a Debt Settlement Agreement proposed by the associated company whereby GRI would receive 4,204,560 common shares and 2,102,280 share purchase warrants. The transactions closed in February 2014 and the common shares and warrants were assigned fair values as follows as of the acceptance date:

	$
2,102,280 share purchase warrants	205,901
4,204,560 Common shares	525,570
Market value of shares and warrants on conversion	731,471
Total loan value	(109,318)
Gain on conversion	622,153

Market value of investments	30-Jun-15	30-Jun-14
	$	$
2,102,280 share purchase warrants	12,850	87,077
1,184,520 Common shares (2014 - 4,304,560)	79,416	387,410
Market value of investments	92,266	474,487
Unrealized gain (loss) for period	9,615	(263,484)

Sale of investments	30-Jun-15	30-Jun-14
	$	$
Proceeds sale of 3,120,040 shares (2014 nil)	245,543	-
Cost of shares sold	391,836	-
Realized loss on investments	(146,293)	-

(Amounts presented in Canadian Dollars)

5. IRON INTERESTS

June 30, 2014 (Restated - see Note 17)

	Balance 30-Jun-13	Additions	Reductions	Balance 30-Jun-14
	$	$	$	$
Labrador Mineral Sands	55,269,893	2,969,979	-	57,992,946
Porcupine Strand	115,021	-	-	115,021
	55,384,914	2,969,979	-	58,107,967

June 30, 2015

	Balance 30-Jun-14	Additions	Reductions	Balance 30-Jun-15
	$	$	$	$
Labrador Mineral Sands	57,992,946	2,470,229	(181,622)	60,281,553
Porcupine Strand	115,021	-	-	115,021
	58,107,967	2,470,229	(181,622)	60,396,574

The Labrador Mineral Sands relates to licenses held by NAIC, which include Churchill River, Mud Lake, Muskrat Lake, Goose Bay, and Hamilton River. The reduction in the current year is the write-off of $181,622 associated with the forfeiture of mineral claims discussed in Note 6. There was no such write-off in the prior year.

The Porcupine Strand property was acquired from a former director of the Corporation for $NIL cash consideration other than reimbursement of staking costs. The property consists of four mineral licenses covering approximately 3.5 square kilometres in Labrador. The Corporation has received notice that the federal government intends to establish the Mealy Mountain National Park which will encompass the lands to which the Corporation has staked these claims. While the plans for the park have not yet been approved or finalized, the Corporation has renewed the claims as recently as November 2010 but have been refused exploration permits in this regard. The Corporation anticipates that should the federal government's plans go forward with the park development, it will receive compensation sufficient to recover any investment it has made in these claims to date.

On April 14, 2015 GRI received a cheque for $610,000 from the Province of Newfoundland and Labrador pursuant to an agreement dated March 24, 2015 between GRI and the Government of Newfoundland and Labrador. This amount represents a recovery of the costs associated with the forfeiture of the Porcupine Strand licenses. The funds, which have been deposited in a separate account, are to be held in trust by GRI pending the finalization of a land transfer agreement between the Government of Canada (“Canada”) and the Government of Newfoundland and Labrador (“the Province”) and the reimbursement by Canada for costs incurred by the Province with respect to the termination of these claims. As at June 30, 2015, the $610,000 received is included in both restricted cash and trade and other payables on the balance sheet. This is a non-cash transaction and has been excluded from the statement of cash flows. On September 14, 2015 GRI received a letter from the Province confirming that all conditions of the transfer had been met and the funds were now released. This transaction will be recorded in the next quarterly report.

Additions to Iron interest includes accretion in the amount of $233,672 (2014 - $134,387) on the industrial equipment loan.

(Amounts presented in Canadian Dollars)

6. MINERAL CLAIM DEPOSITS

Mineral claim deposits are licenses held by NAIC with the province of Newfoundland and Labrador that required a deposit and commitment by NAIC to inject a prescribed amount of exploration expenditures into the land designated by the license within a five year time frame. If NAIC fulfills their commitment, the deposit will be fully refundable; if NAIC doesn't fulfill their commitment, they will forfeit the deposit, at which time the cost will be written off. During the year ended June 30, 2015, the Corporation did not fulfill certain commitments and forfeited $354,045 (2014 - $25,863) of mineral claim deposits.

Mineral claim deposits:

	30-Jun-15	30-Jun-14
	$	$
Balance beginning of period	334,045	434,677
Additions	-	192,519
Refund of deposits	-	(267,288)
Forfeiture of deposits	(334,045)	(25,863)
Balance end of period	-	334,045

7. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

June 30, 2014 (Restated - see Note 17)

Description	Cost				Accumulated Depreciation				Net Book Value
	Balance 30-Jun-13	Write-off	Additions	Balance 30-Jun-14	Balance 30-Jun-13	Write-off	Additions	Balance 30-Jun-14	30-Jun-14
Computer hardware	$ 88,913	$ (73,775)	$ -	$ 15,138	$ 73,461	$ (73,775)	$ 5,965	$ 5,651	$ 9,487
Automotive equipment	5,500	-	795	6,295	-	-	1,888	1,888	4,407
Other equipment	196,430	-	-	196,430	39,285	-	31,427	70,712	125,718
Office furniture and equipment	29,735	(10,419)	23,342	42,658	11,569	(10,419)	7,895	9,045	33,613
	$ 320,578	$ (84,194)	$ 24,137	$ 260,521	$ 124,315	$ (84,194)	$ 47,175	$ 87,296	$ 173,225

June 30, 2015

Description	Cost				Accumulated Depreciation				Net Book Value
	Balance 30-Jun-14	Write-off	Additions	Balance 30-Jun-15	Balance 30-Jun-14	Write-off	Additions	Balance 30-Jun-15	30-Jun-15
Computer hardware	$ 15,138	-	-	$ 15,138	$ 5,651	-	$ 2,846	$ 8,497	$ 6,641
Automotive equipment	6,295	-	-	6,295	1,888	-	1,322	3,210	3,085
Other equipment	196,430	-	-	196,430	70,712	-	25,143	95,855	100,575
Office furniture and equipment	42,658	-	7,328	49,986	9,045	-	9,434	18,479	31,507
	$ 260,521	$ -	$ 7,328	$ 267,849	$ 87,296	$ -	$ 38,745	$ 126,041	$ 141,808

(Amounts presented in Canadian Dollars)

8. RELATED PARTY TRANSACTIONS

The compensation expense associated with key management, directors and employees for services is as follows:

	years ended			
		30-Jun-15		30-Jun-14
Management fees	$	165,000	$	165,000
Consulting fees		773,108		821,606
Directors fees		18,550		13,650
Stock based compensation		1,330,000		625,000
Salaries and benefits		565,260		91,534
		2,851,918		1,716,790
Capitalized to iron interests		98,579		88,650
Operating expenses	$	2,753,339	$	1,628,140

9. LONG TERM DEBT

ACOA Loan
NAIC received an interest-free repayable loan from ACOA, a government agency, in the amount of $500,000. The loan is repayable in five annual equal and consecutive installments commencing six months after the end of the fiscal year in which 'Project Success' is achieved. Originally the Corporation estimated that project success would be achieved in the fiscal year ending June 30, 2015 with repayment commencing in December 2015. Because of unforeseen delays it is anticipated that project success will now be achieved in the fiscal year ending June 30, 2019 and repayments will commence in December 2019. The carrying value of the loan has been discounted using an effective interest rate of 9%. The change in accretion has been recorded as a reduction in iron interests.

Industrial Equipment Loan
FSM received a loan from the State of Pennsylvania in the amount of US$1,600,000 ($1,682,880) to partially finance the acquisition of industrial equipment in Forks Township, Pennsylvania. The loan bears interest at 1% and is repayable in monthly principal installments of US$14,017, commencing March 1, 2013, maturing on February 1, 2023. The carrying value of the loan has been discounted using an effective interest rate of 9%.

At June 30, 2015, in accordance with the lending terms, the loan was deemed to be in default for late payments. Accordingly, the discounted value of the loan has been presented as a current liability on the consolidated balance sheet. Subsequent to year-end, the Corporation has since made the overdue payments on the loan. Subsequent to year-end, the State of Pennsylvania confirmed to the Corporation that the loan would continue under the originally contracted terms, including payment terms. The future minimum payments reflected in the table below are based on the originally contracted payment terms.

Convertible Debenture
On May 1, 2015 the Corporation announced that it had completed a non-brokered private placement of an unsecured convertible debenture for proceeds of $2,000,000. A company controlled by an officer and director of the Corporation fully subscribed to the offering.

The debenture will mature on May 1, 2020 and will bear interest at a rate of 5% per annum payable quarterly. The debenture shall be convertible, at the option of the holder, into common shares of the Corporation on or prior to the maturity date. The conversion price will be $0.80 per common share if

(Amounts presented in Canadian Dollars)

9. LONG TERM DEBT (continued)

exercised within 12 months of closing and will increase by $0.05 per common share on the anniversary date each year thereafter until the maturity date.

At the option of the Corporation, quarterly interest may be converted into common shares of the Corporation at a conversion price equal to the volume-weighted average trading price of the shares for the 20 consecutive trading days prior to conversion.

The debenture will not be listed on the CSE, however the common shares issuable upon any conversion will be listed and will be subject to a four month hold period from the date of issuance.

The debenture is a compound financial instrument and as such has been recorded as a liability and as equity. The liability component was valued first and the difference between the proceeds of the debenture and the fair value of the liability was assigned to the equity component. The present value of the liability was calculated using a discount rate of 14% which approximated the interest rate that would have been applicable to non-convertible debt of the Company at the time the debenture was issued. The liability component will be accreted to the face value of the liability using the effective interest method. The accretion of the liability is charged at an effective interest rate of 14% such that at maturity the liability component is equal to the face value of the outstanding debenture. The balance of the liability component is shown in the table below.

	year ended	
	30-Jun-15	30-Jun-14
	$	$
ACOA Loan		
Loan amount beginning of period	368,267	336,684
Accretion and adjustments applied to iron interests	(86,856)	31,583
Balance end of period	281,411	368,267
Convertible debenture		
Amount outstanding beginning of period	-	-
Issued during period	2,000,000	-
Value attributable to conversion feature	(649,593)	-
Accretion for period	31,693	-
Balance end of period	1,382,100	-
Industrial equipment loan		
Loan amount beginning of period	1,084,765	1,089,216
Repayments	(133,514)	(138,838)
Accretion capitalized to iron interests	233,672	134,387
Current portion	(1,184,923)	-
Balance end of period	-	1,084,765
Total	1,663,511	1,453,032

(Amounts presented in Canadian Dollars)

9. LONG TERM DEBT (continued)

The future minimum payments, including maturities, are as follows:

	US$	**C$**
2016	196,238	-
2017	168,204	-
2018	168,204	-
2019	168,204	-
2020	168,204	2,100,000
Thereafter	386,569	400,000

10. SHARE CAPITAL

COMMON STOCK OUTSTANDING

	Number of Shares	Amount
Authorized:		
Unlimited number of common shares without par value		
Issued and outstanding June 30, 2015 and June 30, 2014	**17,251,018**	**$ 8,948,978**

11. STOCK BASED COMPENSATION PLAN

The Board of Directors has established a stock option plan under which options to purchase common shares are granted to directors, officers, and key employees of the Corporation. Options to acquire common shares are granted at option prices which shall be not less than the fair market value of the shares at the time the option is granted. Fair market value shall be deemed to be the average between the highest and lowest prices at which the common shares are traded on the day the option is granted and if not so traded, the average between the closing bid and asked prices thereof as reported for the day on which the option is granted. Options expire between one and ten years from the date of the grant.

The Corporation has reserved 3,450,203 common shares pursuant to the stock option plan. There are 1,579,000 options to acquire common shares outstanding under the plan as at June 30, 2014. Any unexercised options that expire or are forfeited become available again for issuance under the plan.

On May 28, 2012, 144,000 options were granted to directors, officers, and employees under the stock purchase plan at an exercise price of $0.65. These options vested immediately and expire in 10 years. The fair value of these option was estimated at the date of grant using the Black-Scholes pricing model with the following weighted average assumptions; risk free interest rates of 1.56%; dividend yields of nil; volatility factor of 100%; and a weighted average expected life of the option of 5 years. The expected volatility of the Corporation is based on historical volatility of comparable entities for the same weighted average expected life of the option.

On November 28, 2012, 450,000 options were granted to directors, officers, and employees under the stock purchase plan at an exercise price of $0.65. These options vested immediately and expire in 10 years. The fair value of these option was estimated at the date of grant using the Black-Scholes pricing model with the following weighted average assumptions; risk free interest rates of 1.56%; dividend yields of nil; volatility factor of 100%; share prices of $0.65; and a weighted average expected life of the

(Amounts presented in Canadian Dollars)

11. STOCK BASED COMPENSATION PLAN (continued)

option of 5 years. The expected volatility of the Corporation is based on historical volatility of comparable entities for the same weighted average expected life of the option.

On December 6, 2013, 985,000 options were granted to directors, officers, and employees under the stock purchase plan at an exercise price of $0.85. These options vested immediately and expire in 10 years. The fair value of these option was estimated at the date of grant using the Black-Scholes pricing model with the following weighted average assumptions; risk free interest rates of 1.56%; dividend yields of nil; volatility factor of 100%; share prices of $0.85; and a weighted average expected life of the option of 5 years. The expected volatility of the Corporation is based on historical volatility of comparable entities for the same weighted average expected life of the option.

On December 8, 2014, 535,000 options were granted to directors, officers, employees and consultants under the stock purchase plan at an exercise price of $0.75. These options vested immediately and expire in 10 years. The fair value of these option was estimated at the date of grant using the Black-Scholes pricing model with the following weighted average assumptions; risk free interest rates of 1.44%; dividend yields of nil; volatility factor of 157.51%; share prices of $0.75; and a weighted average expected life of the option of 5 years. The expected volatility is based on historical volatility of the Company's shares since March 30, 2012.

Options issued and outstanding as at June 30, 2014 and June 30, 2015:

	Weighted average exercise price $	Issued
Balance June 30, 2013	0.65	594,000
Granted	0.85	985,000
Balance June 30, 2014	0.77	1,579,000
Balance June 30, 2014	0.77	1,579,000
Granted	0.75	535,000
Balance June 30, 2015	0.77	2,114,000

(Amounts presented in Canadian Dollars)

11. STOCK BASED COMPENSATION PLAN (continued)

The following table summarizes information about the options outstanding and exercisable at June 30, 2014 and June 30, 2015:

June 30, 2014

Options Outstanding and Exercisable			
Number of options outstanding	Expiry Date	Exercise Price $	Number of options exercisable
144,000	28-May-2022	0.65	144,000
450,000	28-Nov-2022	0.65	450,000
985,000	6-Dec-2023	0.85	985,000
1,579,000			1,579,000

June 30, 2015

Options Outstanding and Exercisable			
Number of options outstanding	Expiry Date	Exercise Price $	Number of options exercisable
144,000	28-May-2022	0.65	144,000
450,000	28-Nov-2022	0.65	450,000
985,000	6-Dec-2023	0.85	985,000
535,000	8-Dec-2024	0.75	535,000
2,114,000			2,114,000

GRI Stock Option Plan

The Board of Directors of GRI has established a stock option plan under which options to purchase common shares are granted to directors, officers, and key employees of GRI. Options to acquire common shares are granted at prices as determined by the Board of Directors. Options expire five years from the date of the grant.

GRI has reserved 2,356,433 common shares pursuant to the stock option plan. There are 2,356,000 options to acquire common shares outstanding under the plan as at June 30, 2015. Any unexercised options that expire or are forfeited become available again for issuance under the plan.

On December 8, 2014, GRI granted 494,000 options to directors, officers, employees and consultants of GRI under the stock purchase plan at an exercise price of $2.10. These options vested immediately and expire in 5 years. The fair value of these option was estimated at the date of grant using the Black-Scholes pricing model with the following weighted average assumptions; risk free interest rates of 1.44%; dividend yields of nil; volatility factor of 157.51%; share prices of $2.10; and a weighted average expected life of the option of 5 years.

(Amounts presented in Canadian Dollars)

11. STOCK BASED COMPENSATION PLAN (continued)

Options issued and outstanding as at June 30, 2015:

	Weighted average exercise price $	Issued
Balance June 30, 2014	1.47	1,862,000
Issued	2.10	494,000
Balance June 30, 2015	1.60	2,356,000

The following table summarizes information about the options outstanding and exercisable at June 30, 2015:

Options Outstanding and Exercisable			
Number of options outstanding	Expiry Date	Exercise Price $	Number of options exercisable
390,000	31-Dec-2015	1.25	390,000
415,000	2-Sep-2016	1.25	415,000
495,000	31-May-2017	1.25	495,000
87,000	5-Nov-2017	1.25	87,000
475,000	6-Dec-2018	2.10	475,000
494,000	8-Dec-2019	2.10	494,000
2,356,000			2,356,000

Stock based compensation

	years ended	
	30-Jun-15	30-Jun-14
Valuation options granted by Corporation	$ 371,000	$ 625,000
Valuation options granted by subsidiary	959,000	-
	$ 1,330,000	$ 625,000

12. EARNINGS (LOSS) PER SHARE

Earnings (loss) per share is calculated by dividing the net income (loss) per financial statements by the weighted average number of common shares outstanding for the year. The Company has a loss in both the current and prior year and the options effect is anti-dilutive.

(Amounts presented in Canadian Dollars)

13. INCOME TAXES

The Corporation's income taxes have been calculated as follows:

	30-Jun-15 $	30-Jun-14 $
Income (loss) before income taxes	(6,227,217)	(3,245,530)
Combined Federal and Provincial tax rate	31%	31%
Expected recovery at statutory rates	(1,930,435)	(1,006,114)
Non-deductible stock based compensation	412,300	194,077
Subsidiary rate differnetial	40,132	-
Other	(5,607)	(306)
Deferred tax recovery	(1,483,610)	(812,343)

Deferred tax liability consists of:

	30-Jun-15 $	30-Jun-14 $
Non-capital losses	3,096,002	1,647,158
Iron interests	(11,937,550)	(11,969,333)
Property and equipment	(935)	(1,072)
Investment	(8,628)	(44,369)
Share issue costs	45,391	78,290
	(8,805,720)	(10,289,326)

As at June 30, 2015 the Corporation and its subsidiaries had approximately $10,116,562 on non-capital losses carried forward to reduce future years taxable income. The deferred tax benefit of these losses has been recognized as a reduction of the deferred tax liabilities. The non-capital losses expire as follows:

	$
2028	22,819
2029	285,167
2030	67,716
2031	313,104
2032	533,819
2033	2,109,571
2034	1,980,625
2035	4,803,741
	10,116,562

14. COMMITMENTS

GRI, subsequent to the incorporation of NAIC, provided Petmin Limited ("Petmin"), an unrelated entity, with options to invest in NAIC in three phases. The first option was exercised November 17, 2010 with Petmin signing a purchase agreement to buy 26 common shares in NAIC from treasury for $1,512,135 (US$1,500,000), representing a 5% interest in the outstanding common shares.

The second option was amended August 18th, 2011 into two phases, exercisable upon satisfaction of various performance conditions. Phase 2a was exercised August 31, 2011 with a capital injection of $1,956,800 (US$2,000,000) from Petmin in exchange for 34 common shares, increasing its interest to 10.7% of the issued and outstanding common shares.

Phase 2b was exercised on April 20, 2012 with a capital injection of $2,973,800 (US$3,000,000), by Petmin in exchange for 42 common shares, increasing its interest to 16.9% of the issued and outstanding common shares.

The third option is divided into three phases with payments of US$4.5M, $6.0M and $8.0M for phases 3a, 3b and 3c respectively each with various milestones. Petmin will take back sufficient common shares to increase its interest to 40% of the issued and outstanding common shares after payment has been made on phase 3c.

Phase 3a(1) was exercised on July 5, 2012 and phase 3a(2) was exercised on July 13, 2012 with a combined capital injection of $4,576,393 (US$4,500,000), by Petmin in exchange for 43 common shares, increasing its interest to 22.48% of the issued and outstanding capital.

Phase 3b(1) was exercised on April 5, 2013 with a capital injection of $2,031,423 (US$2,000,000), by Petmin in exchange for 23 common shares, increasing its interest to 25.2% of the issued and outstanding capital. Phase 3b(2) was exercised on July 17, 2013 with a capital injection of $2,070,400 (US$2,000,000), by Petmin in exchange for 23 common shares, increasing its interest to 27.6% of the issued and outstanding capital. Phase 3b(3) was exercised on October 23, 2013 with a capital injection of $2,072,700 (US$2,000,000), by Petmin in exchange for 23 common shares, increasing its interest to 30.0% of the issued and outstanding capital.

Phase 3c(1) was exercised on April 7, 2014 with a capital injection of $2,193,800 (US$2,000,000), by Petmin in exchange for 30 common shares, increasing its interest to 32.8% of the issued and outstanding capital.

Phase 3c(2) was exercised on October 24, 2014 with a capital injection of $1,123,300 (US$1,000,000), by Petmin in exchange for 15 common shares, increasing its interest to 34.1 of the issued and outstanding capital.

Phase 3c(3) was exercised on February 17, 2015 with a capital injection of $1,240,300 (US$1,000,000), by Petmin in exchange for 15 common shares, increasing its interest to 35.4 of the issued and outstanding capital. As at June 30, 2015, an additional US$4,000,000 remains outstanding with respect to Phase 3c. Upon exercising these remaining options Petmin will be entitled to an additional 59 shares in NAIC which will give it a 40% interest. In addition Petmin has the option (the "Grand River Option") to acquire an additional 9.9% interest in NAIC in exchange for common shares in Petmin equal to 9.9% of the value of the mineral rights of NAIC at the time Petmin exercises the Grand River Option.

(Amounts presented in Canadian Dollars)

14. COMMITMENTS (continued)

NAIC, GRI, and Petmin entered into a management service agreement on June 1, 2013 for a period of 24 months, in the amount of US$300,000 per year which shall be paid by NAIC to Petmin on a quarterly basis, payable in arrears. The agreement shall renew automatically for subsequent one year periods if not specifically terminated in accordance with the agreement. NAIC also agrees to reserve for issuance 2.5% of its issued and outstanding shares to be issued to Petmin, releasable in increments of 1% upon completion of a satisfactory preliminary economic assessment and the balance of 1.5% upon completion of a satisfactory bank feasibility study.

Forks is committed to a lease expiring December 31, 2018 on a commercial building in Easton, PA at a cost of US$48,999 per month until October 31, 2016 and thereafter at US$52,768 until December 31, 2018.

15. MANAGEMENT OF CAPITAL

The Corporation defines capital that it manages as the aggregate of its long-term debt, share capital, stock based payment reserve, accumulated other comprehensive income, retained earnings and non-controlling interest. Its objective when managing capital is to ensure that the Corporation will continue as a going concern, so that it can provide returns to its shareholders.

	30-Jun-15 **$**	30-Jun-14 **$**
Long term debt	1,663,511	1,453,032
Share capital	8,948,978	8,948,978
Equity component convertible debenture	649,593	-
Stock based payment reserve	2,243,000	913,000
Accumulated other comprehensive income	117,670	-
Retained earnings	7,758,986	9,085,851
Non-controlling interest	29,002,515	29,480,922
	50,384,254	49,881,783

The Corporation manages its capital structure and makes adjustments to it in light of economic conditions. The Corporation, upon approval from its Board of Directors, will make changes to its capital structure as deemed appropriate under the specific circumstances.

The Corporation is not subject to any externally imposed capital requirements or debt covenants, and does not presently utilize any quantitative measures to monitor its capital. The Corporation's overall strategy with respect to management of capital remains unchanged from the year ended June 30, 2014.

16. FINANCIAL INSTRUMENTS

The carrying amounts reported on the financial statements for cash, restricted cash, accounts receivable and trade and other payable all approximate their fair values due to their immediate or short-term nature. Management believes the carrying amounts of long-term debt also approximate their fair values, as they believe the effective interest rates used by management in determining the carrying values of long-term debt continue to be appropriate.

Risk Disclosures
The main risks the Corporation's financial instruments could be exposed to are credit risk, liquidity risk, foreign exchange risk, and interest rate risk.

16. FINANCIAL INSTRUMENTS (continued)

Credit Risk

Trade and other payables are due in the next 12 months. The Corporation's credit risk is primarily attributable to its cash. The Corporation places its cash with high quality financial institution and in reliable trust account in Canada, and as result, believes its exposure to credit risk is minimal.

Liquidity Risk

The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Corporation's reputation. To the extent that the Corporation does not believe it has sufficient liquidity to meet these obligations, management will consider securing additional funds through debt or equity transactions. The Corporation manages its liquidity risk by continuously monitoring forecast and actual cash flows from operations. In recent years, additional loans from directors/shareholders, and new equity financing have provided the necessary liquidity required. Trade and other payables are due within 12 months. See Note 9 for details of contractural payments of long-term debt. See note 1.

Foreign Currency Risk

The Corporation has long term debt denominated in US dollars. The carrying value of these items may change due to fluctuations in foreign exchange rates. The Corporation has cash and trade payables denominated in US dollars and a five percent change in the US dollar to Canadian dollar exchange rate would not have a significant impact on their carrying values.

Interest Rate Risk

The Corporation is exposed to interest rate price risk to the extent that a portion of the long-term debt is at a fixed interest rate.

17 - RESTATED COMPARATIVE INFORMATION

The comparative consolidated financial statements and notes thereto for the year ended June 30, 2014 have been restated to reflect a correction in classification of industrial equipment acquired by the Corporation during the year ended June 30, 2013 as part of iron interests rather than property and equipment shown.

During 2013, the Corporation acquired industrial equipment through its acquisition of Forks Specialty Metals (Forks). The industrial equipment was acquired for the sole purpose of enabling the Corporation to complete activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resources from the Corporation's iron interests.

The impact of the restatement of the 2014 statements is a reduction of $1,916,215 in property and equipment and an increase in iron interests of the same amount. There was no impact on net loss or comprehensive loss for the year ended June 30, 2014.

18. SUBSEQUENT EVENT

On July 8, 2015, Petmin purchased 30 additional common shares in NAIC for a consideration of US$2,000,000 increasing their holding to 37.8%.

Subsequent to yearend the Corporation has purchased 700,000 additional common shares in GRI increasing its ownership of GRI to 44.3%.

Subsequent to yearend the Corporation negotiated a settlement with a creditor whereby the creditor agreed to accept payments already made in full settlement of a liability in the amount of $1,029,105. The Corporation will reflect this settlement in the first quarter of the current year.

On September 14, 2015 GRI received a letter from the Province Newfoundland and Labrador confirming that all conditions of the transfer of the Porcupine Strand licenses had been met and the funds were now released (see note 5). As a result subsequent to year-end, the amount of $610,000 included in trade and other payables on the consolidated balance sheet at June 30, 2015 will be recorded as proceeds on disposal of the Porcupine Strand licenses and the amount shown as restricted cash on the consolidated balance sheet at June 30, 2015 is no longer subject to restrictions

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(Amounts presented in Canadian Dollars)

19. SEGMENTED INFORMATION

As at June 30, 2015 the Corporation had a corporate head office and three business segments:

1. GRI, a private corporation, incorporated under the *Companies Act* of Nova Scotia, is a development stage enterprise in the process of exploring its mineral properties, held both directly and indirectly through its majority-owned subsidiary North Atlantic Iron Corporation.
2. NAIC, a private corporation, incorporated under the *Corporations Act* of Newfoundland and Labrador, is a development stage enterprise in the process of exploring its mineral properties in Newfoundland and Labrador, Canada. It is a majority owned subsidiary of GRI.
3. FSM, a private corporation, incorporated under the laws of Pennsylvania, operates a smelting plant in Forks Township, Pennsylvania. It is a wholly owned subsidiary of GRI.

The results of the segments are as follows:

	Corporate		GRI		NAIC		FSM		Eliminations		Consolidated	
	30-Jun-15 $	30-Jun-14 $	30-Jun-15 $	30-Jun-14 $	30-Jun-15 $	30-Jun-14 $	30-Jun-15 $	30-Jun-14 $	30-Jun-15 $	30-Jun-14 $	30-Jun-15 $	30-Jun-14 $
Revenue - external customers	-	-	-	-	-	-	-	-	-	-	-	-
Revenue - intersegment	-	-	217,946	86,886	-	-	1,901,357	1,387,003	(2,119,303)	(1,473,889)	-	-
	-	-	217,946	86,886	-	-	1,901,357	1,387,003	(2,119,303)	(1,473,889)	-	-
Operating expenses	633,237	895,692	1,653,412	326,853	1,980,191	790,965	1,945,088	1,222,621	(217,947)	318,335	5,993,981	3,554,466
EBITDA	(633,237)	(895,692)	(1,435,466)	(239,967)	(1,980,191)	(790,965)	(43,731)	164,382	(1,901,356)	(1,792,224)	(5,993,981)	(3,554,466)
Depreciation and Amortization	-	(2,787)	(4,342)	(5,787)	(25,107)	(3,084)	(7,282)	(253,759)	-	246,926	(36,731)	(18,491)
Interest and bank charges	(32,749)	(75)	(5,519)	(8,445)	(1,325)	(5,034)	(20,233)	(17,689)	-	-	(59,826)	(31,243)
Gain on conversion of debt	-	-	-	-	-	-	-	-	-	-	-	-
Realized loss on investments	-	-	(146,293)	-	-	-	-	-	-	-	(146,293)	-
Gain on conversion of debt				622,153							-	622,153
Unrealized gain on investments	-	-	9,615	(263,483)	-	-	-	-	-	-	9,615	(263,483)
	(32,749)	(2,862)	(146,539)	344,438	(26,432)	(8,118)	(27,515)	(271,448)	-	246,926	(233,235)	308,936
Segment income (loss) before taxes	(665,986)	(898,554)	(1,582,005)	104,471	(2,006,623)	(799,083)	(71,246)	(107,066)	(1,901,356)	(1,545,298)	(6,227,216)	(3,245,530)
Total assets	5,297,574	88,817	6,165,660	931,142	61,068,304	55,222,280	3,257,578	3,006,238	(12,461,401)	2,313,244	63,327,715	61,561,721
Total liabilities	10,247,977	10,262,275	1,038,618	897,755	780,609	843,665	3,339,619	1,128,874	(799,851)	-	14,606,973	13,132,569

Inter-segment revenues are eliminated upon consolidation and reflected in the "eliminations" column.

The Corporation's Board of Directors evaluates the performance of these segments and allocates resources to them based on certain performance measures (mainly earnings from operations and cash flow from operations). Segment earnings correspond to each business' earnings from operations. The Corporation's management reporting system evaluates performance based on a number of factors; however the primary profitability measure is the earnings from operations before depreciation, amortization, net financing income or expense and income taxes ("EBITDA").

(Amounts presented in Canadian Dollars)

19. SEGMENTED INFORMATION (continued)

Geographical segments

The above segments are managed on a worldwide basis, but operate in two principal geographical areas, namely, Canada and the United States.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

Non-current assets:

	30-Jun-15 $	30-Jun-14 $
Canada	57,933,172	56,666,098
United States of America	2,605,211	1,949,139
Total non-current assets	60,538,382	58,615,237