

**LAMÉLÉE IRON ORE LTD. (Formerly Gimus Resources Inc.)**

**UNAUDITED CONDENSED  
INTERIM FINANCIAL STATEMENTS  
As at March 31, 2014**

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These condensed interim financial statements for the six-month period ended March 31, 2014 have not been reviewed by the auditor of the Company.

**LAMÉE IRON ORE LTD.**  
**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION**  
**(unaudited, in Canadian dollars)**

	Notes	March 31, 2014 \$	September 30, 2013 \$
<b>ASSETS</b>			
<b>Current</b>			
Cash		206,768	156,104
Term deposits, 1.15%, expiring in 2015		1,153,139	-
Taxes receivable		43,240	129,528
Deposit on contracts		93,295	-
Tax credits and credit on duties receivable		64,167	12,082
Prepaid expenses		20,414	6,279
		<u>1,581,023</u>	<u>303,993</u>
<b>Non-current</b>			
Exploration and evaluation assets	5	6,013,366	458,365
Property and equipment		2,647	1,385
		<u>6,016,013</u>	<u>459,750</u>
<b>Total assets</b>		<u><u>7,597,036</u></u>	<u><u>763,743</u></u>
<b>LIABILITIES</b>			
<b>Current</b>			
Trade and other payables		49,612	122,492
Other liabilities		137,749	-
		<u>187,361</u>	<u>122,492</u>
<b>Total liabilities</b>		<u>187,361</u>	<u>122,492</u>
<b>EQUITY</b>			
Share Capital	6	8,570,057	1,310,400
Warrants	7	123,000	-
Contributed surplus	8	385,654	77,232
Deficit		(1,669,036)	(746,381)
<b>Total equity</b>		<u>7,409,675</u>	<u>641,251</u>
<b>Total liabilities and equity</b>		<u><u>7,597,036</u></u>	<u><u>763,743</u></u>

The accompanying notes are an integral part of these condensed interim financial statements.

On the behalf of the Board,

(s) Hubert Vallée  
 President and Chief Executive Officer

(s) Marc Duchesne  
 Chief Financial Officer

**LAMÉE IRON ORE LTD.**  
**CONDENSED INTERIM FINANCIAL STATEMENT OF COMPREHENSIVE LOSS**  
**(unaudited, in Canadian dollars)**

	Notes	Three-months ended		Six-months ended	
		March, 31		March, 31	
		2014	2013	2014	2013
		\$	\$	\$	\$
<b>EXPENSES</b>					
Exploration and evaluation expenses		8,752	-	291,226	2,147
Share-based payments		287,848	-	287,848	-
Management fees		84,500	12,000	84,500	12,000
Professional fees		35,730	35,124	90,452	45,665
Trustees and registration fees		28,309	5,626	43,993	6,818
Travel expenses		26,947	477	36,606	1,951
Shareholders relations		21,122	5,800	23,188	8,611
Rent		10,868	2,250	10,868	4,500
Investors' relation		7,500	-	7,500	-
Consulting fees		6,174	-	6,174	-
Office expenses		2,793	-	2,908	289
Part XII.6 income taxes		2,184	168	2,184	168
Insurance		772	-	772	-
Bank charges		224	156	423	276
Taxes and permits		283	-	283	-
Depreciation of non-financial assets		76	-	76	-
<b>OPERATION LOSS</b>		<b>(524,082)</b>	<b>(61,601)</b>	<b>(889,001)</b>	<b>(94,425)</b>
Interest income		3,718	-	4,426	-
<b>LOSS BEFORE INCOME TAXES</b>		<b>(520,364)</b>	<b>(61,601)</b>	<b>(884,575)</b>	<b>(94,425)</b>
Deferred income taxes		57,114	-	57,114	133,165
<b>NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)</b>		<b>(463,250)</b>	<b>(61,601)</b>	<b>(827,461)</b>	<b>38,740</b>
<b>LOSS PER SHARE</b>					
Basic and diluted income (loss) per share		(0.006)	(0.005)	(0.017)	0.003
Weighted average number of common shares outstanding		77,221,971	13,104,000	49,722,150	13,104,000

The accompanying notes are an integral part of these condensed interim financial statements.

## LAMÉLÉE IRON ORE LTD.

### CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (unaudited, in Canadian dollars)

For the six-month period ended March 31, 2014 and 2013

	Notes	Number of shares	Share capital \$	Warrants \$	Contributed surplus \$	Deficit \$	Total equity \$
<b>Balance at October 1<sup>st</sup>, 2013</b>		13,104,000	1,310,400	-	77,232	(746,381)	641,251
Units issued by private placements	6	15,575,000	1,434,500	123,000	-	-	1,557,500
Shares issued by flow-through private placements	6	3,542,971	425,157	-	-	-	425,157
Shares issued for acquisition of mining rights	6	45,000,000	5,400,000	-	-	-	5,400,000
Share-based payments		-	-	-	294,022	-	294,022
Issuance cost of shares	6	-	-	-	14,400	(95,194)	(80,794)
<b>Transactions with owners</b>		<u>77,221,971</u>	<u>8,570,057</u>	<u>123,000</u>	<u>385,654</u>	<u>(841,575)</u>	<u>8,237,136</u>
Net loss and total comprehensive loss for the year		-	-	-	-	(827,461)	(827,461)
<b>Balance at March 31, 2014</b>		<u>77,221,971</u>	<u>8,570,057</u>	<u>123,000</u>	<u>385,654</u>	<u>(1,669,036)</u>	<u>7,409,675</u>
	Notes	Number of shares	Share capital \$	Warrants \$	Contributed surplus \$	Deficit \$	Total equity \$
<b>Balance at October 1<sup>st</sup>, 2012</b>		13,104,000	1,310,400	-	77,232	(338,224)	1,049,408
Share issuance costs		-	-	-	-	(62)	(62)
<b>Transactions with owners</b>		<u>13,104,000</u>	<u>1,310,400</u>	<u>-</u>	<u>77,232</u>	<u>(338,286)</u>	<u>1,049,346</u>
Total comprehensive income for the period		-	-	-	-	38,740	38,740
<b>Balance at March 31, 2013</b>		<u>13,104,000</u>	<u>1,310,400</u>	<u>-</u>	<u>77,232</u>	<u>(299,546)</u>	<u>1,088,086</u>

The accompanying notes are an integral part of these condensed interim financial statements.

**LAMÉE IRON ORE LTD.**  
**CONDENSED INTERIM STATEMENT OF CASH FLOWS (unaudited, in Canadian dollars)**  
For the six-month periods ended March 31, 2014 and 2013

	Notes	Three-months ended March 31		Six-months ended March 31	
		2014	2013	2014	2013
		\$	\$	\$	\$
<b>OPERATING ACTIVITIES</b>					
Loss before income taxes		(520,364)	(61,601)	(884,575)	(94,425)
Adjustments for:					
Share-based payments		294,022	-	294,022	-
Depreciation of property and equipment		76	-	199	-
Tax credits receivable in reduction of evaluation and exploration expenses		-	-	(26,805)	-
Changes in working capital items					
Taxes receivable		71,508	(9,157)	86,288	(82,985)
Deposit on contracts		(93,295)	-	(93,295)	-
Prepaid expenses		(20,414)	(3,900)	(14,135)	(2,333)
Trade and other payables		(70,884)	22,893	(72,880)	17,335
Cash flows used by operating activities		<u>(339,351)</u>	<u>(51,765)</u>	<u>(711,181)</u>	<u>(162,408)</u>
<b>INVESTING ACTIVITIES</b>					
Additions to property and equipment		(1,523)	675	(1,523)	-
Additions to exploration and evaluation assets	5	(68,042)	(13,567)	(191,738)	(470,041)
Tax credits received		10,742	6,242	11,519	6,242
Term deposits		(353,139)	-	(1,153,139)	-
Cash flows used by investing activities		<u>(411,962)</u>	<u>(6,650)</u>	<u>(1,334,881)</u>	<u>(463,799)</u>
<b>FINANCING ACTIVITIES</b>					
Issuance of units by private placements		-	-	1,557,500	-
Issuance of shares by flow-through private placements		620,020	-	620,020	-
Share issuance costs		(14,350)	-	(80,794)	(62)
Cash flows from (used by) financing activities		<u>605,670</u>	<u>-</u>	<u>2,096,726</u>	<u>(62)</u>
<b>Net change in cash and cash equivalents</b>		<b>(145,643)</b>	<b>(58,415)</b>	<b>50,664</b>	<b>(626,269)</b>
Cash, beginning of period		<u>352,411</u>	<u>300,076</u>	<u>156,104</u>	<u>867,930</u>
Cash, end of period		<u>206,768</u>	<u>241,661</u>	<u>206,768</u>	<u>241,661</u>
Supplemental cash flow information					
Non-cash investing activities:		\$	\$	\$	\$
Value of options granted to brokers accounted for in the deficit and contributed surplus		-	-	14,400	-
Issuance of shares for acquisition of exploration and evaluation assets		-	-	5,400,000	-
Tax credits receivable in reduction of evaluation and exploration assets		36,799	-	36,799	-
Depreciation of property and equipment included in evaluation and exploration assets		62	-	62	-
Fair value of warrants		-	-	123,000	-

The accompanying notes are an integral part of these condensed interim financial statements.

## **LAMÉLÉE IRON ORE LTD.**

### **Notes to Condensed Interim Financial Statements (unaudited, in Canadian dollars)**

For the six-month period ended March 31, 2014

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#### **1. *INCORPORATION AND NATURE OF OPERATIONS***

Lamêlée Iron Ore Ltd. (Formerly Gimus Resources Inc.) (the «Company») is an exploration Company with activities in Canada.

On December 20, 2013, the Company closed an agreement with Fancamp Exploration Ltd. and Champion Iron Mines Ltd. to purchase 29 mining claims located in the Fermont District known as the Lamêlée Lake property in counterpart of:

- i. Issuance of 43,000,000 common shares to Fancamp Exploration Ltd. at a price of \$0.12 per share for a total value of \$5,160,000;
- ii. Issuance of 2,000,000 common shares to Champion Iron Mines Ltd. at a price of \$0.12 per share for a total value of \$240,000;
- iii. assignment and transfer of a covenant from Fancamp Exploration Ltd. of a 1.5% net smelter royalty payable to a third party, of which 0.5% may be repurchased for an amount of \$1,500,000;
- iv. granting of a 1.5% net smelter royalty payable to Fancamp Exploration Ltd. of which 0.5% may be repurchased for an amount of \$1,500,000.

The acquisition of the mining claims was accounted for as an asset acquisition, as these mining claims do not have the mineral reserves and other inputs, nor any significant processes that would enable it of producing outputs and consequently be considered a business as defined in IFRS 3.

The Company's financial year ends on September 30.

#### **2. *GOING CONCERN***

These financial statements were prepared on a going concern basis, using the historical cost, except for the financial assets accounted for at fair value through profit and loss.

The Company's ability to continue as a going concern depends on its ability to realize its assets and to obtain additional financing. While it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future. As at March 31, 2014, the Company has a deficit of \$1,669,036. The application of IFRS on a going concern basis may be inappropriate, since there is a doubt as to the appropriateness of the going concern assumption.

## **LAMÉLÉE IRON ORE LTD.**

### **Notes to Condensed Interim Financial Statements (unaudited, in Canadian dollars)**

For the six-month period ended March 31, 2014

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#### **2. *GOING CONCERN (Continued)***

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported amounts of revenues and expenses and the classification of statement of financial position items if the going concern assumption was deemed inappropriate, and these adjustments could be material. Management did not take these adjustments into account as it believes in the validity of the going concern assumption.

#### **3. *GENERAL INFORMATION AND STATEMENT OF COMPLIANCE WITH IFRS***

The Company's condensed interim financial statements have been prepared based on International Financial Reporting Standards (IFRS) in accordance with IAS 34 standard, Interim Financial Reporting. The condensed interim financial statements are presented in Canadian currency which is also the functional currency of the Company. The functional currency has remained unchanged during the reporting period.

The interim condensed financial statements must be read in conjunction with the most recent annual financial statements and the accompanying notes as at September 30, 2013 and for the period then ended.

The condensed interim financial statements for the reporting period ended March 31, 2014 (including comparatives) were approved and authorized for issue by the Board of Directors on May 23, 2014.

#### **4. *SIGNIFICANT ACCOUNTING POLICIES***

The accounting policies are presented in the audited financial statements for the year ended September 30, 2013 and have not been modified since that time.

**LAMÉLÉE IRON ORE LTD.****Notes to Condensed Interim Financial Statements (unaudited, in Canadian dollars)**

For the six-month period ended March 31, 2014

**5. EXPLORATION AND EVALUATION ASSETS**

The carrying amount can be analyzed as follows :

	Balance as at October 1 <sup>st</sup> , 2013	Additions	Balance as at March 31, 2014
	\$	\$	\$
Quebec			
Bouchard Property			
Mining rights	3,180	-	3,180
Exploration and evaluation	455,185	-	455,185
	<u>458,365</u>	<u>-</u>	<u>458,365</u>
Lake Lamêlée Property (1)			
Mining rights	-	5,452,710	5,452,710
Exploration and evaluation	-	102,291	102,291
	<u>-</u>	<u>5,555,001</u>	<u>5,555,001</u>
Summary			
Mining rights	3,180	5,452,710	5,455,890
Exploration and evaluation	455,185	102,291	557,476
	<u>458,365</u>	<u>5,555,001</u>	<u>6,013,366</u>

All impairment charges (or reversals, if any) are included within Impairment of non-financial assets in profit or loss.

- (1) The Company holds a 100% interest in 29 mining claims located in the Quebec Labrador Trough. The property is subject to two NSR royalties of 1.5%, of which 0.5% for each may be repurchased for an amount of \$1,500,000. (See Note 1)



## **LAMÉLÉE IRON ORE LTD.**

### **Notes to Condensed Interim Financial Statements (unaudited, in Canadian dollars)**

For the six-month period ended March 31, 2014

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#### **6. EQUITY**

On October 30, 2013, the Company closed a private placement by issuing 3,075,000 units at a price of \$0.10 per unit for gross proceeds of \$307,500. Each unit is comprised of one common share and one half of one share purchase warrant. Each full warrant entitles the holder to subscribe to one common share at a price of \$0.15 per share until October 2016. An amount of \$123,000 was recorded to the warrants.

On December 20, 2013, the Company closed a private placement by issuing 12,500,000 units at a price of \$0.10 per unit for gross proceeds of \$1,250,000. Each unit is comprised of one common share and one half of one share purchase warrant. Each full warrant entitles the holder to subscribe to one common share at a price of \$0.15 per share until December 2015. No value was recorded to the warrants. An amount of \$4,550 was paid to brokers.

On December 20, 2013, the Company issued 43,000,000 shares to Fancamp Exploration Ltd. at a price of \$0.12 per share for a total value of \$5,160,000 and 2,000,000 shares to Champion Iron Mines Ltd. at a price of \$0.12 per share for a total value of \$240,000 in counterpart of exploration and evaluation assets.

On 30 December 2013, the Company issued 3,542,971 flow-through shares at a price of \$0.175 per share for total proceeds of \$620,020. A fee equivalent to 8% of the gross proceeds raised in the private placement was paid and 205,714 share purchase options were granted to the brokers. Each option to purchase shares allows its holder to subscribe for one share at a price of \$0.175 per share until June 30, 2015. An amount of \$14,400 representing the fair value was recorded as an increase to contributed surplus. An amount of \$194,863 related to the liability component was recorded within other liabilities in the statement of financial position. Total proceeds recorded as subscriptions receivable were received in January 2014.

**LAMÉE IRON ORE LTD.****Notes to Condensed Interim Financial Statements (unaudited, in Canadian dollars)**

For the six-month period ended March 31, 2014

**7. WARRANTS**

Outstanding warrants entitle their holders to subscribe to an equivalent number of common shares, as follows:

	2014	2013
Number of warrants	Weighted average exercise price	Weighted average exercise price
	\$	\$
Balance at beginning	-	-
Granted	7,787,500	-
Balance at end	7,787,500	-

Warrants issued during the period were valued at \$123,000 calculated using the residual method.

Outstanding warrants are as follows :

Expiry date	Exercise price	2014	2013
	\$	Number	Number
December 20, 2015	0.15	6,250,000	-
October 29, 2016	0.15	1,537,500	-
		7,787,500	-

## LAMÉLÉE IRON ORE LTD.

### Notes to Condensed Interim Financial Statements (unaudited, in Canadian dollars)

For the six-month period ended March 31, 2014

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#### 8. *SHARE-BASED PAYMENTS*

The Company has established a stock option plan pursuant to which options to purchase common shares may be granted to certain officers, directors and employees of the Company as well as persons providing services to the Company. Under this plan, options to purchase the common shares from time-to-time may be granted for a variable number whereby the number should never represent more than 10% of the issued and outstanding capital stock of the Company. Exercise price of options equals the market price of the Company's stock on the date of grant. Stock options are exercisable over a three year period: 33% after 12 months, 24 months and 36 months respectively from the date of grant for a maximum term of ten years. Among the options outstanding, none is subject to an escrow agreement.

All share-based payments will be settled in equity. The Company has no legal or constructive obligation to repurchase or settle the options.

On December 30, 2013, the Company granted to brokers 205,714 options exercisable at \$0.175 per share valid for 18 months. These options were granted at an exercise price higher than the closing market value of the shares the day of the grant. The fair value of these share options amount to \$14,400, for an estimated weighted-average fair value of \$0.07 per option. The fair value of the options granted was estimated using the Black-Scholes option pricing model with 1.13% weighted-average risk-free interest rate, 136.9% weighted-average expected volatility, no expected dividend yield and 18 months weighted-average expected life.

On January 8, 2014, the Company granted 2,600,000 stock options in the favor of directors and 1,800,000 stock options in the favor of consultants at a price of \$0.145 per share, exercisable for a period of 10 years with a vesting period of three years at a rate of 33% per year after the first year. The fair value of these stock options amount to \$616,000 for an estimated fair value of \$0.14 per option. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, an expected volatility of 136.9%, a risk-free interest rate of 2.75% and an expected life of options of 10 years.

On January 15, 2014, the Company granted 750,000 stock options in the favor of directors at a price of \$0.19 per share, exercisable on a period of 10 years with a vesting period of three years at a rate of 33% per year after the first year. The fair value of these stock options amount to \$135,000 for an estimated fair value of \$0.18 per option. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, an expected volatility of 136.9%, a risk-free interest rate of 2.57% and an expected life of options of 10 years.

On February 18, 2014, the Company granted 250,000 stock options in the favor of a director at a price of \$0.14 per share, exercisable on a period of 10 years with a vesting period of three years at a rate of 33% per year after the first year. The fair value of these stock options amount to \$35,000 for an estimated fair value of \$0.14 per option. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, an expected volatility of 136.9%, a risk-free interest rate of 2.46% and an expected life of options of 10 years.

**LAMÉLÉE IRON ORE LTD.****Notes to Condensed Interim Financial Statements (unaudited, in Canadian dollars)**

For the six-month period ended March 31, 2014

**8. SHARE-BASED PAYMENTS (Continued)**

An amount of \$287,848 (\$nil in 2013) and of \$6,174 (\$nil in 2013) of the share-based payments was recorded respectively in earnings as share-based payments and consulting fees and credited to contributed surplus.

The Company's share options are as follows for the reporting periods presented:

<i>Administration</i>	<u>March 31, 2014</u>		<u>September 30, 2013</u>	
	<u>Number of options</u>	<u>Weighted average exercise price</u>	<u>Number of options</u>	<u>Weighted average exercise price</u>
		\$		\$
Outstanding , beginning of period	750,000	0.10	750,000	0.10
Granted	<u>5,400,000</u>	0.151	-	-
Outstanding, end of period	<u>6,150,000</u>	0.145	<u>750,000</u>	0.10
Exercisable, end of period	<u>1,190,000</u>	0.117	<u>750,000</u>	0.10

<i>Brokers</i>	<u>March 31, 2014</u>		<u>September 30, 2013</u>	
	<u>Number of options</u>	<u>Weighted average exercise price</u>	<u>Number of options</u>	<u>Weighted average exercise price</u>
		\$		\$
Outstanding , beginning of period	226,320	0.15	226,320	0.15
Granted	205,714	0.175	-	-
Expired	<u>(226,320)</u>	0.15	-	-
Outstanding, end of period	<u>205,714</u>	0.175	<u>226,320</u>	0.15

**LAMÉLÉE IRON ORE LTD.****Notes to Condensed Interim Financial Statements (unaudited, in Canadian dollars)**

For the six-month period ended March 31, 2014

**8. SHARE-BASED PAYMENTS (Continued)**

The table below summarizes the information related to share options as at March 31, 2014 :

	<u>Outstanding options</u>			<u>Exercisable options</u>	
	<u>Number of options</u>	<u>Exercise price</u> \$	<u>Remaining life (years)</u>	<u>Number of options</u>	<u>Exercise price</u> \$
<i>Administration</i>	750,000	0.10	1.13	750,000	0.10
	250,000	0.14	9.89	-	0.14
	4,400,000	0.145	9.77	440,000	0.145
	<u>750,000</u>	0.19	9.79	<u>-</u>	0.19
	<u>6,150,000</u>			<u>1,190,000</u>	
 <i>Brokers</i>	 <u>205,714</u>	 0.15	 1.0	 <u>205,714</u>	 0.15

*Administration*

The weighted fair value of the granted options of \$0.15 (\$nil in 2013) was determined using the Black-Scholes option pricing model and is based on the following weighted-average assumptions:

	<u>2014</u>	<u>2013</u>
Expected dividend yield	-	-
Expected weighted volatility	136.9%	-
Risk-free average interest rate	2.71%	-
Expected average life	10 years	-

The underlying expected volatility was determined by reference to historical data of the Company's shares. No special features inherent to the options granted were incorporated into measurement of fair value.

## LAMÉLÉE IRON ORE LTD.

### Notes to Condensed Interim Financial Statements (unaudited, in Canadian dollars)

For the six-month period ended March 31, 2014

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#### 8. SHARE-BASED PAYMENTS (Continued)

##### *Brokers*

The weighted fair value of the granted options of \$0.07 (\$nil in 2013) was determined using the Black-Scholes option pricing model and is based on the following weighted-average assumptions:

	<u>2014</u>	<u>2013</u>
Expected dividend yield	-	-
Expected weighted volatility	136.9%	-
Risk-free average interest rate	1.13%	-
Expected average life	18 months	-

The underlying expected volatility was determined by reference to historical data of the Company's shares. No special features inherent to the options granted were incorporated into measurement of fair value.

#### 9. RELATED PARTY TRANSACTIONS

The Company's related parties include companies under common control and joint key management, as described below.

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

##### 9.1 Transactions with key management

Key management remuneration includes the following expenses:

	<u>March 31, 2014</u>	<u>March 31, 2013</u>
	\$	\$
Management fees	<u>84,500</u>	<u>24,000</u>

**LAMÉLÉE IRON ORE LTD.**

**Notes to Condensed Interim Financial Statements (unaudited, in Canadian dollars)**

For the six-month period ended March 31, 2014

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**9. RELATED PARTY TRANSACTIONS**

**9.2 Transactions with companies controlled by key management**

The Company has retained the services of a company controlled by a member of key management to conduct its exploration and evaluation programs. Amounts charged by this company correspond to market rates.

	March 31, 2014	March 31, 2013
	\$	\$
Exploration and evaluation expenses	<u>196,251</u>	<u>377,288</u>

As at March 31, 2014 and 2013, trade and other payables include an amount payable to key management, respectively of \$nil and \$12,000.

**9.3 Transactions with a related company**

On December 20, 2013, the Company closed a transaction with Fancamp Exploration Ltd. which held 58.36% of the common shares of the Company at the closing of this agreement (See Note 1).

**10. CONTINGENCIES AND COMMITMENTS**

The Company is partially financed through the issuance of flow-through shares and, according to tax rules regarding this type of financing, the Company is engaged in realizing mining exploration work.

These tax rules also set deadlines for carrying out the exploration work, which must be performed no later than the earlier of the following dates:

- Two years following the flow-through placements;
- One year after the Company has renounced the tax deductions relating to the exploration work.

## LAMÉLÉE IRON ORE LTD.

### Notes to Condensed Interim Financial Statements (unaudited, in Canadian dollars)

For the six-month period ended March 31, 2014

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#### 10. CONTINGENCIES AND COMMITMENTS (Continued)

However, there is no guarantee that the Company's exploration expenses will qualify as Canadian exploration expenses, even if the Company is committed to taking all the necessary measures in this regard. Refusal of certain expenses by the tax authorities would have a negative tax impact for investors.

During the reporting period, the Company received \$620,020 following flow-through placements for which the Company renounced tax deductions.

The Company will renounce \$620,020 as at December 31, 2013 to the investors and management is required to fulfil its commitments within the stipulated deadline of one year from this date.

As at March 31, 2014, exploration work of \$438,294 must be spent before December 31, 2014.

#### 11. POST-REPORTING DATE EVENTS

On April 3, 2014, the Company granted 400,000 stock options in the favor of investors' relations consultants at a price of \$0.16 per share, exercisable on a period of 10 years with a vesting period of three years at a rate of 33% per year after the first year. The fair value of these stock options amount to \$64,000 for an estimated fair value of \$0.16 per option. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, an expected volatility of 136.9%, a risk-free interest rate of 2.54% and an expected life of options of 10 years

On May 12, 2014, the Company granted 1,150,000 stock options in the favor of directors at a price of \$0.14 per share, exercisable on a period of 10 years with a vesting period of three years at a rate of 33% per year after the first year. The fair value of these stock options amount to \$161,000 for an estimated fair value of \$0.14 per option. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, an expected volatility of 136.9%, a risk-free interest rate of 2.4% and an expected life of options of 10 years.