

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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS As at June 30, 2014

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These condensed interim financial statements for the nine-month period ended June 30, 2014 have not been reviewed by the auditor of the Company.

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

	Notes	June 30, 2014 \$	September 30, 2013 \$
ASSETS			
Current			
Cash		41,552	156,104
Term deposits, 1.15%, expiring in 2015		956,418	-
Taxes receivable		46,001	129,528
Deposit on contracts		143,244	-
Tax credits and credit on duties receivable		171,164	12,082
Prepaid expenses		23,270	6,279
		<u>1,381,649</u>	<u>303,993</u>
Non-current			
Exploration and evaluation assets	5	6,215,876	458,365
Property and equipment		2,516	1,385
		<u>6,218,392</u>	<u>459,750</u>
Total assets		<u>7,600,041</u>	<u>763,743</u>
LIABILITIES			
Current			
Trade and other payables		216,914	122,492
Other liabilities		41,671	-
		<u>258,585</u>	<u>122,492</u>
Total liabilities		<u>258,585</u>	<u>122,492</u>
EQUITY			
Share Capital	6	8,570,057	1,310,400
Warrants	7	123,000	-
Contributed surplus	8	575,789	77,232
Deficit		(1,927,390)	(746,381)
Total equity		<u>7,341,456</u>	<u>641,251</u>
Total liabilities and equity		<u>7,600,041</u>	<u>763,743</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

LAMÉLÉE IRON ORE LTD.

CONDENSED INTERIM FINANCIAL STATEMENT OF COMPREHENSIVE LOSS (unaudited, in Canadian dollars)

	Notes	Three-months ended June, 30		Nine-months ended June, 30	
		2014	2013	2014	2013
		\$	\$	\$	\$
EXPENSES					
Share-based payments		179,357	-	467,205	-
Exploration and evaluation expenses		2,210	7,747	293,436	9,894
Management fees		51,000	-	135,500	24,000
Professional fees		38,751	5,536	129,203	51,201
Shareholders relations		6,373	9,902	50,366	18,513
Investors' relation		50,737	-	58,237	-
Travel expenses		3,475	1,122	40,081	3,073
Rent		11,414	-	22,282	4,500
Consulting fees		3,188	-	9,362	-
Trustees and registration fees		(15,392)	2,030	7,796	8,848
Office expenses		3,044	250	5,952	539
Insurance		4,393	-	5,165	-
Taxes and permits		2,409	-	2,692	-
Part XII.6 income taxes		-	-	2,184	168
Bank charges		159	159	582	435
Depreciation of non-financial assets		38	-	114	-
OPERATION LOSS		(341,156)	(26,746)	(1,230,157)	(121,171)
Interest income		4,474	-	8,900	-
LOSS BEFORE INCOME TAXES		(336,682)	(26,746)	(1,221,257)	(121,171)
Deferred income taxes		96,078	-	153,192	133,165
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)		(240,604)	(26,746)	(1,068,065)	11,994
INCOME (LOSS) PER SHARE					
Basic and diluted income (loss) per share		(0.003)	(0.002)	(0.018)	0.001
Weighted average number of common shares outstanding		77,221,971	13,104,000	58,888,757	13,104,000

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

LAMÉE IRON ORE LTD.

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

For the nine-month period ended June 30, 2014 and 2013

	Notes	Number of shares	Share capital \$	Warrants \$	Contributed surplus \$	Deficit \$	Total equity \$
Balance at October 1st, 2013		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	-	14,400	-	439,557
Shares issued for acquisition of mining rights	6	45,000,000	5,400,000	-	-	-	5,400,000
Share-based payments	8	-	-	-	484,157	-	484,157
Issuance cost of shares	6	-	-	-	-	(112,944)	(112,944)
Transactions with owners		<u>77,221,971</u>	<u>8,570,057</u>	<u>123,000</u>	<u>575,789</u>	<u>(859,325)</u>	<u>8,409,521</u>
Net loss and total comprehensive loss for the year		-	-	-	-	(1,068,065)	(1,068,065)
Balance at June 30, 2014		<u>77,221,971</u>	<u>8,570,057</u>	<u>123,000</u>	<u>575,789</u>	<u>(1,927,390)</u>	<u>7,341,456</u>
	Notes	Number of shares	Share capital \$	Warrants \$	Contributed surplus \$	Deficit \$	Total equity \$
Balance at October 1st, 2012		13,104,000	1,310,400	-	77,232	(338,224)	1,049,408
Share issuance costs		-	-	-	-	(62)	(62)
Transactions with owners		<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		-	-	-	-	11,994	11,994
Balance at June 30, 2013		<u>13,104,000</u>	<u>1,310,400</u>	<u>-</u>	<u>77,232</u>	<u>(326,292)</u>	<u>1,061,340</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 nine-month periods ended June 30, 2014 and 2013

	Notes	Three-months ended June 30		Nine-months ended June 30	
		2014	2013	2014	2013
		\$	\$	\$	\$
OPERATING ACTIVITIES					
Loss before income taxes		(336,682)	(26,746)	(1,221,257)	(121,171)
Adjustments for:					
Share-based payments		190,135	-	484,157	-
Depreciation of property and equipment		38	-	237	-
Tax credits receivable in reduction of evaluation and exploration expenses		-	-	(26,805)	-
Changes in working capital items					
Taxes receivable		(2,761)	(6,484)	83,527	(89,469)
Tax credits and credit on duties receivable		-	-	-	6,242
Deposit on contracts		(49,949)	-	(143,244)	-
Prepaid expenses		(2,856)	1,300	(16,991)	(1,033)
Trade and other payables		167,302	(29,206)	94,422	(11,871)
Cash flows used by operating activities		<u>(34,773)</u>	<u>(61,136)</u>	<u>(745,954)</u>	<u>(217,302)</u>
INVESTING ACTIVITIES					
Additions to property and equipment		-	-	(1,523)	-
Additions to exploration and evaluation assets	5	(309,414)	-	(501,152)	(470,041)
Tax credits received		-	-	11,519	-
Term deposits		196,721	-	(956,418)	-
Cash flows used by investing activities		<u>(112,693)</u>	<u>-</u>	<u>(1,447,574)</u>	<u>(470,041)</u>
FINANCING ACTIVITIES					
Issuance of units by private placements		-	-	1,557,500	-
Issuance of shares by flow-through private placements		-	-	620,020	-
Share issuance costs		(17,750)	-	(98,544)	(62)
Cash flows from (used by) financing activities		<u>(17,750)</u>	<u>-</u>	<u>2,078,976</u>	<u>(62)</u>
Net change in cash and cash equivalents		(165,216)	(61,136)	(114,552)	(687,405)
Cash, beginning of period		206,768	241,661	156,104	867,930
Cash, end of period		<u>41,552</u>	<u>180,525</u>	<u>41,552</u>	<u>180,525</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		106,997	-	143,796	-
Depreciation of property and equipment included in evaluation and exploration assets		93	-	155	-
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 nine-month period ended June 30, 2014

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 financial statements have been prepared on the basis of the going concern assumption, meaning the Company will be able to realize its assets and discharge its liabilities in the normal course of operations.

Given that the Company has not yet determined whether its mineral properties contain mineral deposits that are economically recoverable, it has neither yet generated income nor cash flows from its operations. As at June 30, 2014, the Company has a deficit of \$1,927,390 (\$326,292 as at June 30, 2013). This material uncertainty may cast a significant doubt regarding the Company's ability to continue as a going concern.

LAMÉLÉE IRON ORE LTD.

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

For the nine-month period ended June 30, 2014

2. GOING CONCERN (Continued)

The Company's ability to continue as a going concern is dependent upon its ability to raise additional financing to further explore its mineral properties. Even if the Company has been successful in the past in doing so, there is no assurance that it will manage to obtain additional financing in the future.

The carrying amounts of assets, liabilities, revenues and expenses presented in the financial statements and the classification used in the statement of financial position have not been adjusted as would be required if the going concern assumption was not appropriate.

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 June 30, 2014 (including comparatives) were approved and authorized for issue by the Board of Directors on August 20, 2014.

4. SIGNIFICANT ACCOUNTING POLICIES

These unaudited condensed interim financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") and in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. The unaudited condensed interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the annual financial statements for the year ended September 30, 2013, as they follow the same accounting policies and methods of application, except for the following new accounting pronouncements which have been adopted on January 1st, 2013.

4. SIGNIFICANT ACCOUNTING POLICES (Continued)

IFRS 10 Consolidated Financial Statements

IFRS 10 supersedes IAS 27 *Consolidated and Separate Financial Statements* (IAS 27) and SIC 12 *Consolidation – Special Purpose Entities*. IFRS 10 revises the definition of control and provides extensive new guidance on its application. These new requirements have the potential to affect which of the Company's investees are considered to be subsidiaries and therefore to change the scope of consolidation. The requirements on consolidation procedures, accounting for changes in non-controlling interests and accounting for loss of control of a subsidiary are unchanged. Management has reviewed its control assessments in accordance with IFRS 10 and has concluded that there is no effect on the classification (as subsidiaries or otherwise) of any of the Company's investees held during the period or comparative periods covered by these financial statements.

IFRS 11 Joint Arrangements

IFRS 11 supersedes IAS 31 *Interests in Joint Ventures* (IAS 31) and SIC 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. IFRS 11 revises the categories of joint arrangement, and the criteria for classification into the categories (joint ventures or joint operations), with the objective of more closely aligning the accounting with the investor's rights and obligations relating to the arrangement. In addition, IAS 31's option of using proportionate consolidation for arrangements classified as jointly controlled entities under that standard has been eliminated. IFRS 11 now requires the use of the equity method for arrangements classified as joint ventures (as for investments in associates). The application of IFRS 11 had no impact on the Company's accounting policies.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities. The application of IFRS 12 had no impact on the Company's financial statements.

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

For the nine-month period ended June 30, 2014

5. EXPLORATION AND EVALUATION ASSETS

The carrying amount can be analyzed as follows :

	Balance as at October 1 st , 2013	Additions	Tax credits	Balance as at June 30, 2014
	\$	\$	\$	\$
Quebec				
Bouchard Property				
Mining rights	3,180	-	-	3,180
Exploration and evaluation	455,185	-	-	455,185
	<u>458,365</u>	<u>-</u>	<u>-</u>	<u>458,365</u>
Lake Lamêlée Property (1)				
Mining rights	-	5,456,393	-	5,456,393
Exploration and evaluation	-	444,914	(143,796)	301,118
	<u>-</u>	<u>5,901,307</u>	<u>(143,796)</u>	<u>5,757,511</u>
Summary				
Mining rights	3,180	5,456,393	-	5,459,573
Exploration and evaluation	455,185	301,118	(143,796)	756,303
	<u>458,365</u>	<u>5,901,307</u>	<u>(143,796)</u>	<u>6,215,876</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 nine-month period ended June 30, 2014

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 December 30, 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.

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

For the nine-month period ended June 30, 2014

7. WARRANTS

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

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

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

Outstanding warrants are as follows :

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

LAMÉLÉE IRON ORE LTD.

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

For the nine-month period ended June 30, 2014

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.

LAMÉLÉE IRON ORE LTD.

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

For the nine-month period ended June 30, 2014

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

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.

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.

An amount of \$467,205 (\$nil in 2013), of \$9,362 (\$nil in 2013) and of \$7,590 (\$nil in 2013) of the share-based payments was recorded respectively in earnings as share-based payments, consulting fees and investors' relation and credited to contributed surplus.

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

For the nine-month period ended June 30, 2014

8. SHARE-BASED PAYMENTS (Continued)

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

<i>Administration</i>	<u>June 30, 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>6,950,000</u>	0.15	-	-
Outstanding, end of period	<u>7,700,000</u>	0.145	<u>750,000</u>	0.10
Exercisable, end of period	<u>1,850,000</u>	0.127	<u>750,000</u>	0.10

<i>Brokers</i>	<u>June 30, 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 nine-month period ended June 30, 2014

8. SHARE-BASED PAYMENTS (Continued)

The table below summarizes the information related to share options as at June 30, 2014 :

	Outstanding options			Exercisable options	
	Number of options	Exercise price \$	Remaining life (years)	Number of options	Exercise price \$
<i>Administration</i>	750,000	0.10	0.89	750,000	0.10
	1,400,000	0.14	9.82	-	-
	4,400,000	0.145	9.52	1,100,000	0.145
	400,000	0.16	9.76	-	-
	750,000	0.19	9.55	-	-
	<u>7,700,000</u>			<u>1,850,000</u>	
<i>Brokers</i>	<u>205,714</u>	0.175	1.0	<u>205,714</u>	0.175

Administration

The weighted fair value of the granted options of \$0.14 (\$nil in 2013) was determined using the Black-Scholes option pricing model and is based on the following weighted-average assumptions:

	2014	2013
Expected dividend yield	-	-
Expected weighted volatility	136.9%	-
Risk-free average interest rate	2.65%	-
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 nine-month period ended June 30, 2014

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:

	2014	2013
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:

	June 30, 2014	June 30, 2013
	\$	\$
Management fees	135,500	24,000

LAMÉLÉE IRON ORE LTD.

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

For the nine-month period ended June 30, 2014

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.

	June 30, 2014	June 30, 2013
	<u>\$</u>	<u>\$</u>
Exploration and evaluation expenses	<u>196,251</u>	<u>377,288</u>

As at June 30, 2014 and 2013, trade and other payables include an amount payable to key management, respectively of \$5,749 and \$nil.

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.

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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 renounced \$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 June 30, 2014, exploration work of \$132,590 must be spent before December 31, 2014.

11. POST-REPORTING DATE EVENTS

On July 30, 2014, the Company closed a prospectus offering under which the Company issued 2,040,004 units of its capital at a price of \$0.13 per unit and 11,577,002 flow-through common shares of its capital at a price of \$0.15 per flow-through share for gross proceeds of \$2,001,750.82. Each unit is comprised of one common share of the Company and one half of one common share purchase warrant. Each whole warrant shall entitle the holder thereof to acquire one common share of the Company, for a period of eighteen (18) months at an exercise price of \$0.19.