Niocan inc.
NIOBIUM / CANADA

Condensed Interim Financial Statements
For the three-month periods ended
March 31, 2014 and 2013
(unaudited)

NIOCAN INC.

Management's comments on unaudited Condensed Interim Financial Statements for the three-month periods ended March 31, 2014 and 2013

Notice of no auditor review of interim financial statements

The accompanying unaudited Condensed Interim Financial Statements of the Company have been prepared by and are the responsibility of the Company's Management.

The Company's independent auditor, KPMG LLP, has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Dated this 7th day of May 2014

NIOCAN INC.
Condensed Interim Statements of Financial Position
As at March 31, 2014 and December 31, 2013

	Note	Unaudited March 31, 2014	Audited December 31, 2013
		$	$
Assets			
Current assets			
Cash and cash equivalents	**5**	**683,484**	841,287
Receivables	**6**	**8,465**	4,655
Tax credits and mining tax credits receivable		**161,534**	161,534
Prepaid expenses and deposits		**76,218**	54,346
Total current assets		**929,701**	1,061,822
Non-current assets			
Mining properties and exploration and evaluation assets	**7**	**7,174,382**	7,174,382
Land		**506,887**	506,887
Computer equipment	**8**	**—**	—
Total non-current assets		**7,681,269**	7,681,269
Total assets		**8,610,970**	8,743,091
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**66,261**	68,154
Total current liabilities		**66,261**	68,154
Non-current liabilities			
Debentures	**9**	**1,110,081**	1,096,203
Warrants	**9**	**27,000**	26,000
Deferred tax liability		**857,004**	857,004
Total non-current liabilities		**1,994,085**	1,979,207
Total liabilities		**2,060,346**	2,047,361
Equity			
Share capital	**10**	**15,283,101**	15,283,101
Contributed surplus		**1,247,400**	1,247,400
Deficit		**(9,979,877)**	(9,834,771)
Total equity		**6,550,624**	6,695,730
Total liabilities and equity		**8,610,970**	8,743,091

The notes on pages 7 to 20 are an integral part of these condensed interim financial statements.

On behalf of the Board:

(signed) Hubert Marleau, director

(signed) Remo J. Mancini, director

NIOCAN INC.
Condensed Interim Statements of Loss and Comprehensive Loss
Unaudited

	Note	For the 3-month periods ended March 31, 2014	2013
		$	$
Revenues		**—**	—
Expenses			
Professional fees		**18,943**	47,853
Office and administration		**35,666**	90,584
Directors' fees		**8,104**	10,000
Trustees and registration fees		**22,398**	28,180
Rent		**6,648**	6,140
Taxes and permits		**1,836**	1,241
Travel and business development		**1,340**	2,429
Insurance		**4,747**	4,748
Telecommunications & website		**1,128**	2,568
Repairs and maintenance		**1,189**	1,669
Depreciation	**8**	**—**	922
Bank charges		**171**	246
Total expenses		**102,170**	196,580
Net loss before net finance expense		**(102,170)**	(196,580)
Net finance expense	**4**	**42,936**	162,036
Net loss and comprehensive loss for the period		**(145,106)**	(358,616)
Basic and diluted net loss per outstanding common shares	**11**	**(0.01)**	(0.02)
Weighted average number of outstanding common shares	**11**	**22,979,868**	21,553,356

The notes on pages 7 to 20 are an integral part of these condensed interim financial statements.

NIOCAN INC.

Condensed Statements of Changes in Equity
For the three-month periods ended March 31, 2014 and 2013
Unaudited

Note	Share capital 11	Contributed surplus	Deficit	Total equity
	$	**$**	**$**	**$**
Balance at December 31, 2012	12,875,102	1,210,200	(8,932,699)	5,152,603
Issuance of shares	2,407,999	—	—	2,407,999
Comprehensive loss for the year	—	—	(902,072)	(902,072)
Stock options issued	—	37,200	—	37,200
Balance at December 31, 2013	15,283,101	1,247,400	(9,834,771)	6,695,730
Balance at December 31, 2012	12,875,102	1,210,200	(8,932,699)	5,152,603
Issuance of shares	2,407,999	—	—	2,407,999
Comprehensive loss for the period	—	—	(358,616)	(358,616)
Balance at March 31, 2013	15,283,101	1,210,200	(9,291,315)	7,201,986
Balance at December 31, 2013	15,283,101	1,247,400	(9,834,771)	6,695,730
Comprehensive loss for the period	**—**	**—**	**(145,106)**	**(145,106)**
Balance at March 31, 2014	**15,283,101**	**1,247,400**	**(9,979,877)**	**6,550,624**

The notes on pages 7 to 20 are an integral part of these condensed interim financial statements.

NIOCAN INC.
Condensed Interim Statements of Changes in Cash Flows
For the three-month periods ended March 31, 2014 and 2013
Unaudited

	Note	2014	2013
		$	$
Cash flows from operating activities:			
Net loss		**(145,106)**	(358,616)
Adjustments for:			
Depreciation		**—**	922
Change in fair value of warrants	**4**	**1,000**	(19,000)
Interest expense	**4**	**43,877**	181,036
		(100,229)	(195,658)
Changes in non-cash working capital items:		**(27,574)**	(45,286)
		(127,803)	(240,944)
Cash flows from financing activities:			
Proceeds from issuance of debentures and warrants, net of transaction costs	**9**	**—**	1,200,000
Transaction costs	**9**	**—**	(49,980)
Interest paid		**(30,000)**	(72,362)
		(30,000)	1,077,758
Cash flows from investing activities:			
Additions to exploration and evaluation assets	**7**	**—**	(338,446)
		—	(338,446)
Net (decrease) increase in cash and cash equivalents		**(157,803)**	498,368
Cash and cash equivalents, beginning of the period		**841,287**	703,474
Cash and cash equivalents at March 31		**683,484**	1,201,842

The notes on pages 7 to 20 are an integral part of these condensed interim financial statements.

1. Reporting entity and going concern:

Niocan Inc. (the “Company”) is domiciled in Canada. The address of the Company’s registered office is 1 Place Ville-Marie, Suite 1812, Montréal, Québec. The Company, incorporated under the Québec *Companies Act* on August 29, 1995, holds a niobium property in Oka, Québec and exploration properties in the province of Québec.

The Company is in a development stage and has mineral exploration and development properties in the province of Québec. Substantially, all of the Company’s efforts are currently devoted to financing, developing and obtaining permits for its niobium property (the “Oka Niobium Project”) in Oka and for its Great Whale property.

Financial statements have been prepared on a going concern basis which supposed that the Company will pursue its activities in a foreseeable future and will be able to realize its assets or discharge its obligations in the ordinary course of operations. The Company is in the process of exploring and evaluating its mineral properties and projects and has not yet determined whether its properties and projects contain ore reserves that are economically recoverable. The Company does not have any revenues coming from its operations that would enable the Company to discharge its obligations in the ordinary course of its operations.

With respect to the Oka Niobium Project, the Company has determined in 1999 that the property contains ore resources which provide a conceptual indication of the potential of the property. The Company’s application is under study with the Québec Ministry of Sustainable Development, Environment and Parks and the community of Oka in order to obtain all permits, certificates and other authorizations to allow the Company to operate the Oka Niobium Project.

The ability of the Company to meet its commitments as they become payable, including the acquisitions of mineral properties and the development of projects, is dependent on its ability to obtain necessary financing. The recoverability of amounts shown for mineral properties and exploration and evaluation assets is dependent upon the ability of the Company to obtain necessary authorizations and financing to complete the acquisition, exploration and development thereof, and upon future profitable production or proceeds from the disposal of properties. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. The financial statements do not reflect the adjustments to the carrying values of assets and liabilities that would be necessary if the Company were unable to realize its assets or discharge its obligations in the ordinary course of operations.

Although the Company has taken steps to verify title to mineral properties in which it has an interest in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

2. Basis of preparation:

Statement of compliance

The condensed interim financial statements for the three-month period ended March 31, 2014 have been prepared in accordance with International Financial Reporting Standards (''IFRS''), as issued by the International Accounting Standards Board (''IASB'') under international accounting standard IAS 34, *Interim Financial Reporting,* using the same basis of presentation, accounting policies and methods of computation that were applied for the annual financial statements for the year ended December 31, 2013.

The condensed interim financial statements were authorized for issue by the Board of Directors on May 7, 2014.

Basis of measurement

The financial statements have been prepared on the historical cost basis, except for the warrants, which are measured at fair value through profit or loss.

Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Company's functional currency.

Use of estimates and judgements

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in Note 3 with regards to the determination of capitalizable costs as exploration and evaluation assets (Note 3 c)), and management's intention to become or not a producer in the future with respect to refundable credit on mining duties (Note 3 g)).

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Notes 3 and 7 - recoverability of mining properties and other exploration and evaluation assets;
- Note 3 - assessment of refundable tax credits for resources.

3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

a) Financial instruments:

Non-derivative financial assets

Non-derivative financial assets and liabilities are initially recognized at fair value, plus any attributable transaction costs.

The Company has the following non-derivative financial assets:

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents.

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

Non-derivative financial liabilities

The Company has the following non-derivative financial liabilities: accounts payable and accrued liabilities and debentures. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

Derivative financial instruments

The Company has derivative financial instruments in regards to the warrants which are classified as financial instruments at fair value through profit and loss. Derivative instruments are initially recorded at fair value and subsequent to initial recognition, they are measured at fair value with changes in fair value included in the statement of comprehensive loss at each reporting date as a component of net finance costs.

Fair value hierarchy

The following fair value hierarchy, which reflects the significance of the inputs, is used in making the measurements of fair value of financial assets and liabilities.

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

b) Share capital:

Common shares

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

Warrants

Warrants that are derivatives over the Company's own equity that will be settled only by the Company exchanging a fixed amount of cash for a fixed number of the Company's own equity instruments are classified as equity.

Warrants that include a contractual obligation to deliver cash or do not meet the fixed requirements of IAS 32 are classified as financial liabilities.

c) Mining properties and exploration and evaluation assets:

Mining properties and exploration and evaluation assets include mining properties and other exploration and evaluation costs. Mining properties correspond to acquired interests in mining exploration permits / claims which include the rights to explore for, mine, extract and sell all minerals from such claims.

All pre-exploration costs, i.e. costs incurred prior to obtaining the legal right to undertake exploration and evaluation activities on an area of interest, are expensed as incurred. Once the legal right to explore has been acquired, exploration and evaluation expenditure are capitalized in respect of each identifiable area of interest until the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

Costs incurred include appropriate technical and administrative overheads. Exploration and evaluation assets are carried at historical cost less any impairment losses recognized.

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable for an area of interest, the Company stops capitalizing exploration and evaluation costs for that area, tests recognized exploration and evaluation assets for impairment and reclassifies any unimpaired exploration and evaluation assets either as tangible and intangible mine development assets according to the nature of the assets.

d) Computer equipment:

Items of computer equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. The costs of the day-to-day servicing of equipment are recognized in profit or loss as incurred.

When parts of an item of computer equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

Depreciation is calculated over the depreciable amount, which is the cost of an asset less its residual value. Depreciation is recognized in profit or loss using the declining balance method at the following annual rates, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset:

Computer equipment	30%

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted, if appropriate.

e) Impairment:

Financial assets

Financial assets are assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against the asset. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of equipment are reviewed at each reporting date to determine whether there is any indication of impairment.

The carrying amount of exploration and evaluation assets are assessed for impairment only when indicators of impairment exist, typically when one of the following circumstances apply:

- Exploration rights have or will expire in the near future;
- No future substantive exploration expenditures are budgeted;
- No commercially viable quantities discovered and exploration and evaluation activities will be discontinued;
- Exploration and evaluation assets are unlikely to be fully recovered from successful development or sale.

If any such indication exists, then the asset's recoverable amount is estimated.

Exploration and evaluation assets are also assessed for impairment upon the transfer of exploration and evaluation assets to development assets regardless of whether facts and circumstances indicate that the carrying amount of the exploration and evaluation assets is in excess of their recoverable amount.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to 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"). The level identified by the group for the purposes of testing exploration and evaluation assets for impairment corresponds to the mining property.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated to the assets in the unit (group of units) on a pro rata basis.

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

f) Provisions:

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. 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 the risks specific to the liability. The unwinding of the discount is recognized as net finance expense.

g) Refundable credit on mining duties and refundable tax credit related to resources:

The Company is eligible for a refundable credit on mining duties under the Québec *Mining Duties Act*. This refundable credit on mining duties is equal to 16% applicable on 50% of the eligible expenses. The accounting treatment for refundable credit on mining duties depends on management's intention to go into production in the future or rather to sell its mining properties to another mining producer once the technical feasibility and the economic viability of the properties have been demonstrated. This assessment is made at the level of each mining property.

In the first case, the credit on mining duties is recorded as an income tax recovery under IAS 12, *Income Taxes*, which generates a deferred tax liability and deferred tax expense simultaneously, since the exploration and evaluation assets have no more tax basis following the Company's election to claim the refundable credit. In the second case, it is expected that no mining duties will be paid in the future; accordingly, the credit on mining duties is recorded as a government grant under IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, which is recorded against exploration and evaluation assets. Currently, it is management's intention to have the Company become a producer in the future, as such, credits on mining duties are recorded in compliance with IAS 12, *Income Taxes*.

The Company is also eligible for a refundable tax credit related to resources for mining industry companies in relation to eligible expenses incurred. The refundable tax credit related to resources represents up to 38.75% of the amount of eligible expenses incurred and is recorded as a government grant against exploration and evaluation assets.

Credits related to resources and credits on mining duties recognized against exploration and evaluation expenditures are recorded when there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the credits. They will be recognized in profit or loss on a systematic basis over the useful life of the related assets.

h) Share-based payments:

The grant date fair value of share-based payment awards granted to employees and directors is recognized as an employee expense, with a corresponding increase in contributed surplus, over the year that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Company. The Company measures the foods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, except when that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted.

i) Leases:

All leases are classified as operating leases and as such the leased assets are not recognized in the Company's statements of financial position.

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

j) Net finance costs:

Net finance costs comprise interest income on funds invested, interest expense using the effective interest method, and changes in the fair value of the warrants.

k) Income tax:

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they 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.

l) Earnings per share:

The Company presents basic and diluted earnings per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential common shares, which comprise warrants and share options granted to employees.

m) Segment reporting:

The Company determined that it had only one operating segment, being the mining exploration.

n) New standards, interpretations and amendments issued but not yet effective:

The following new standards, interpretations and amendments have been issued but are not yet effective and therefore have not been applied in preparing these financial statements:

IFRS 9, *Financial Instruments*:

In November 2009, the IASB issued IFRS 9, *Financial Instruments* (IFRS 9 (2009)), and in October 2010, the IASB published amendments to IFRS 9 (IFRS 9 (2010)).

In November 2013, the IASB issued a new general hedge accounting standard, which forms part of IFRS 9 *Financial Instruments* (2013). The new standard removes the January 1, 2015 effective date of IFRS 9. The new mandatory effective date will be determined once the classification and measurement and impairment phases of IFRS 9 are finalized.

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows.

IFRS 9 (2010) introduces additional changes relating to financial liabilities.

IFRS 9 (2013) includes a new general hedge accounting standard which will align hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship.

Special transitional requirements have been set for the application of the new general hedging model.

The mandatory effective date is not yet determined, however, early adoption of the new standard is still permitted. Canadian reporting entities cannot early adopt IFRS 9 (2013) until it has been approved by the Canadian Accounting Standards Board.

4. Net finance expense:

	2014	2013
	$	$
Interest income	**(1,941)**	(1,026)
Interest expense	**43,877**	181,062
Change in fair value of the warrants (note 9)	**1,000**	(18,000)
Net finance expense	**42,936**	162,036

5. Cash and cash equivalents:

	March 31, 2014	December 31, 2013
	$	$
Bank balances	**72,708**	132,452
Term deposits (bearing interest at 1.15%, maturing on April 28, 2014)	**610,776**	708,835
Cash and cash equivalents	**683,484**	841,287

6. Receivables:

	March 31, 2014	December 31, 2013
	$	$
Federal sales taxes	**2,836**	1,575
Québec sales taxes	**5,629**	3,080
Receivables	**8,465**	4,655

7. Mining properties and exploration and evaluation assets:

Capitalized exploration and evaluation assets can be detailed as follows:

		Oka property		Great Whale property	Total
	Mining property	Evaluation and exploration assets	Mining properties	Evaluation and exploration assets	
	$	$	$	$	$
Cost as at December 31, 2012	845,000	5,512,019	—	610,065	6,967,084
Additions	—	—	—	338,446	338,446
Tax credit for resources	—	—	—	(131,148)	(131,148)
Cost as at December 31, 2013	845,000	5,512,019	—	817,363	7,174,382
Changes for the period	—	—	—	—	—
Cost as at March 31, 2014	**845,000**	**5,512,019**	**—**	**817,363**	**7,174,382**

Oka property:

The Oka mining property consists of mining rights comprised of 49 claims covering 2,191 acres.

The Company granted SGF Mines Inc. the option to acquire a 20% interest in two ore deposits of its mining property in consideration of a payment, representing 20% of total expenses incurred to bring the said ore deposits into production.

The Company also granted Teck Corporation the option to acquire a 25% interest in its mining property in consideration of a payment, representing 25% of total expenses incurred to bring the said ore deposits into production, and by the payment of $1,000,000 cash, of which $500,000 was received.

The options cannot be transferred without the Company's approval.

Grande-Baleine property:

The Company owns a 100% interest in surface and mining rights for the iron property of Grande-Baleine covering 56,195 acres on the Hudson Bay territory.

8. Computer equipment:

	$
Cost	
Balance, December 31, 2012	16,760
Changes for the year	—
Balance, December 31, 2013	16,760
Changes for the period	—
Balance, March 31, 2014	**16,760**
Depreciation	
Balance, December 31, 2012	15,838
Depreciation for the year	922
Balance, December 31, 2013	16,760
Depreciation for the period	—
Balance, March 31, 2014	**16,760**
Carrying amounts	
At December 31, 2013	—
At March 31, 2014	**—**

9. Debentures and warrants:

On February 28, 2013, the Company converted the secured debentures (Series 2011-1) dated August 29, 2011 as amended on August 29, 2012.The secured debentures, which bore the principal amount of $3,005,000, were converted into 2,176,035 common shares. The book value of the secured debentures was $2,407,999 at the date of conversion and was recorded as share capital at the same amount.

The following table presents the details of the debentures as at:

	March 31, 2014	December 31, 2013
	$	$
Beginning Balance	**—**	2,244,168
Cumulative effective interest rate adjustment	**—**	163,891
Total	**—**	2,407,999
Conversion of the debentures	**—**	(2,407,999)
Ending balance	**—**	—

On February 19, 2013 the Company completed a private placement with Nio-Metals Holdings LLC (“Nio-Metals”) pursuant to which Nio-Metals subscribed for a unit comprising of $1,200,000 aggregate principal amount of secured subordinated debentures of the Company (the “Debenture”) and 1,000,000 warrants to purchase common shares, representing aggregate gross proceeds of $1,200,000. The Debenture bear interest at an annual rate of 10%, payable quarterly and mature August 19, 2015, subject to the ability of the Company to repay them at any time without penalty. Each warrant entitles the holder to purchase one common share at a price of $0.50 until February 19, 2015. The Debenture is secured by all property and assets of the Company.

	March 31, 2014	December 31, 2013
	$	$
Nominal value of the Debenture	**1,200,000**	1,200,000
Transaction costs	**(49,880)**	(49,880)
Fair value of warrants	**(96,401)**	(96,401)
Fair value at conversion date	**1,053,719**	1,053,719
Cumulative effective interest rate adjustment	**56,362**	42,484
Debentures	**1,110,081**	1,096,203

The warrants are presented as a liability and recorded at fair value each reporting dates using the Black-Scholes pricing model. The decrease in fair value recorded through income from inception to the end of the period totaled $88,401. The warrants are classified as Level 3 in the fair value hierarchy.

The following assumptions were used in calculating the fair value of the warrants:

	March 31, 2014	December 31, 2013
Risk-free interest rate	**1.25%**	1.5%
Expected life	**0.89 year**	1.14 years
Expected volatility	**110%**	92%
Expected dividend yield	**—**	—

The following table presents the details of the issued and outstanding warrants as at:

	March 31, 2014		December 31, 2013	
Exercise price	**Expiry date**	**Number**	Expiry date	Number
$0.50	**February 19, 2015**	**1,000,000**	February 19, 2015	1,000,000
$1.45	**August 29, 2014**	**1,562,000**	August 29, 2014	1,562,000
		2,562,000		2,562,000

10. Share capital:

The number of shares issued and outstanding as at March 31, 2014 was 22,979,868 (December 31, 2013 – 22,979,868). The Company is authorized to issue an unlimited number of common shares, without par value.

11. Earnings (loss) per share:

The calculation of basic earnings per share at March 31, 2014 was based on the loss attributable to common shareholders which corresponds to the loss for the period of $145,106 (2013 - loss of $358,616), and a weighted average number of common shares of 22,979,868 (March 31, 2013 – 21,553,356).

The calculation of diluted earnings per share at March 31, 2014 is the same as the basic earnings per share as all options had an anti-dilutive effect (same at March 31, 2013).

12. Share-based payments:

Under the stock option plan for the benefit of the directors and officers of the Company, 2,950,000 common shares are available and their life cannot exceed 10 years. The options vest immediately upon issuance. Options are exercisable at the market price of the stock options at the date of the grant. The number of stock options outstanding fluctuated as follows:

	As at March 31, 2014		As at December 31, 2013	
	Number of stock options	**Weighted average exercisable price**	Number of stock options	Weighted average exercisable price
		$		$
Balance, beginning of period	**2,418,000**	**0.48**	2,218,000	0.60
Issued	**—**	**—**	240,000	0.18
Cancelled	**(480,000)**	**0.49**	—	—
Expired	**(50,000)**	**1.10**	(40,000)	0.85
Balance, end of period	**1,888,000**	**0.46**	2,418,000	0.48

The table below summarizes the information about the stock option plan as at March 31, 2014:

Maturity Date	Exercise price	Number of outstanding and vested options
March 2, 2015	$0.98	22,000
August 31, 2016	$0.44	90,000
January 8, 2017	$0.40	120,000
August 2, 2017	$0.72	440,000
January 23, 2018	$0.50	96,000
May 8, 2018	$0.63	240,000
May 3, 2019	$0.34	400,000
August 20, 2019	$0.31	120,000
April 6, 2020	$0.32	120,000
December 20, 2023	$0.18	240,000
		1,888,000

13. Commitments and contingencies:

i) The Company has a lease commitment for its premises expiring February 28, 2016 with a company affiliated with a director (Note 15). Future minimum lease payments total $41,400 and include the following payments over the next two years:

	$
1 year	**21,600**
Over 1 year	**19,800**

14. Financial instruments and financial risk management:

a) Financial instruments fair value:

The carrying values of cash and cash equivalents and accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these items.

The carrying value of Debentures approximates their fair value as there has not been any changes in the market conditions associated with this instrument.

b) Risks overview:

The Company has exposure to the following risks from its use of financial instruments:

i) Credit risk:

Credit risk results from the possibility that a loss may occur from the failure of another party to perform according to the terms of the contract. Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents. Cash is maintained with high-credit, quality financial institutions.

ii) Liquidity risk:

Management serves to maintain a sufficient amount of cash and cash equivalents, and to ensure that the Company has at its disposal sufficient sources of financing such as private placements. The Company establishes cash budgets to ensure it has the necessary funds to fulfill its obligations. Being able to obtain new funds allows the Company to pursue its activities and even though the Company was successful in the past, there is no guarantee that it will succeed in the future.

The following are the contractual maturities of the financial liabilities amounts:

	0 - 6 months	**7 - 12 months**	**13 - 36 months**
	$	**$**	**$**
Accounts payable and accrued liabilities	**66,261**	**—**	**—**
Debentures	**—**	**—**	**1,200,000**
Derivative financial instruments - warrants	**—**	**—**	**27,000**
Total contractual liabilities	**66,261**	**—**	**1,227,000**

iii) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

The Company holds the majority of its cash and cash equivalents balance in interest-bearing accounts which are therefore exposed to future cash flow fluctuations coming from changes in market interest rates. A fluctuation of 100 basis points on market interest rates would not have a significant impact on the financial results of the Company due to the short-term nature of these cash and cash equivalents.

15. Related party transactions:

Key management personnel compensation

Key management personnel corresponds to the directors of the Company, including the Chief Executive Officer who is remunerated through a consulting agreement.

During the period, the Company incurred the following expenses with key management personnel:

	March 31, 2014	December 31, 2013
	$	$
Salary and management fees included in office and administration	**16,574**	72,000
Directors' fees	**8,104**	69,667

The Company has the following amounts owing to related parties as at:

	March 31, 2014	December 31, 2013
	$	$
Debentures:		
Major shareholder	**1,110,081**	1,096,203

In March 2012, the Company signed a sublease agreement with a company affiliated with a director. During the period, the Company incurred $5,400 of rent expenses related to this agreement.

16. Capital disclosures:

The Company's objectives when managing its capital are to safeguard the Company's ability to continue as a going concern in order to support ongoing exploration programs and development of its mining assets, to provide sufficient working capital to meet its ongoing obligations and to pursue potential investments.

The Company's capital items are the following:

	March 31, 2014	December 31, 2013
	$	$
Cash and cash equivalents	**683,484**	841,287
Debentures	**1,110,081**	1,096,203
Share capital	**15,283,101**	15,283,101

The Company manages its capital structure and makes adjustments to it in accordance with the aforementioned objectives, as well as in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, acquire or dispose of assets or adjust the amount of cash and cash equivalents and short-term investments. There is no dividend policy. The Company is not subject to externally imposed capital requirements. The Company's management of capital remained unchanged since the last period.