CAP-EX IRON ORE LTD

FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2015

(EXPRESSED IN CANADIAN DOLLARS)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Cap-Ex Iron Ore Ltd.

We have audited the accompanying financial statements of Cap-Ex Iron Ore Ltd., which comprise the statements of financial position as at August 31, 2015 and 2014 and the statements of comprehensive loss, cash flows and changes in shareholders' equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Cap-Ex Iron Ore Ltd. as at August 31, 2015 and 2014 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Cap-Ex Iron Ore Ltd.'s ability to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada | Chartered Professional Accountants

December 18, 2015

CAP-EX IRON ORE LTD.

FINANCIAL STATEMENTS

AUGUST 31, 2015
(EXPRESSED IN CANADIAN DOLLARS)

Independent Auditors' Report

Contents

CAP-EX IRON ORE LTD.
STATEMENTS OF FINANCIAL POSITION
(EXPRESSED IN CANADIAN DOLLARS)

	August 31, 2015 $	August 31, 2014 $
ASSETS		
Current		
Cash	301,836	115,297
Restricted cash	-	72,500
Amounts receivable (Note 3)	6,016	18,925
Prepaid expenses	2,233	2,333
	310,085	209,055
Property and equipment (Note 4)	38,707	789,277
Exploration and evaluation properties (Note 5)	1	350,001
TOTAL ASSETS	**348,793**	**1,348,333**
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 9)	104,378	849,548
Loan - current portion (Note 6)	-	70,000
	104,378	919,548
Loan - long term portion (Note 6)	-	65,777
TOTAL LIABILITIES	**104,378**	**985,325**
SHAREHOLDERS' EQUITY		
Share capital (Note 7)	33,374,268	33,040,827
Reserves (Note 8)	504,865	1,460,000
Deficit	(33,634,718)	(34,137,819)
TOTAL SHAREHOLDERS' EQUITY	244,415	363,008
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**348,793**	**1,348,333**

NATURE AND CONTINUANCE OF OPERATIONS (Note 1)
COMMITMENTS (Note 12)
SUBSEQUENT EVENT (Note 15)

Approved and authorized by the Board on December 18, 2015.

On behalf of the Board:

/s/ "Andrew Bowering"
Director

/s/ "Graham Harris"
Director

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

CAP-EX IRON ORE LTD.
STATEMENTS OF COMPREHENSIVE LOSS
(EXPRESSED IN CANADIAN DOLLARS)

	For the year ended August 31,	
	2015	**2014**
	$	**$**
Expenses		
Consulting fees (Note 9)	68,660	309,164
Depreciation (Note 4)	75,225	100,473
Investor relations	20,919	54,152
Office and administration	82,792	134,582
Professional fees	52,368	69,516
Share-based compensation (Notes 8 and 9)	64,121	175,449
Travel and related	18,871	17,826
	(382,956)	(861,162)
Interest income	30	1,351
Other income	5,625	26,305
Gain on settlement of debts (Note 7)	364,805	2,304
Loss on disposal of property and equipment (Note 4)	(453,430)	-
Write down of exploration and evaluation properties (Note 5)	(70,281)	(28,468,792)
	(153,251)	(28,438,832)
Net loss and comprehensive loss for the year	(536,207)	(29,299,994)
Basic and diluted loss per share	(0.02)	(1.20)
Weighted average number of common shares outstanding	31,546,520	24,441,999

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

CAP-EX IRON ORE LTD.
STATEMENTS OF CASH FLOWS
(EXPRESSED IN CANADIAN DOLLARS)

	For the year ended August 31,	
	2015	**2014**
	$	**$**
Cash flows from operating activities		
Loss for the year	(536,207)	(29,299,994)
Items not affecting cash:		
Depreciation	75,225	100,473
Share-based compensation	64,121	175,449
Write down of exploration and evaluation properties	70,281	28,468,792
Loss on disposal of property and equipment	453,430	-
Gain on settlement of debts	(364,805)	(2,304)
Changes in non-cash working capital items		
Amounts receivable	12,909	120,427
Prepaid expenses	100	27,445
Accounts payable and accrued liabilities	(72,871)	227,380
	(297,817)	(182,332)
Cash flows from investing activities		
Proceeds received from property agreement	350,000	-
Exploration and evaluation property expenditures	(111,865)	(640,195)
Proceeds on disposal of property and equipment	263,700	-
Restricted cash	72,500	-
	574,335	(640,195)
Cash flows from financing activities		
Repayment of loan	(135,777)	(70,000)
Proceeds from share issuances	50,000	-
Share issuance costs	(4,202)	-
	(89,979)	(70,000)
Net change in cash	186,539	(892,527)
Cash, beginning of the year	115,297	1,007,824
Cash, end of the year	301,836	115,297
Supplemental cash flow information		
Exploration and evaluation property expenditures included in accounts payable and accrued liabilities	-	320,345
Depreciation capitalized in exploration and evaluation properties	-	52,663
Debt settled with shares	672,500	-
Cash paid for interest	-	10,431

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

CAP-EX IRON ORE LTD.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(EXPRESSED IN CANADIAN DOLLARS)

	Number of Shares Issued	Share Capital	Reserves	Deficit	Total Shareholders' Equity
	#	$	$	$	$
Balance at August 31, 2013	**24,441,999**	**33,040,827**	**7,836,127**	**(11,389,401)**	**29,487,553**
Share-based compensation	-	-	175,449	-	175,449
Warrants expired	-	-	(2,869,023)	2,869,023	-
Stock options cancelled	-	-	(3,682,553)	3,682,553	-
Loss for the year	-	-	-	(29,299,994)	(29,299,994)
Balance at August 31, 2014	**24,441,999**	**33,040,827**	**1,460,000**	**(34,137,819)**	**363,008**
Shares issued in private placement	1,000,000	29,948	20,052	-	50,000
Share issuance costs	-	(4,202)	-	-	(4,202)
Shares issued for debt settlement	10,950,000	307,695	-	-	307,695
Warrants expired	-	-	(741,174)	741,174	-
Stock options cancelled	-	-	(298,134)	298,134	-
Share-based compensation	-	-	64,121	-	64,121
Loss for the year	-	-	-	(536,207)	(536,207)
Balance at August 31, 2015	**36,391,999**	**33,374,268**	**504,865**	**(33,634,718)**	**244,415**

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Cap-Ex Iron Ore Ltd. (the "Company") was incorporated under the Canada Business Corporations Act (CBCA) on February 27, 2007 and is listed for trading on the TSX Venture Exchange ("TSX-V") under the symbol V.CEV. The Company's business is to acquire, explore and develop interests in iron ore mining projects.

The Company's registered office is Suite 650 – 1188 West Georgia Street, Vancouver, BC, Canada, V6E 4A2. The Company maintains an executive office at Suite 2000 – 1177 West Hastings Street, Vancouver, BC, Canada, V6E 2K3.

On September 22, 2014, the Company completed a share consolidation on the basis of one new post-consolidation common share for every four pre-consolidation common shares (4:1). All current and comparative references to the number of common shares, weighted average number of common shares, loss per share, stock options and warrants have been restated to give effect to the share consolidation.

The Company's exploration and evaluation properties are at the exploration and evaluation stage and are without a known body of commercial ore. The business of exploring for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. Major expenses may be required to establish ore reserves, to develop metallurgical processes, to acquire construction and operating permits and to construct mining and processing facilities. The amounts shown as exploration and evaluation property costs represented acquisition, holding and deferred exploration costs which have been written down to $1 as at August 31, 2015.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of operations of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, political uncertainty and currency exchange fluctuations and restrictions.

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at August 31, 2015, the Company had not advanced any of its properties to commercial production and is not able to finance day to day activities through operations. The Company's continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. The Company may require additional financing for the upcoming fiscal year in order to maintain its operations and exploration activities. These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern.

These financial statements were reviewed, approved and authorized for issue by the Board of Directors on December 18, 2015.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

The following is a summary of significant accounting policies used in the preparation of these statements.

Statement of compliance

These financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Basis of presentation

These financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The financial statements are presented in Canadian dollars unless otherwise noted.

Foreign currency translation

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Transactions in currencies other than Canadian dollars are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the period end exchange rate while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in comprehensive loss.

Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the period.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include the recoverability of exploration and evaluation properties, valuation of share-based compensation, and recognition of deferred tax amounts.

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

Economic recoverability and probability of future economic benefits of exploration and evaluation properties

Management has determined that exploration, evaluation, and related costs incurred which were previously capitalized, have no future economic benefits and are no longer recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including, geologic and other technical information, a history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, the quality and capacity of existing infrastructure facilities, evaluation of permitting and environmental issues and local support for the project.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Use of estimates (continued)

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments are as follows:

Valuation of share-based compensation

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based compensation. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forecasted dividend rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

Exploration and evaluation properties

Pre-exploration costs are expensed as incurred.

Costs directly related to the acquisition and exploration of exploration and evaluation properties are capitalized once the legal rights to explore the exploration and evaluation properties are acquired or obtained. When the technical and commercial viability of a mineral resource has been demonstrated and a development decision has been made, the capitalized costs of the related property are transferred to mining assets and depreciated using the units of production method on commencement of commercial production.

If it is determined that capitalized acquisition, exploration and evaluation costs are not recoverable, or the property is abandoned or management has determined an impairment in value, the property is written down to its recoverable amount. Exploration and evaluation properties are reviewed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount.

Restoration and environmental obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to exploration and evaluation properties along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The restoration asset will be depreciated on the same basis as the related assets.

The Company's estimates of restoration costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related asset with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in amount and timing of the Company's estimates of reclamation costs, are charged to profit and loss for the period.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Restoration and environmental obligations (continued)

As at August 31, 2015 and 2014, there were no significant restoration and environmental obligations.

Share-based compensation

The Company operates an employee stock option plan. Share-based compensation to employees is measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based compensation to non-employees is measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to reserves. The fair value of options is determined using the Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. On exercise of stock options, any amounts related to the initial value of the stock options, along with the proceeds from exercise are recorded to share capital. On expiration of stock options, the corresponding amounts related to the initial value of the stock options are transferred to deficit.

Financial instruments

Financial assets
The Company classifies its financial assets into one of the following categories as follows:

Fair value through profit or loss - This category comprises derivatives and financial assets acquired principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss. The Company classifies cash and restricted cash as fair value through profit or loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost using the effective interest method less any provision for impairment. The Company classifies amounts receivables as loans and receivables.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method less any provision for impairment.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in other comprehensive income (loss). Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from accumulated other comprehensive income (loss) and recognized in the statements of comprehensive loss.

All financial assets except those measured at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Financial instruments (continued)

Financial liabilities
The Company classifies its financial liabilities into one of two categories as follows:

Fair value through profit or loss - This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

Other financial liabilities: This category consists of liabilities carried at amortized cost using the effective interest method, and includes accounts payable and accrued liabilities and loan.

As at August 31, 2015 and 2014, the Company does not have any derivative financial assets and liabilities.

Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of comprehensive loss during the fiscal period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

Property and equipment (continued)

Depreciation is calculated using a declining balance method to write off the cost of the assets. The depreciation rates applicable to each category of property and equipment are as follows:

Asset	Basis	%
Computer software	Declining balance	100%
Computer hardware	Declining balance	55%
Drilling equipment	Declining balance	20%
Equipment	Declining balance	20%
Vehicles	Declining balance	30%
Garage	Declining balance	5%

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Income taxes

Current income tax:
Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the country where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax:
Deferred income tax is provided for, based on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Impairment of non-financial assets

The carrying amount of the Company's assets (which include property and equipment and exploration and evaluation properties) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive loss.

The recoverable amount of an asset is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years. Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

(EXPRESSED IN CANADIAN DOLLARS)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Basic and diluted loss per share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. Potentially dilutive options and warrants excluded from diluted loss per share totalled 2,830,000 (2014 – 6,966,332).

Accounting pronouncements not yet adopted

A number of new standards, amendments to standards and interpretations applicable to the Company are not yet effective for the year ended August 31, 2015 and have not been applied in preparing these financial statements. The Company is currently considering the possible effects of the new and revised standards which will be effective to the Company's financial statements for the year ending August 31, 2016 or later:

- IFRS 9 – Financial Instruments: Applies to classification and measurement of financial assets and liabilities as defined in IAS 39. It is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company does not expect any effect on the Company's financial statements.

3. AMOUNTS RECEIVABLE

	August 31, 2015	August 31, 2014
	$	$
Sales tax receivable	6,016	14,923
Other	-	4,002
	6,016	**18,925**

(EXPRESSED IN CANADIAN DOLLARS)

4. PROPERTY AND EQUIPMENT

	Computer hardware/ software	**Drilling equipment**	**Garage**	**Land**	**Equipment**	**Vehicles**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**
Cost:							
At August 31, 2013 and August 31, 2014	29,462	487,344	413,140	20,000	24,740	226,750	1,201,436
Disposals	-	(487,344)	(413,140)	(20,000)	-	(125,226)	(1,045,710)
At August 31, 2015	**29,462**	**-**	**-**	**-**	**24,740**	**101,524**	**155,726**
Depreciation:							
At August 31, 2013	25,615	136,456	10,829	-	9,488	76,637	259,025
Charge for the year	2,117	70,178	20,116	-	3,336	57,389	153,136
At August 31, 2014	27,732	206,634	30,945	-	12,824	134,026	412,161
Charge for the year	952	42,106	14,332	-	2,384	15,451	75,225
Disposals	-	(248,740)	(45,277)	-	-	(76,350)	(370,367)
At August 31, 2015	**28,684**	**-**	**-**	**-**	**15,208**	**73,127**	**117,019**
Net book value:							
At August 31, 2014	1,732	280,710	382,195	20,000	11,916	92,724	789,277
At August 31, 2015	**778**	**-**	**-**	**-**	**9,532**	**28,397**	**38,707**

(EXPRESSED IN CANADIAN DOLLARS)

5. EXPLORATION AND EVALUATION PROPERTIES

	Schefferville	**Lake Connelly**	**Total**
	$	$	$
Balance, August 31, 2013	28,613,334	1	28,613,335
Property acquisition costs	35,000	-	35,000
Exploration expenditures:			
Camp accommodation	17,714	-	17,714
Consulting	9,883	-	9,883
Data analysis	957	-	957
Drilling	71,969	-	71,969
Equipment	55,579	-	55,579
Geological	14,632	-	14,632
Helicopter and transportation	141	-	141
Legal services	2,045	-	2,045
Sampling	8,698	-	8,698
Recovery of exploration expenditures	(11,160)	-	(11,160)
	205,458	-	205,458
Write down of exploration expenditures	(28,468,792)	-	(28,468,792)
Balance, August 31, 2014	**350,000**	**1**	**350,001**
Exploration expenditures:			
Camp accommodation	5,180	-	5,180
Consulting	13,550	-	13,550
Drilling	19,698	-	19,698
Equipment recovery	(41,584)	-	(41,584)
Geological	66,156	-	66,156
Sampling	7,281	-	7,281
Recovery of exploration expenditures	(350,000)	-	(350,000)
	(279,719)	-	(279,719)
Impairment of exploration and evaluation properties	(70,280)	(1)	(70,281)
Balance, August 31, 2015	**1**	**-**	**1**

5. EXPLORATION AND EVALUATION PROPERTIES (CONTINUED)

Schefferville Properties

In February 2011, the Company entered into an option agreement with Kal Malhi (the “Optionor”) to acquire a 100% interest in the Redmond Properties (part of the “Schefferville Properties”) in the area of Schefferville, Quebec (“Option Agreement”). The Company made cash and share based payments totaling $579,117 to the Optionor. The Company has also met the minimum $1 million work commitment outlined in the Option Agreement. In January 2014, the Company terminated the Option Agreement with Kal Malhi and the corresponding finder’s fee agreement. As a result, the Company recorded a write down of exploration and evaluation properties of $3,690,590 for the year ended August 31, 2014.

In March 2011, the Company acquired 100% of the interests in a group of Labrador / Quebec Iron Ore properties, of which a portion is Lac Connelly, from Mandu Resources Ltd. (“Mandu”), Bedford Resources Partners Inc. and 743584 Ontario Inc. (collectively, “BP&N”). In order to earn the interest, the Company paid a $49,000 non-refundable cash deposit upon execution of the agreement, paid an additional $226,000 and issued a total of 1,250,000 shares to Mandu upon closing of the agreement. Mandu and BP&N retained a 1.8% royalty on iron ore produced, which is limited to $1.60 per ton of ore produced.

In April 2011, the Company acquired three additional properties for total acquisition costs of $50,000 and 53,750 common shares. The vendors have each retained royalty interests between 1.5% and 2% related to the claims of which between 0.5% and 1% per claim group may be repurchased for cash payments of $1,000,000 per claim group. The repurchase right was available until April 2015 in the case of one claim group and any time prior to the commencement of commercial production in the case of two claim groups.

In April 2011, the Company acquired 100% of two properties that adjoin the Company’s existing property near Schefferville, Quebec. Under the terms of the agreement, the Company paid $500,000 and issued 125,000 shares to the vendor. The vendor retained a 1% NSR on the properties, which can be reduced to 0.5%, by a payment of $1,000,000 at any time.

In May 2012, the Company entered into definitive exploration agreement with Innu Takuaikan Uashat Mak Mani-Utenam (“ITUM”). Pursuant to the terms of the agreement, the Company issued 75,000 common shares to ITUM (valued at $135,000). In addition, the Company agreed to make annual payments to ITUM which was conditional upon the Company completing certain levels of exploration activities on its properties in the previous year. In consideration for the benefits received by ITUM under the exploration agreement, ITUM gave consent to the Company’s exploration activities on its properties. The Company issued 300,000 shares to ITUM to meet its 2013 annual payments under the agreement; however, the 2014 annual payment was not made and the definitive exploration agreement with ITUM was terminated.

During the year ended August 31, 2014, the Company further wrote-down the Schefferville Properties by $24,778,202 based on management’s review of these properties. The Company did not have any exploration plans and accordingly, wrote down the Schefferville Properties to $350,000 which was based on the proceeds received from Tata Steel Minerals Canada Limited (“TSMC”) in October 2014.

In September 2014, the Company entered into an agreement with TSMC in respect of roadway access and direct shipping iron ore (“DSO”) exploration (the “Exploration Plan”) over the Company’s Schefferville property located in Western Labrador. Under the agreement, the Company has agreed to assist TSMC in obtaining surface rights for a roadway through the property to connect adjoining properties of TSMC. TSMC shall be solely responsible for all work, costs and expenses required to build the roadway and for continued use of roadway, including maintenance.

Under the terms of the agreement, TSMC has agreed on the following:

- Pay $350,000 (received) to the Company on execution of the agreement;
- Incur $450,000 of exploration costs as part of the Exploration Plan by no later than September 30, 2015 (incurred by TSMC)

5. EXPLORATION AND EVALUATION PROPERTIES (CONTINUED)

Schefferville Properties (continued)

TSMC has the right to advise the Company any time on or before September 30, 2015 that it wishes to enter into a joint venture agreement concerning the Schefferville property whereby both parties will negotiate in good faith for a period of 90 days (until December 31, 2015). However, if TSMC does not wish to continue with the Exploration Plan or both parties cannot agree on a joint venture agreement, TSMC will pay $200,000 to the Company in full satisfaction of its exploration commitment.

As at August 31, 2015, the Company recorded an impairment of the exploration and evaluation properties of $70,280 resulting in a nominal value of $1 as the Company does not have current exploration plans.

Write Down of Lake Connelly Property

The Company decided to indefinitely postpone any further exploration on the Lake Connelly property and focus the Company's resources on its core properties in the Schefferville area in 2013. Accordingly, the Lake Connelly property was written down to a nominal $1.

During the 2015 fiscal year end, the Company allowed the remaining mineral titles to lapse and, therefore, wrote-off the remaining balance of $1.

6. LOAN PAYABLE

On June 12, 2012, the Company entered into a credit facility agreement with its commercial bank to arrange a $350,000 credit facility to finance the purchase of equipment. The facility bore interest at the commercial bank's prime rate + 3% and was secured by a general pledge over all the assets owned by the Company. Principal and interest was payable by consecutive monthly principal payment of $5,833 plus interest based on a 60 month amortization. As at August 31, 2014, the Company classified $70,000 of the loan as due within one year and the remaining balance of $65,777 as long term.

On September 24, 2014, the Company fully repaid the outstanding loan amount of $135,777.

7. SHARE CAPITAL

Authorized share capital

Unlimited common shares without par value.

Issued share capital

On September 22, 2014, the Company completed a share consolidation on the basis of one new post-consolidation common share for every four pre-consolidation common shares (4:1). All current and comparative references to the number of common shares, weighted average number of common shares, loss per share, stock options and warrants have been restated to give effect to the share consolidation.

On October 27, 2014, the Company completed a private placement financing through the issuance of 1,000,000 units at a price of $0.05 for gross proceeds of $50,000. Each unit comprises of one common share and one share purchase warrant exercisable for a period of two years at an exercise price of $0.05 per share. The warrants were valued at $20,052 estimated using the Black-Scholes pricing model with the following assumptions: estimated life of two years, risk-free rate of 1.00%, volatility of 194%, and nil forecasted dividend yield. The Company recorded share issuance costs of $4,202 in connection with this private placement.

On October 27, 2014, the Company issued 10,950,000 common shares to settle total outstanding debt of $672,500. The Company valued the shares issued at $307,695 and accordingly, recognized a gain on settlement of debt of $364,805.

8. RESERVES

Stock options

The Company has a stock option plan ("the Plan") whereby it can grant options to directors, officers, employees, and technical consultants of the Company. The maximum number of shares that may be reserved for issuance under the Plan is limited to 10% of the issued common shares of the Company. Vesting and term of the option is determined by the board of directors in accordance with the Plan and the policies of the TSX-V.

<u>During the year ended August 31, 2015:</u>

In October 15, 2014, the Company received approval from the TSX-V to amend the exercise prices of certain stock options to $0.08. As a result of the stock option re-pricing, the Company recognized additional share-based compensation of $9,504 using the Black-Scholes option pricing model.

On October 20, 2014, the Company granted 1,280,000 five-year stock purchase options exercisable at $0.05 per option valued at $40,587 estimated using the Black-Scholes pricing model with the following assumptions: estimated life of five years, risk free interest rate of 1.40%, volatility of 156%, and nil forecasted dividend yield. All options vested immediately on grant.

The Company recognized $64,121 of share-based compensation in connection with the granting, vesting and repricing of options using the Black-Scholes option pricing model. The Company also cancelled 647,500 stock options and, as a result, reclassified $298,134 from reserves to deficit.

(EXPRESSED IN CANADIAN DOLLARS)

8. RESERVES (CONTINUED)

Stock options (continued)

During the year ended August 31, 2014:

The Company recognized $175,449 of share-based compensation in connection with the vesting of options using the Black-Scholes option pricing model. The Company also cancelled 1,208,750 stock options and, as a result, reclassified $3,682,553 from reserves to deficit.

A summary of stock option activities is as follows:

	Number of options	Weighted average exercise price
		$
Balance, August 31, 2013	2,406,250	1.86
Cancelled	(1,208,750)	3.61
Balance, August 31, 2014	**1,197,500**	**0.08**
Granted	1,280,000	0.05
Cancelled	(647,500)	0.07
Balance, August 31, 2015	**1,830,000**	**0.06**

A summary of the stock options outstanding and exercisable at August 31, 2015 is as follows:

Exercise Price	Number Outstanding and Exercisable	Expiry Date
$		
0.08	200,000	**October 18, 2015
0.08	20,000	February 6, 2018
0.08	552,500	June 5, 2018
0.05	1,057,500	October 20, 2019
	1,830,000	

***expired unexercised subsequent to August 31, 2015 (Note 15)*

Warrants

A summary of share purchase warrant activities is as follows:

	Number of warrants	Weighted average exercise price
		$
Balance, August 31, 2013	8,772,141	1.87
Expired	(3,003,309)	3.80
Balance, August 31, 2014	**5,768,832**	**0.87**
Issued	1,000,000	0.05
Expired	(5,768,832)	0.87
Balance, August 31, 2015	**1,000,000**	**0.05**

(EXPRESSED IN CANADIAN DOLLARS)

8. RESERVES (CONTINUED)

Warrants (continued)

A summary of the share purchase warrants outstanding at August 31, 2015 is as follows:

Exercise Price	Number Outstanding	Expiry Date
$		
0.05	1,000,000	October 27, 2016

9. RELATED PARTY TRANSACTIONS

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including directors (executive and non-executive) of the Company.

In October 2014, the Company issued 10,750,000 common shares valued at $302,075 to settle total outstanding debts of $662,500 owing to officers, directors and companies controlled by common officers and directors.

As at August 31, 2015, the Company has $14,361 (2014 - $747,121) included in accounts payable and accrued liabilities due to officers, directors and companies controlled by officers and directors for reimbursement of expenses.

Summary of key management personnel compensation:

	For the year ended August 31, 2015	2014
	$	$
Consulting fees	59,000	280,848
Share-based compensation	45,245	47,007
	104,245	**327,855**

In addition, the following amounts were incurred with respect to officers, directors and companies controlled by officers and directors:

	For the year ended August 31, 2015	2014
	$	$
Exploration and evaluation property expenditures	34,300	42,711
Rent	51,000	69,638
	85,300	**112,349**

10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The Company's financial instruments consist of cash, restricted cash, amounts receivable, accounts payable and accrued liabilities and loans. The fair value of these financial instruments, other than cash and restricted cash, approximates their carrying values due to the short-term nature of these instruments. Cash and restricted cash are measured at fair value using level 1 inputs.

The Company is exposed to a variety of financial risks by virtue of its activities including currency, credit, interest rate, liquidity and commodity price risk.

a) Currency risk
The Company is exposed to currency risk by incurring certain expenditures in currencies other than the Canadian dollar. The Company has determined that there is very limited currency risk at this time.

b) Credit risk
Credit risk is risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's cash is held in large Canadian financial institutions. Financial instruments included in accounts receivable consists of sales taxes due from the Government of Canada. The Company's financial instruments are not exposed to significant credit risk.

c) Interest rate risk
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to limited interest rate risk as it only holds cash.

d) Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its obligations as they come due. The Company's ability to continue as a going concern is dependent on management's ability to raise the required capital through future equity or debt issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning, and approval of significant expenditures and commitments.

e) Commodity price risk
The ability of the Company to explore and evaluate its exploration and evaluation properties and the future profitability of the Company are directly related to the price of iron. The Company monitors iron prices to determine the appropriate course of action to be taken.

(EXPRESSED IN CANADIAN DOLLARS)

11. CAPITAL MANAGEMENT

The Company considers its capital structure to include the components of shareholders' equity. Management's objective is to ensure that there is sufficient capital to minimize liquidity risk and to continue as a going concern. As the Company's properties are in the exploration and evaluation stage, the Company is currently unable to self-finance its operations. Although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future, or that the terms of such financings will be favourable.

The Company's share capital is not subject to any external restrictions. The Company did not change its approach to capital management during the year ended August 31, 2015.

12. COMMITMENTS

Management Contracts

In June and July 2013, the Company signed five separate consulting agreements with certain officers and directors of the Company to provide management consulting and exploration services to the Company for a period of 5 years. The agreements require total combined payments of $69,500 per month. Included in each agreement is a provision for a two year payout in the event of termination without cause and a two year payout in the event of a change in control. Beginning in January 2014, the Company, and the officers and directors of the Company agreed to temporarily suspend the monthly payments for an indefinite period. In May 2014, an officer resigned from her position, and as such the related consulting agreement was terminated. The termination of the consulting agreement reduced the monthly required payment by $9,500.

During the year ended August 31, 2015, the Company incurred reduced fees in connection with two directors for consulting services from January to June 2015 totalling $50,000.

13. INCOME TAX

The reconciliation of the combined Canadian federal and provincial income tax rate to the income tax recovery presented in the accompanying statements of comprehensive loss is provided below:

	Year ended August 31,	
	2015	**2014**
	$	**$**
Loss before income taxes	(536,207)	(29,299,995)
Expected income tax recovery at statutory tax rates	(139,000)	(7,618,000)
Permanent differences	(260,000)	46,000
Share issue costs	(1,000)	-
Adjustment to prior years provision versus statutory tax returns	359,000	302,000
Change in unrecognized deductible temporary differences and others	41,000	7,270,000
Total deferred taxes	-	-

(EXPRESSED IN CANADIAN DOLLARS)

13. INCOME TAX (continued)

Significant components of unrecognized temporary differences and unused tax losses that have not been included on the statements of financial position are as follows:

	As of August 31,			
	2015	**Expiry dates**	**2014**	**Expiry dates**
	$		**$**	
Non-capital losses	9,778,000	2028 to 2035	9,127,000	2028 to 2034
Property and equipment	254,000	No Expiry	468,000	No Expiry
Exploration and evaluation properties	17,605,000	No Expiry	18,581,000	No Expiry
Share issuance costs	181,000	2016 to 2019	481,000	2015 to 2017

Tax attributes are subject to review, and potential adjustment, by tax authorities.

14. SEGMENTED INFORMATION

The Company has one geographic segment, being Canada, and one operating segment, being the acquisition and exploration of exploration and evaluation properties.

15. SUBSEQUENT EVENT

In October 2015, 200,000 stock options with an exercise price of $0.08 expired unexercised (Note 8).