CAP-EX IRON ORE LTD

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED NOVEMBER 30, 2015

(UNAUDITED – EXPRESSED IN CANADIAN DOLLARS)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the 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 has not performed a review of these financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of condensed interim financial statements by an entity's auditor.

CAP-EX IRON ORE LTD.

CONDENSED INTERIM FINANCIAL STATEMENTS

NOVEMBER 30, 2015
(UNAUDITED – EXPRESSED IN CANADIAN DOLLARS)

Notice of No Auditor Review

Contents

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

	November 30, 2015 $	August 31, 2015 $
ASSETS		
Current		
Cash	270,786	301,836
Amounts receivable (Notes 3 and 5)	201,284	6,016
Prepaid expenses	3,676	2,233
	475,746	310,085
Property and equipment (Note 4)	35,994	38,707
Exploration and evaluation properties (Note 5)	1	1
TOTAL ASSETS	**511,741**	**348,793**
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 8)	88,701	104,378
TOTAL LIABILITIES	**88,701**	**104,378**
SHAREHOLDERS' EQUITY		
Share capital (Note 6)	33,374,268	33,374,268
Reserves (Note 7)	334,069	504,865
Deficit	(33,285,297)	(33,634,718)
TOTAL SHAREHOLDERS' EQUITY	423,040	244,415
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**511,741**	**348,793**

NATURE AND CONTINUANCE OF OPERATIONS (Note 1)
COMMITMENTS (Note 11)
SUBSEQUENT EVENT (Note 14)

Approved and authorized by the Board on January 29, 2016.

On behalf of the Board:

/s/ "Andrew Bowering"	/s/ "Graham Harris"
Director	Director

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

CAP-EX IRON ORE LTD.
CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED – EXPRESSED IN CANADIAN DOLLARS)

	For the three months ended November 30,	
	2015 **$**	**2014** **$**
Expenses		
Consulting fees (Note 8)	4,500	3,000
Depreciation (Note 4)	2,713	23,783
Investor relations	4,630	3,978
Office and administration	9,928	25,667
Professional fees	3,100	9,600
Share-based compensation (Notes 7 and 8)	-	57,106
Travel and related	2,235	1,397
	(27,196)	(124,531)
Interest income	-	30
Other income	-	1,500
Gain on settlement of debts (Note 6)	-	179,750
Loss on disposal of property and equipment (Note 4)	(27,584)	(25,463)
Reversal of impairment of exploration and evaluation properties (Note 5)	233,405	18,485
	205,821	174,302
Net income and comprehensive income for the period	178,625	49,771
Basic earnings per share	0.00	0.00
Basic weighted average number of common shares outstanding	36,391,999	29,038,153
Diluted earnings per share	0.00	0.00
Diluted weighted average number of common shares outstanding	39,021,999	37,660,653

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

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

	For the three months ended November 30,	
	2015	**2014**
	$	**$**
Cash flows from operating activities		
Income for the period	178,625	49,771
Items not affecting cash:		
Depreciation	2,713	23,783
Share-based compensation	-	57,106
Reversal of impairment of exploration and evaluation properties	(233,405)	(18,485)
Loss on disposal of property and equipment	27,584	24,213
Gain on settlement of debts	-	(179,750)
Changes in non-cash working capital items		
Amounts receivable	4,732	18,315
Prepaid expenses	(1,443)	(7,125)
Accounts payable and accrued liabilities	(15,677)	(74,487)
	(36,871)	(106,659)
Cash flows from investing activities		
Exploration and evaluation property recovery (expenditures)	(8,179)	332,784
Proceeds from disposal of property and equipment	14,000	54,950
Restricted cash	-	72,500
	5,821	460,234
Cash flows from financing activities		
Repayment of loan	-	(135,777)
Proceeds from share issuances	-	50,000
Share issuance costs	-	(4,201)
	-	(89,978)
Net change in cash	(31,050)	263,597
Cash, beginning of the period	301,836	115,297
Cash, end of the period	270,786	378,894
Supplemental cash flow information		
Reclassification of expired stock options	170,796	17,262
Shares issued in debt settlement	-	307,695
Warrants issued in private placement	-	20,052
Reclassification of expired warrants	-	326,574

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

CAP-EX IRON ORE LTD.

CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(UNAUDITED – EXPRESSED IN CANADIAN DOLLARS)

	Number of Shares Issued	Share Capital	Reserves	Deficit	Total Shareholders' Equity
	#	$	$	$	$
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	-	-	(326,574)	326,574	-
Stock options cancelled	-	-	(17,262)	17,262	-
Share-based compensation	-	-	57,106	-	57,106
Income for the period	-	-	-	49,771	49,771
Balance at November 30, 2014	**36,391,999**	**33,374,268**	**1,193,322**	**(33,744,212)**	**823,378**
Warrants expired	-	-	(414,600)	414,600	-
Stock options cancelled	-	-	(280,872)	280,872	-
Share-based compensation	-	-	7,015	-	7,015
Loss for the period	-	-	-	(585,978)	(585,978)
Balance at August 31, 2015	**36,391,999**	**33,374,268**	**504,865**	**(33,634,718)**	**244,415**
Stock options expired	-	-	(170,796)	170,796	-
Income for the period	-	-	-	178,625	178,625
Balance at November 30, 2015	**36,391,999**	**33,374,268**	**334,069**	**(33,285,297)**	**423,040**

The accompanying notes are an integral part of these condensed interim 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 November 30, 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 condensed interim 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 November 30, 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.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

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

Statement of compliance

These condensed interim financial statements of the Company have been prepared in accordance with International Accounting Standard 34 ("IAS 34") "Interim Financial Reporting", using accounting policies that are consistent and in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") that are in effect at November 30, 2015.

These condensed interim financial statements were reviewed, approved and authorized for issue by the Board of Directors on January 29, 2016.

Basis of presentation

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

The accounting policies applied in preparation of these condensed interim financial statements are consistent with those applied and disclosed in the Company's annual audited financial statements for the year ended August 31, 2015, with the exception of certain amendments to accounting standards issued by the IASB, which were applicable from September 1, 2015. These amendments did not have a significant impact on the Company's condensed interim financial statements.

The Company's interim results are not necessarily indicative of its results for a full year.

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.

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

Use of estimates (continued)

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.

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.

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 three months ended November 30, 2015 and have not been applied in preparing these condensed interim 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.

(UNAUDITED – EXPRESSED IN CANADIAN DOLLARS)

3. AMOUNTS RECEIVABLE

	November 30, 2015	August 31, 2015
	$	$
Sales tax receivable	1,284	6,016
Other	200,000	-
	201,284	**6,016**

4. PROPERTY AND EQUIPMENT

	Computer hardware/ software $	Drilling equipment $	Garage $	Land $	Equipment $	Vehicles $	Total $
Cost:							
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 and November 30, 2015	**29,462**	**-**	**-**	**-**	**24,740**	**101,524**	**155,726**
Depreciation:							
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**
Charge for the period	107	-	-	-	476	2,130	2,713
At November 30, 2015	**28,791**	**-**	**-**	**-**	**15,684**	**75,257**	**119,732**
Net book value:							
At August 31, 2015	778	-	-	-	9,532	28,397	38,707
At November 30, 2015	**671**	**-**	**-**	**-**	**9,056**	**26,267**	**35,994**

(UNAUDITED – EXPRESSED IN CANADIAN DOLLARS)

5. EXPLORATION AND EVALUATION PROPERTIES

	Schefferville	**Lake Connelly**	**Total**
	$	$	$
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**
Exploration expenditures:			
Camp accommodation	39	-	39
Consulting	2,500	-	2,500
Drilling	1,640	-	1,640
Equipment recovery	(41,584)	-	(41,584)
Geological	4,000	-	4,000
Recovery of exploration expenditures	(200,000)	-	(200,000)
	(233,405)	-	(233,405)
Reversal of impairment of exploration and evaluation properties	233,405	-	233,405
Balance, November 30, 2015	**1**	**-**	**1**

5. EXPLORATION AND EVALUATION PROPERTIES (CONTINUED)

Schefferville Properties

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 September 2014, the Company entered into an agreement with Tata Steel Minerals Canada Limited ("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)

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 November 30, 2015, a receivable of $200,000 is owed from TSMC pursuant to the terms of the agreement.

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.

As at November 30, 2015, the Company recorded a reversal of impairment of the exploration and evaluation properties of $233,405 resulting in a nominal value of $1 as the Company does not have further exploration plans.

Subsequent to November 30, 2015, the Company granted TSMC an extension of the $200,000 payment which has now become due on or before March 15, 2016 (Note 14).

6. 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.

7. 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 three months ended November 30, 2015:</u>

200,000 stock options expired unexercised and as a result, reclassified $178,625 from reserves to deficit.

<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.

(UNAUDITED – EXPRESSED IN CANADIAN DOLLARS)

7. RESERVES (CONTINUED)

Stock options (continued)

A summary of stock option activities is as follows:

	Number of options	Weighted average exercise price
		$
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**
Cancelled	(200,000)	0.08
Balance, November 30, 2015	**1,630,000**	**0.06**

A summary of the stock options outstanding and exercisable at November 30, 2015 is as follows:

Exercise Price	Number Outstanding and Exercisable	Expiry Date
$		
0.08	20,000	February 6, 2018
0.08	552,500	June 5, 2018
0.05	1,057,500	October 20, 2019
	1,630,000	

Warrants

A summary of share purchase warrant activities is as follows:

	Number of warrants	Weighted average exercise price
		$
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 and November 30, 2015	**1,000,000**	**0.05**

(UNAUDITED – EXPRESSED IN CANADIAN DOLLARS)

7. RESERVES (CONTINUED)

Warrants (continued)

A summary of the share purchase warrants outstanding at November 30, 2015 is as follows:

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

8. 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 November 30, 2015, the Company has $nil (August 31, 2015 - $14,361) 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 three months ended November 30,	
	2015	2014
	$	$
Consulting fees	4,500	-
Share-based compensation	-	32,875
	4,500	**32,875**

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

	For the three months ended November 30,	
	2015	2014
	$	$
Exploration and evaluation property expenditures	2,500	5,900
Rent	9,000	16,500
	11,500	**22,400**

9. 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, amounts receivable and accounts payable and accrued liabilities. The fair value of these financial instruments, other than cash, approximates their carrying values due to the short-term nature of these instruments. Cash is 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.

10. 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 three months ended November 30, 2015.

11. 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. SEGMENTED INFORMATION

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

14. SUBSEQUENT EVENT

In January 2016, the Company granted TSMC an extension of the $200,000 payment pursuant to the road access agreement. The revised deadline for payment is on or before March 15, 2016 (Note 5).