



Management's Discussion and Analysis For the Year Ended August 31, 2013

Date: December 19, 2013

This Management Discussion and Analysis ("MD&A") relates to the financial position and results of operations of Cap-Ex Iron Ore Ltd. (Formerly Cap-Ex Ventures Ltd.) ("Cap-Ex" or the "Company") for the year ended August 31, 2013. This MD&A should be read in conjunction with the Company's audited annual financial statements for the year ended August 31, 2013 (the "Financial Statements"). The Financial Statements and related notes have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Unless otherwise noted, all references to currency in this MD&A are in Canadian dollars.

This discussion contains forward-looking statements that involve risks and uncertainties. Such information, although considered to be reasonable by the Company's management at the time of preparation, may prove to be inaccurate and actual results may differ materially from those anticipated in the statements made.

Alojzy Walus, P. Geo., the Company's Chief Geologist, is a qualified person as defined under National Instrument 43-101, has reviewed and approved the scientific and technical information in this MD&A.

Overview of the Company

The Company was incorporated under the laws of the Canada Business Corporations Act (CBCA) on February 27, 2007 as "6727034 Canada Ltd." and subsequently changed its name to "Cap-Ex Ventures Ltd." On January 14, 2008, the Company's shares began trading on the TSX Venture Exchange, and its trading symbol is "CEV." On March 1, 2013, the Company changed its name to "Cap-Ex Iron Ore Ltd." Cap-Ex Iron Ore Ltd. is a mineral resource company engaged in the exploration of iron ore properties (the "Properties") covering an area of approximately 33,395 hectares in the Labrador Trough region, near the town Schefferville, Quebec. The Labrador Trough is one of the major iron ore producing regions in the world, situated in Canada in the Province of Newfoundland and Labrador and the Province of Quebec.

The Properties are divided into two regional groups: The Schefferville Properties (29,675 hectares) and the Lac Connelly Property (3,720 hectares). The Schefferville Properties are located in Newfoundland and Labrador and are comprised of the Block 103, Redmond, and Snelgrove properties. The Lac Connelly Property is located in Quebec. The Company's management is focused on the development of its wholly owned Block 103 iron ore project. Block 103 is strategically located close to existing railway to a shipping port and is adjacent to a multi-billion tonne deposit owned by New Millennium Iron Corp. On September 1, 2012, Cap-Ex amalgamated with its wholly-owned subsidiary, Schefferville Iron Ore Exploration Corp.

Summary of Properties

The Schefferville Properties:

The Block 103 iron ore property covers 7,275 hectares within the Labrador Trough, 30 kilometres northwest of the mining town of Schefferville near the border of Quebec, Canada. Block 103 lies immediately north and parallel to Tata Steel/New Millennium Iron Corp.'s LabMag magnetite deposit and southeast of their KeMag magnetite deposit, which have a combined mineral resource of approximately 7 billion tonnes of measured and indicated resources and 2 billion tonnes of inferred resources. Block 103 is strategically located close to an existing railway that runs south linking to the shipping port of Sept Iles, Quebec.

In June 2011, an airborne Gravity/Magnetometer survey was completed which identified Block 103 to contain a positive magnetic response in the iron belt. From July to November 2011, approximately 6,000 metres of diamond drilling was completed on Block 103 and two new magnetite mineralization zones were discovered, the "Greenbush Zone" and the "Northwest Zone". From May to October 2012 an additional 22,350 metres of diamond drilling was completed within the Greenbush Zone in a central area identified as the focus area for the Company's maiden 43-101 compliant resource estimate.

Block 103 lies predominantly within the Schefferville Lithotectonic Zone, which includes the Greenbush Zone, however, the western edge of the claim block lies west of the Stakit Lake Fault in the Tamarack Lithotectonic Zone. The Tamarack Zone, which also hosts the LabMag and Kemag deposits, typically has only the one instance of the Sokoman Iron Formation with no thrust-fault repetition. The Schefferville Lithotectonic Zone is known in the extensive geological literature to host multiple shallow-east-dipping thrust fault that repeats the stratigraphy, including the iron oxide members of the Sokoman Formation. This fault-repetition creates the potential for significantly more tonnage per unit surface area, and these occurrences have been observed in the 2011 and 2012 drilling results throughout the Greenbush Zone.

Greenbush Zone

The drilling program on Block 103's Greenbush Zone to date has enabled the Company to outline an area that hosts significant magnetite mineralization. The outlined area, called the Greenbush Zone, is underlain by a continuous magnetite bearing horizon (Sokoman Formation). (Refer to Greenbush Zone Map, which can be found at www.cap-ex.ca). The following interpretation of the Greenbush Zone is based on the 2011 and 2012 drill program results and primarily the 2011/2012 laboratory results:

- The Greenbush Zone hosts strong magnetite mineralization that has been identified to cover an area of approximately 30 square kilometres. This Zone features very strong, coincident magnetic and gravimetric airborne anomalies, which show remarkable reliability as drilling targets. All 108 drill holes within the zone have encountered significant mineralization from 45 to 350 metres in true thickness.
- The average length of the core intercepts of magnetite mineralization encountered in the 108 holes drilled in the Greenbush Zone is 190 metres.
- The average grade of the mineralization is 30.5% total iron and the Davis Tube concentrate grades average 68.2% iron and DTWR of 30.6% with a very low contaminant level.
- The holes drilled in the mineralized zone show evidence multiple (5-12) stratigraphic repetitions by listric thrust faults from the east-northeast repeating the stratigraphic sequence of the iron formation and enclosing formations to form a thickened mineralized sequence.
- In most holes, the mineralization starts near the surface and is open in all directions, including depth.

On February 4, 2013, the Company released the results of the initial NI 43-101 mineral resource estimate on an area within the Greenbush Zone which was the primary focus of the 2012 exploration program. Watts, Griffis and McOuat (“WGM”), Consulting Geologists and Engineers of Toronto, Ontario estimated an inferred resource of 7.2 billion tonnes at 29.2% total iron (18.9% magnetic iron). This resource estimate is based on a cut-off grade of 12.5% magnetic iron (magFe%). The inferred resources cover an area with a strike length of approximately 4 kilometres (km) and a width of 2.5 km. Mineralized zones are open towards the northwest and southeast and at depth.

Northwest Zone

- The Northwest Zone is also located on the Company’s wholly owned Block 103 iron ore property. This new zone is located approximately 2 kilometres west of the Greenbush Zone, in the northwest portion of Block 103 on the west side of the Stakit Lake Fault. The geology of the Northwest zone is very simple, forming a single horizon that strikes NW-SE and dips very gently (0-10 degrees) to the northeast.
- The Northwest Zone was tested by 6 diamond drill holes in 2011 over 5.3 kilometres of strike, with drill spacing ranging from 300 to 2,100 metres. All holes intersected mineralization between 90 and 148 metres with average grade of 31% total iron. The most southern hole DDH103-17 intersected 148 metres and is open in mineralization at depth. The presumed width is between 0.5 to 1.5 kilometres and is open to the south with potential to increase strike to 9 kilometres.
- New Millennium Iron Corp (NR12-07) drill results indicate the Northwest Zone along with the LabMag and KeMag deposits which is reported to essentially constitute one large continuous body of iron ore mineralization. (Refer to Northwest Zone map on the Company website: www.cap-ex.ca)

Redmond

The Redmond Properties are located 10 to 30 kilometres southwest of Schefferville, covering an area of 14,300 hectares. The claims include strategic ironstone stratigraphy of the Sokoman Formation and the potential southeast extension of the key stratigraphic horizon that contains the hematite mineralization that is hosted in the Sokoman Formation. In 2011, the Company completed an airborne gravity survey, which delineated multiple hematite anomalies within the Redmond property. The Company’s 2011 drilling program intersected 11 hematite zones ranging from 10 to 73 metres. The Company reviewed drilling and metallurgical results in late 2012 and 2013, but has postponed activities to focus on its Block 103 property.

Snelgrove

The Snelgrove mineral claims cover an area of approximately 8,100 hectares and are located 50 kilometres south-southeast of Schefferville. The Company has optioned approximately 8,100 hectares to Vortex Pipes Ltd., an ASX listed company. The claims are adjacent to properties that have occurrences of hematite which are currently being explored and drilled by Mamba Minerals Limited., an Australian ASX listed Company.

Lac Connelly Property:

The Lac Connelly iron ore property, in the Province of Quebec, covers an area of approximately 3,720 hectares and is located approximately 250 kilometres north of Schefferville. In 2011, the Company

completed an airborne magnetometer and gravity survey that identified multiple hematite targets. An on-site field mapping visit identified two hematite horizons, the first being 2.5 kilometres long and 30 metres wide and the second being 1.2 kilometres long and 50 metres wide. Given the difficult market conditions, management decided to postpone indefinitely any further exploration on the Lac Connelly property and focus Cap-Ex's resources on its core Block 103 property near the mining town of Schefferville, Quebec.

Block 103-Greenbush Zone Initial NI 43-101 Resource Report

On February 4, 2013, the Company released the results of its initial, independent NI 43-101 mineral resource estimate on its wholly-owned Block 103 property in Labrador. WGM estimated an inferred resource of 7.2 billion tonnes at 29.2% total iron (18.9% magnetic iron). This resource estimate is based on a cut-off grade of 12.5% magnetic iron (magFe%). The inferred resources cover an area with a strike length of approximately 4 km and a width of 2.5 km within the "Greenbush Zone" currently identified to be approximately 30 km². Based on the magnetic airborne survey previously completed, the overall Block 103 property covers a strike length of approximately 12 km. Mineralized zones are open towards the northwest and southeast and at depth.

On February 4, 2013, the Company announced preliminary metallurgical results based on analysis and interpretation by BBA Inc. of testwork available to date on the Greenbush Zone within the Block 103 Property. The testwork was performed over a range of particle sizes and included dry and wet Low Intensity Magnetic Separation (LIMS) bench tests and Davis Tube (DT) tests. Composite samples representing the northern and eastern sectors of the deposit were prepared from 78 drill core samples obtained from 22 drill holes. The testwork was performed by COREM in Quebec City, Quebec and by SGS Mineral Services in Lakefield, Ontario, both independent laboratories.

The Block 103 deposit is predominantly composed of magnetite and a process flowsheet based on progressive particle size reduction and magnetic separation, which is conventional and proven for this type of mineralization, is being developed. Based on laboratory test results, metallurgical performance for the operation has been projected as follows:

Magnetite Recovery	93.7%
Concentrate Iron Grade	70.0%
Concentrate Silica Grade	3.4%
Concentrate Liberation Size P100	75µ
Ore Hardness SMC (Axb)	37
BWi (kWh/t at p80-32um)	15.5

These results are in line with similar deposits in the region. Results to date suggest that the concentrate that will be produced and that will feed the pelletizing plant will have the following chemical composition:

Fe	SiO ₂	Al ₂ O ₃	MgO	CaO	Na ₂ O	K ₂ O	Ti	Mn	P	Cr
70%	3.40%	0.08%	0.10%	0.11%	0.07%	0.01%	0.02%	0.046%	0.006%	0.02%

The aforementioned results are based on the northern and eastern sectors of the deposit and are deemed to reasonably represent the first thirty years of operation according to the mine development plan envisioned at this time.

Block 103 NI 43-101 Preliminary Economic Assessment Resource Report

On June 27, 2013 the Company released announce that it has received the results of the Preliminary Economic Assessment ("PEA") on the Block 103 Property in western Labrador. The PEA was completed by BBA Inc. ("BBA") located in Montreal, Québec, and is effective as of June 27, 2013. The PEA was filed on SEDAR on August 6, 2013.

Cap-Ex has a current Inferred iron ore resource of **7.8 billion tonnes at 29% total iron** ("TFe") and 18.4% magnetic iron ("magFe"). The Inferred Resource covers an area with a strike length of approximately 4 kilometres (km) and a width of 2.5 km within the "Greenbush Zone", currently identified over approximately 30 km², over 12 km of strike. The PEA was based on only the first thirty years of production, which will require the processing of only **1.9 billion tonnes at 28.8% TFe** and 18.6% magFe. The mineral resource estimate is based on a cut-off grade ("COG") of 10% magFe.

Highlights of the PEA Study included:

- Initial Capital disbursement of CAD\$4.185 billion for the construction (leading to the start-up) of the first production line and required infrastructure and Total Capital costs of CAD\$5.979 billion for the construction of the two production lines. This includes CAD\$2.275 billion for the Pellet Plant and excludes closure costs, sustaining capital and leased equipment and facilities.
- Commercial production for the first line commencing in 2018 and the second line commencing in 2019.
- Pellet production rate of 16.6 million tonnes per year of superior quality acid pellets from two production lines at a grade of 67.0% iron.
- Pre-tax IRR of 19.3%.
- NPV (discounted at 8%) of CAD\$7.383 billion.
- Payback period of 7.0 years.
- Total Operating Costs (excluding royalties) of CAD\$62.87 per pellet tonne freight on board at Port of Sept-Iles (averaged over the first thirty years of production).
- Assumes use of existing railway infrastructure, hydropower availability from Nalcor and current Port of Sept-Iles expansion infrastructure for shiploading services.

2013 Drilling Program

The Company completed an exploration program in November 2013 to evaluate DSO hematite potential in the far southwest area of its Block 103 property. This preliminary program included 1,500 meters of diamond drilling. The Company is awaiting assay results.

Fourth Quarter Highlights

- On June 3, 2013, the Company announced that effective May 31, 2013, Mr. Graham Harris has been appointed CEO and Mr. Brett Matich as President.
- On June 5, 2013, the Company announced that it entered into a non-exclusive finder's fee agreement with King & Bay West Management Corp., a company wholly owned by Mark Morabito whereby King & Bay is to provide services in finding an interested party or parties who wish to complete equity financing, debt financing, off-take or acquisition agreement with the Company. The Company also granted an aggregate of 3,600,000 stock options to various officers, directors, consultants and employees of the Company. Each stock option shall entitle the holder thereof to acquire one common share at a price of \$0.125 for a period of five years.
- On June 19, 2013, the Company announced that it entered into two additional non-exclusive agreements to seek strategic partners / investors for the Company's Block 103 project. The Company entered into an agreement with Intercedent Limited. Intercedent is a privately owned Canadian firm with offices in Beijing, Hong Kong and Singapore. The Company also entered into an agreement with Pridolian Limited. Pridolian is a boutique natural resources advisory firm based in Dublin, Ireland.
- On June 27, 2013, the Company announced the results of its Preliminary Economic Assessment ("PEA") on its Block 103 property in western Labrador. The PEA was completed by BBA Inc. ("BBA") located in Montreal, Québec, and is effective as of June 27, 2013.
- On July 10, 2013, Martin Burian was appointed Chief Financial Officer, and Jasvir Kaloti was appointed Corporate Secretary.
- On August 8, 2013 the Company announced the filing of the PEA on SEDAR

Subsequent Events

The Company completed an exploration program in November 2013 to evaluate DSO hematite potential in the far southwest area of its Block 103 property. This preliminary program included 1,500 meters of diamond drilling. The Company is awaiting assay results.

Outlook

The Company retained BBA Inc. in June 2012 to complete a Preliminary Economic Assessment (PEA) for the Block 103 Property. Highlights of the PEA were released by the Company on June 27, 2013. The PEA with an effective date of June 27, 2013 is posted on SEDAR and on the Company's website at www.cap-ex.ca.

Management is focused on preserving cash given the current market conditions. The Company's 2013 exploration program consisted of a minimal program focused on identifying DSO targets at its flagship Block 103 project.

Management will continue its search for a strategic partner. Accordingly, the Company has entered agreements with the following five Companies to provide services in finding strategic partners to complete equity financing, debt financing, off take or acquisition agreement. King & Bay West Management Corp. a company wholly owned by Mark Morabito, secondly Intercedent Limited a privately owned Canadian firm with offices in Beijing, Hong Kong, Singapore, thirdly Pridolian Limited a boutique natural resources advisory firm based in Dublin and fourthly Canada Kunfu Investment Corporation and Bluesky Partners Ltd., two privately owned Canadian companies with office in Vancouver.

Selected Annual Information

All financial information in this MD&A has been prepared in accordance with IFRS.

The following financial data is derived from the Company's annual audited financial statements for the years ended August 31, 2013, 2012 and 2011:

	2013 \$	2012 \$	2011* \$
Revenues	-	-	-
General and administrative expenses	(4,004,776)	(4,500,922)	(4,413,878)
Loss and comprehensive loss	(6,188,270)	(4,091,596)	(4,615,784)
Basic and diluted loss per common share	(0.08)	(0.08)	(0.19)
Working capital	67,582	2,029,227	8,444,482
Exploration and evaluation properties	28,613,335	25,471,945	10,961,650
Total assets	30,805,202	31,018,313	20,596,818
Total liabilities	1,317,649	2,457,473	1,113,243

* Restated in accordance with IFRS.

All of the Company's projects are at the exploration stage and, to date, the Company has not generated any revenues other than interest income.

At August 31, 2013, the Company had not yet achieved profitable operations and has accumulated losses of \$11,389,401 (August 31, 2012 – \$8,789,691) since inception. These losses resulted in a net loss per share (basic and diluted) for the year ended August 31, 2013 of \$0.08 (August 31, 2012 - \$0.08).

Quarterly Information

	Three Months Ended			
	Aug 31, 2013 \$	May 31, 2013 \$	Feb 28, 2013 \$	Nov 30, 2012 \$
Revenue	-	-	-	-
Loss and comprehensive loss	(797,245)	(3,998,062)	(300,143)	(1,092,820)
Basic and diluted loss per share	(0.01)	(0.05)	(0.00)	(0.02)

	Three Months Ended			
	Aug 31, 2012 \$	May 31, 2012 \$	Feb 29, 2012 \$	Nov 30, 2011 \$
Revenue	-	-	-	-
Loss and comprehensive loss	(1,143,752)	(1,242,428)	(796,989)	(908,427)
Basic and diluted loss per share	(0.02)	(0.02)	(0.02)	(0.02)

Variances quarter over quarter can be explained as follows:

- Given the difficult market conditions, the Company has implemented cost saving measure to decrease general and administrative expenses. The general and administrative expenses (excluding share-based compensation) decreased from \$501,519 in the quarter ended November 30, 2011 to \$338,045 in the quarter ended August 31, 2013.
- General and administrative expenses decreased primarily due to the following:
 - Decreased consulting fees associated with transitioning our primary office to Vancouver and related lower staffing levels.
 - decreased travel associated with investor relations and site visits
 - decreased investor relations expenses
- In the quarter ended August 31, 2013, the Company recorded a gain of \$50,000 on a settlement of debt.
- In the quarter ended August 31, 2013, the Company recorded a loss on disposal of property and equipment of \$50,865.
- In the quarters ended February 29, 2012 and February 28, 2013, the Company recorded a reversal of flow-through premium liability of \$637,000 and \$1,262,977 respectively.
- In the quarters ended November 30, 2011, February 29, 2012, August 31, 2012, November 30, 2012, February 28, 2013, and August 31, 2013, stock options were granted to various parties. These grants resulted in share-based compensation expenses of \$425,904, \$511,943, \$955,208, \$194,433, \$251,792, and \$506,876 respectively.
- In the quarter ended May 31, 2013, the Company recorded a write down of \$3,509,442 on the Lac Connelly Property.

Results of Operations

The following table sets forth selected financial information from the Financial Statements of the Company:

	For the year ended August 31,	
	2013	2012
	\$	\$
Expenses		
Consulting fees	1,910,178	1,633,424
Depreciation	19,713	23,982
Investor relations	282,025	604,600
Office and administration	494,066	323,036
Professional fees	114,820	230,407
Share-based compensation	1,027,661	1,297,894
Travel and related	156,313	387,579
Total	(4,004,776)	(4,500,922)

As an exploration company, the Company has yet to generate any revenue from its planned operations and has, to date, incurred annual net losses from operating and administrative expenses.

The table below details the changes in major expenditures for the year ended August 31, 2013 as compared to the corresponding year ended August 31, 2012.

Expenses	Increase / Decrease in Expenses	Explanation for Change
Consulting fees	Increase of \$276,754	The Company engaged more consultants to assist with the preliminary economic assessment and an initial resource report in the first three quarters of fiscal 2013
Professional fees	Decrease of \$115,587	Decrease due to less activities with respect to acquiring exploration and evaluation assets/leases.
Office and administration	Increase of \$171,030	Increased administration costs, office supplies and associated with additional offices until June 2013.
Investor relations	Decrease of \$322,575	Reduced the number of investor relations firms to assist in raising investor awareness.
Travel and related	Decrease of \$231,266	Decrease level of travel associated with investor relations and site visits.
Share-based compensation	Decrease of \$270,233	Stock options granted during the year ended August 31, 2013 have lower fair market values.

The table below details the changes in major expenditures for the year ended August 31, 2012 as compared to the year ended August 31, 2011.

Expenses	Increase / Decrease in Expenses	Explanation for Change
Consulting fees	Increase of \$1,145,706	The Company engaged more consultants to assist with the preliminary economic assessment and an initial resource report.
Professional fees	Decrease of \$36,255	Decreased marginally due to additional expenses associated with IFRS adoption in 2011.
Office and administration	Increase of \$237,114	Increase due to additional offices.
Investor relations	Increase of \$245,544	Increase due to increased efforts to raise investor awareness.
Travel and related	Increase of \$106,708	Increased travel associated with investor relations and analyst site visits.
Share-based compensation	Decrease of \$1,618,912	Decrease due to fewer stock options being granted during the fiscal 2012 compared to fiscal 2011.

Cash Flows

	For the year ended August 31,	
	2013	2012
	\$	\$
Cash flows used in operating activities	(1,755,500)	(3,517,961)
Cash flows used in investing activities	(7,412,920)	(14,065,654)
Cash flows from financing activities	7,231,435	11,606,737
Net change in cash	(1,936,985)	(5,976,878)

Cash used in operating activities during the year ending August 31, 2013 was \$1,755,500 compared to \$3,517,961 in the comparative period. Cash used in operating activities reflects is lower due mainly to changes in non-cash working capital items and a lower rate of spending on expenses.

Cash used in investment activities during the year ending August 31, 2013 was \$7,412,920 compared to \$14,065,654 in the comparative period. The lower cash used in investing activities for the year ended is due to lower exploration and evaluation expenditure of \$6,650,832 in 2013 compared to \$14,510,295 in fiscal 2012. Through both fiscal years exploration and evaluation work was conducted primarily on the Schefferville Properties, particularly Block 103.

Cash from financing activities during the year ending August 31, 2013 was \$7,231,435 compared to \$11,606,737 in the comparative period. During the year ended August 31, 2013, the Company raised \$7,675,496 from private placements compared to \$10,211,249 in fiscal 2012.

Liquidity and Capital Resources

The Company is not in commercial production on any of its properties and accordingly, the Company does not generate cash from operations. The Company finances its exploration activities by raising capital from equity markets from time to time.

As at August 31, 2013, the Company's liquidity and capital resources are as follows:

	August 31, 2013	August 31, 2012
	\$	\$
Cash	1,007,824	2,944,809
Restricted cash	72,500	120,000
Amounts receivable	139,352	1,146,723
Prepaid expenses	29,778	75,027
Total current assets	1,249,454	4,286,559
Accounts payables and accrued liabilities	1,111,872	2,187,332
Loan – current portion	70,000	70,000
Working capital	67,582	2,029,227

The Company has financed its operations to date through the issuance of common shares and a bank loan. The Company continues to seek capital through various means including the issuance of equity and/or debt.

As at August 31, 2013, the Company had a working capital position of \$67,582 and a cash position of \$1,007,824 while at August 31, 2012, the Company had a working capital position of \$2,029,227 and a cash position of \$2,944,809. The Company's working capital position is determined by the timing of its equity financings and exploration and evaluation expenditures. Equity financings are undertaken as the directors deem appropriate while exploration and evaluation expenditure are incurred primarily in the summer months.

The large decrease in Amounts Receivable is due to variation in the timing of receipt of sales tax refunds.

Although the Company has unrestricted cash of \$1,007,824, it does not currently have any revenue generating assets or operations. The Company will require additional financial resources to explore, quantify and develop its mineral properties. The continued operations of the Company and the recoverability of the amounts reported for resource property interests is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete exploration and development programs, and upon future profitable production.

Fourth Quarter

The operating and administrative expenses for the quarter ended August 31, 2013 totalled \$844,921. The major expenses for the quarter ended August 31, 2013 were consulting fees of \$194,986, professional fees of \$34,808, office and administration expenses of \$88,145, investor relations of \$7,719, travel and related of \$7,633 and share-based compensation of \$506,876.

During the fourth quarter, the Company entered into five management consulting agreements with a total combined payment of \$69,500 per month. See "Financial Commitments, Contingencies and Litigation" for details.

In June 2013, the Company granted 3,600,000 five-year stock purchase options exercisable at \$0.125 per share. The fair value of these options is \$414,293, estimated using Black-Scholes pricing model.

Related Party Transactions

During the year ended August 31, 2013, the Company entered into the following transactions with related parties, not disclosed elsewhere in these financial statements:

- i. Incurred drilling expenditures of \$3,440,248 (August 31, 2012 - \$6,545,225) to Sunrise Drilling Ltd., a company controlled by Andrew Bowering, Brett Matich, and Graham Harris, directors of the Company. Included in accounts payable and accrued liabilities at August 31, 2013 is \$722,429 (August 31, 2012 - \$708,927) owing to this corporation and included in prepaid exploration and evaluation expenditures is \$nil (August 31, 2012 - \$500,000) owing from this related corporation.
- ii. As at August 31, 2013, \$52,500 (August 31, 2012 - \$nil) was included in accounts payable and accrued liabilities to a company controlled by Andrew Bowering, a director of the Company and \$564 (August 31, 2012 - \$nil) was owing to Andrew Bowering.
- iii. As at August 31, 2013, \$52,500 (August 31, 2012 - \$nil) was included in accounts payable and accrued liabilities to Graham Harris, a director and officer of the Company.
- iv. As at August 31, 2013, \$32,073 (August 31, 2012 - \$nil) was included in accounts payable and accrued liabilities to Jasvir Kaloti, an officer of the Company.
- v. As at August 31, 2013, \$52,500 (August 31, 2012 - \$nil) was included in accounts payable and accrued liabilities to a company controlled by Brett Matich, a director of the Company and \$1,214 (August 31, 2012 - \$nil) was owing to Brett Matich.
- vi. As at August 31, 2013, \$15,000 (August 31, 2012 - \$nil) was included in accounts payable and accrued liabilities to a company controlled by Martin Burian, an officer of the Company.
- vii. Incurred rent expenses of \$132,000 (August 31, 2012 - \$93,000) to 0937614 BC Ltd. and \$48,229 (August 31, 2012 - \$7,900) to Copper One Inc. with respect to the Company's Montreal and Vancouver offices to companies related by way of common directors.

Summary of key management personnel compensation:

	For the year ended August 31,	
	2013	2012
	\$	\$
Consulting fees	1,159,053	1,250,327
Exploration and evaluation properties expenditures	100,000	45,260
Share-based compensation	479,647	531,188
	1,738,700	1,826,775

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.

Off Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Financial Commitments, Contingencies and Litigation**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 two year payout in the event of a change in control.

First Nations

The Company has undertaken a program of community consultation with the Aboriginal First Nations communities living in or adjacent to, or having an interest in or claims to, historic land or treaty rights in the area of the Company's properties or who may be impacted by activities related to the Company's properties. The Company has, or expects to, enter into agreements that will establish the processes and sharing of benefits which will ensure an ongoing positive relationship between the Company and the respective Aboriginal First Nation community. The Aboriginal First Nations communities and their members are expected to benefit through training, employment, and business opportunities.

Rail Feasibility Study

The Company entered into a collaboration framework agreement with Canadian National Railway Company ("CN") to participate in the feasibility study of CN's proposed rail line to serve the Quebec and Labrador Iron Ore Trough. Under the terms of the agreement, the Company committed to fund \$1.75 million for the completion of the feasibility study and to secure capacity on the new rail line. During February 2013, CN announced that it has suspended its rail feasibility study and on March 1, 2013 refunded the \$100,000 the Company had paid towards the study to date and released the Company from any further commitment.

Flow-Through Shares

The Company entered into flow-through share subscription agreements during the period ended November 30, 2012, whereby it agreed to renounce to investors a total of \$4,653,074 of qualifying Canadian Exploration Expenses as described in the Income Tax Act of Canada, with an effective date of December 31, 2012. The Company is required to pay an interest penalty of approximately 1% per month on the unspent amount between February 28, 2013 and December 31, 2013. At August 31, 2013, the Company had expended \$4,653,074 towards this commitment.

Litigation

The Company is not currently involved in any legal disputes.

Critical Accounting Estimates

The preparation of the Financial Statements requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, as well as the reported revenues and expenses during the reporting period. Based on historical experience and current conditions, management makes assumptions that are believed to be reasonable under the circumstances. These estimates and assumptions form the basis for judgments about the carrying value of assets and liabilities and reported amounts for revenues and expenses. Different assumptions would result in different estimates, and actual results may differ from results based on these estimates. These estimates and assumptions are also affected by management's application of accounting policies. Critical accounting estimates are those that affect the audited financial statements materially and involve a significant level of judgment by management.

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 assets, 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 assets

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. Management also considered the results of our initial resource calculation and PEA, the price movement for iron ore over the past two years and our planned future strategy for the Schefferville property. Management has determined that exploration, evaluation, and related costs incurred on the Schefferville Property which were capitalized may have future economic benefits and may be economically recoverable

Management does not plan to continue with any further exploration and evaluation work on the Lac Connelly property and wrote its carrying value down to \$1 during the fiscal year.

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 forfeiture 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, expect 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.

Changes in Accounting Policies

The Company will monitor the development of the relevant IFRS standards and change its accounting policies accordingly. During the year ended August 31, 2013, there were no changes to the Company's accounting policies.

Future Accounting Standards 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, 2013 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, 2015 or later:

IAS 32 – Financial Instruments: Presentation amendment provides clarification on the application of offsetting rules. The amendments are effective for annual periods beginning on or after January 1, 2014. The Company does not expect any effect on the Company's financial statements.

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 but not limited to the following:

- 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. 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 and the loan's interest rate is fixed.
- 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.

Risks and Uncertainties

The operations of the Company are speculative due to the high-risk nature of its business, which is the acquisition, financing, exploration and development of mining properties. These risk factors could materially affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking information relating to the Company.

Liquidity Concerns and Future Financings

The Company will require significant capital and operating expenditures in connection with the development of its properties. There can be no assurance that the Company will be successful in obtaining required financing as needed. Volatile markets may make it difficult or impossible for the Company to obtain debt financing or equity financing on favorable terms, if at all. Failure to obtain additional financing on a timely basis may cause the Company to postpone or slow down its development plans, forfeit rights in some or all of its properties or reduce or terminate some or all of its activities.

While the Company's financial statements have been prepared on the basis of a going concern which contemplates the realization of assets and satisfaction of liabilities in the normal course of operations, there are conditions and events that may cast doubt about the validity of that assumption.

Nature of Mining, Mineral Exploration and Development Projects

Mining operations generally involve a high degree of risk. The Company's operations are subject to the hazards and risks normally encountered in mineral exploration, development and production, including environmental hazards, explosions, unusual or unexpected geological formations or pressures and periodic interruptions in both production and transportation due to inclement or hazardous weather conditions. Such risks could result in damage to, or destruction of, mineral properties or producing facilities, personal injury, environmental damage, delays in mining, monetary losses and possible legal liability.

Mineral exploration is highly speculative in nature. There is no assurance that exploration efforts will be successful. Even when mineralization is discovered, it may take several years until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish proven and probable mineral reserves through drilling. Because of these uncertainties, no assurance can be given that exploration programs will result in the establishment or expansion of mineral resources or mineral reserves. There is no certainty that the expenditures made by the Company towards the search and evaluation of mineral deposits will result in discoveries or development of commercial quantities of ore.

Exploration and development projects have no operating history upon which to base estimates of future cash operating costs. For development projects, reserve and resource estimates and estimates of cash operating costs are, to a large extent, based upon the interpretation of geologic data obtained from drill holes and other sampling techniques, and feasibility studies, which derive estimates of cash operating costs based upon anticipated tonnage and grades of ore to be mined and processed, ground conditions, the configuration of the ore body, expected recovery rates of minerals from the ore, estimated operating costs, anticipated climatic conditions and other factors. As a result, actual production, cash operating costs and economic returns could differ significantly from those estimated. Indeed, there have been a number of mining operations that have ceased or been suspended or delayed because operations costs are greater than projected. Current market conditions are forcing many mining operations to increase capital and operating cost estimates. It is not unusual for new mining operations to experience problems during the start-up phase, and delays in the commencement of production often can occur.

No Revenues

To date the Company has recorded no revenues from operations and the Company has not commenced commercial production or development on any property. There can be no assurance that significant losses will not occur in the near future or that the Company will be profitable in the future. The Company's operating expenses and capital expenditures may increase in subsequent years in relation to the engagement of consultants, personnel and equipment associated with advancing exploration, development and commercial production of the Company's properties. The Company expects to continue to incur losses for the foreseeable future. The development of the Company's properties will require the commitment of substantial resources to conduct time-consuming exploration. There can be no assurance that the Company will generate any revenues or achieve profitability.

Mineral Resource and Mineral Reserve Estimates May be Inaccurate

There are numerous uncertainties inherent in estimating mineral resources and mineral reserves, including many factors beyond the control of the Company. Such estimates are a subjective process, and the accuracy of any mineral resource or mineral reserve estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. These amounts are estimates only and the actual level of mineral recovery from such deposits may be different. Differences between management's assumptions, including economic assumptions such as metal prices and market conditions, could have a material adverse effect on the Company's financial position and results of operations.

Licenses and Permits, Laws and Regulations

The Company's exploration and development activities, including mine, mill, road, rail and other transportation facilities, require permits and approvals from various government authorities, and are subject to extensive federal, provincial, state and local laws and regulations governing prospecting, development, production, exports, taxes, labour standards, occupational health and safety, mine safety and other matters. Such laws and regulations are subject to change, can become more stringent and compliance can therefore become more costly. In addition, the Company may be required to compensate those suffering loss or damage by reason of its activities. There can be no guarantee that the Company will be able to maintain or obtain all necessary licenses, permits and approvals that may be required to explore and develop its properties, commence construction or operation of mining facilities.

Iron Ore Prices

The profitability of the Company's operations will be dependent upon the market price of mineral iron ore. Iron ore prices fluctuate widely and are affected by numerous factors beyond the control of the Company. The level of interest rates, the rate of inflation, the world supply of iron ore and the stability of exchange rates can all cause significant fluctuations in prices. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political developments. The price of iron ore has fluctuated widely in recent years, and future price declines could cause commercial production to be impracticable, thereby having a material adverse effect on the Company's business, financial condition and result of operations.

Environmental

The Company's activities are subject to extensive federal, provincial state and local laws and regulations governing environmental protection and employee health and safety. Environmental legislation is evolving in a manner that is creating stricter standards, while enforcement, fines and penalties for non-compliance are also increasingly stringent. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations. Further, any failure by the Company to comply fully with all applicable laws and regulations could have significant adverse effects on the Company, including the suspension or cessation of operations.

Title to Properties

The acquisition of title to resource properties is a very detailed and time-consuming process. The Company holds its interest in certain of its properties through mining claims. Title to, and the area of, the mining claims may be disputed. There is no guarantee that such title will not be challenged or impaired. There may be challenges to the title of the properties in which the Company may have an interest, which, if successful, could result in the loss or reduction of the Company's interest in the properties.

Uninsured Risks

The Company maintains insurance to cover normal business risks. In the course of exploration and development of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including explosions, rock bursts, cave-ins, fire and earthquakes may occur. It is not always possible to fully insure against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could result in significant liabilities to the Company and increase costs of projected.

Competition

The Company competes with many other mining companies that have substantially greater resources than the Company. Such competition may result in the Company being unable to acquire desired properties, recruit or retain qualified employees or acquire the capital necessary to fund its operations and develop its properties. The Company's inability to compete with other mining companies for these resources would have a material adverse effect on the Company's results of operation and business.

Dependence on Outside Parties

The Company has relied upon consultants, engineers and others, and intends to rely on these parties for development, construction and operating expertise. Substantial expenditures are required to establish mineral reserves through drilling, to carry out environmental and social impact assessments, to develop metallurgical processes to extract the metal from the ore. If such parties' work is deficient or negligent or is not completed in a timely manner, it could have a material adverse effect on the Company.

Share Price Fluctuations

The market price of securities of many companies, particularly exploration stage companies, experience wide fluctuations in price that are not necessarily related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that fluctuations in the Company's share price will not occur.

Conflicts of Interest

Certain of the Company's directors and officers serve or may agree to serve as directors or officers of other companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting such participation.

Outstanding Share Data

As of the date of this MD&A, the Company has:

- a) 97,767,986 common shares outstanding;
- b) 35,088,562 warrants outstanding with expiry dates ranging between December 21, 2013 and May 24, 2014, with exercise prices ranging from \$0.20 to \$0.95.
- c) 9,625,000 stock options outstanding with expiry dates ranging between October 18, 2015 and June 5, 2018, with exercise prices ranging from \$0.125 to \$1.24.

Other MD&A Requirements

Additional information relating to the Company may be found on SEDAR at www.sedar.com including, but not limited to:

- the Company's audited financial statements for the year ended August 31, 2013.

This MD&A has been approved by the Board effective December 19, 2013.

Cautionary Statement on Forward Looking Information***Cautionary Note Regarding Forward-looking Information***

Certain statements in this document contain "forward-looking information" within the meaning of applicable Canadian securities legislation. Forward-looking information includes, but is not limited to, statements with respect to the development potential of the Company's properties; the future price of iron ore and other minerals; the estimation of mineral reserves and mineral resources; conclusions of economic evaluation; the realization of mineral reserve estimates; capital expenditures; success of exploration activities; mining or processing issues; currency exchange rates; government regulation of mining operations; and environmental risks. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.