

Champion Iron Mines Limited

Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") provides discussion and analysis of the financial condition and results of operations of Champion Iron Mines Limited ("Champion" or the "Company") for the 9 months ended December 31, 2013 and should be read in conjunction with the unaudited condensed interim financial statements and the accompanying notes. The MD&A is the responsibility of management and is dated as of February 13, 2014.

All dollar amounts are stated in Canadian dollars unless otherwise indicated. Additional information relating to the Company, including its Annual Information Form, is available on SEDAR at www.sedar.com.

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Forward-Looking Statements

This MD&A may contain, without limitation, statements concerning possible or assumed future operations, performance or results preceded by, followed by or that include words such as "believes", "expects", "potential", "anticipates", "estimates", "intends", "plans", "will", "could" and words of similar connotation, which would constitute forward-looking statements. Forward-looking statements are not guarantees. The reader should not place undue reliance on forward-looking statements and information because they involve risks and uncertainties that may cause actual operations, performance or results to be materially different from those indicated in these forward-looking statements. The Company is under no obligation to update any forward-looking statements contained herein should material facts change due to new information, future events or other factors. These cautionary statements expressly qualify all forward-looking statements in this MD&A.

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The Company

The Company is a Canadian-based iron ore exploration and development company with properties located in the heart of Canada's premier iron ore mining district, the Labrador Trough. The Company is one of the largest landholders of highly prospective iron ore properties located southwest of Fermont, Quebec.

The Company is a reporting issuer in Ontario, Alberta, British Columbia, Saskatchewan, Manitoba, New Brunswick, Prince Edward Island, Newfoundland and Nova Scotia and its common shares are listed for trading on the Toronto Stock Exchange under the symbol CHM and on the Frankfurt Stock Exchange under the symbol P02 (WKN – A0LF1C). At the request of the Company, its common shares were delisted from the OTCQX (symbol CPMNF) effective October 31, 2013.

Overall Performance

Arrangement Agreement with Mamba Minerals Limited

On December 5, 2013, the Company entered into a definitive arrangement agreement with Mamba Minerals Limited ("Mamba"), pursuant to which Mamba, together with a wholly-owned Canadian subsidiary of Mamba, will acquire, by way of a court-approved plan of arrangement, all of the outstanding common shares of the Company (see Proposed Transaction section).

Fermont Property Holdings

The Company owns a 100% interest in 14 properties (each a "Property"), formerly 17 properties prior to consolidation of 4 of them into one project as described below, covering 747 square kilometres (collectively, the "Fermont Holdings") located in the Fermont Iron Ore District of northeastern Quebec, which is 250 km north of the St. Lawrence River port town of Port-Cartier, and ranging from 6 to 80 kilometres southwest of Fermont. In accordance with National Instrument 43-101 technical reporting purposes, the Fire Lake North, Oil Can, Bellechasse and Midway properties were consolidated and designated the Consolidated Fire Lake North Property ("Consolidated Fire Lake North" or "CFLN"), the Company's flagship project.

The Fermont Holdings are subject to a 3% royalty ("Royalty") payable to the two vendors on a 50/50 basis, of which the Company has the option to purchase a 0.5% interest from one of the vendors for \$1,500,000, which would reduce the Royalty to 2.5%.

On May 17, 2012, the Company acquired the remaining 17.5% non-controlling interest in the Fermont Holdings joint venture from Fancamp Exploration Ltd. ("Fancamp"). As a result of the acquisition, the Company now owns a 100% interest in the Fermont Holdings and the joint venture between the Company and Fancamp has been terminated. Subject to the terms and conditions of the agreement entered into with Fancamp on September 16, 2013 (see "Waiver of Right of First Refusal on Fancamp's Lac Lamellee Property" below) the Company continued to retain its right of refusal over Fancamp's interest in the Lamellee Property and Fancamp continued to retain its 50% interest in the 3% Royalty. The Company retains the right of first refusal on the sale of the Royalty and the option to purchase 0.5% of the Royalty for \$1,500,000 from the holder of the 50% interest in the Royalty not owned by Fancamp.

- a) As consideration for the acquisition, the Company issued 14,000,000 common shares and 7,000,000 non-transferable common share purchase warrants ("Champion Warrants"), each such warrant entitling the holder to purchase one common share for \$3.00 between November 17, 2014 and May 17, 2015. If the weighted-average closing price of Champion's common shares is over \$4.00 per share for 20 consecutive trading days, the Champion Warrants must be exercised within 30 calendar days of the Company providing written notice, or they will be cancelled. In the event that Fancamp provides notice within 10 days of the receipt of the Company's notice that Fancamp does not have sufficient funds to exercise the Champion Warrants, the Company will advance a loan to Fancamp to enable Fancamp to exercise the Champion Warrants. The loan will have the following terms and conditions:

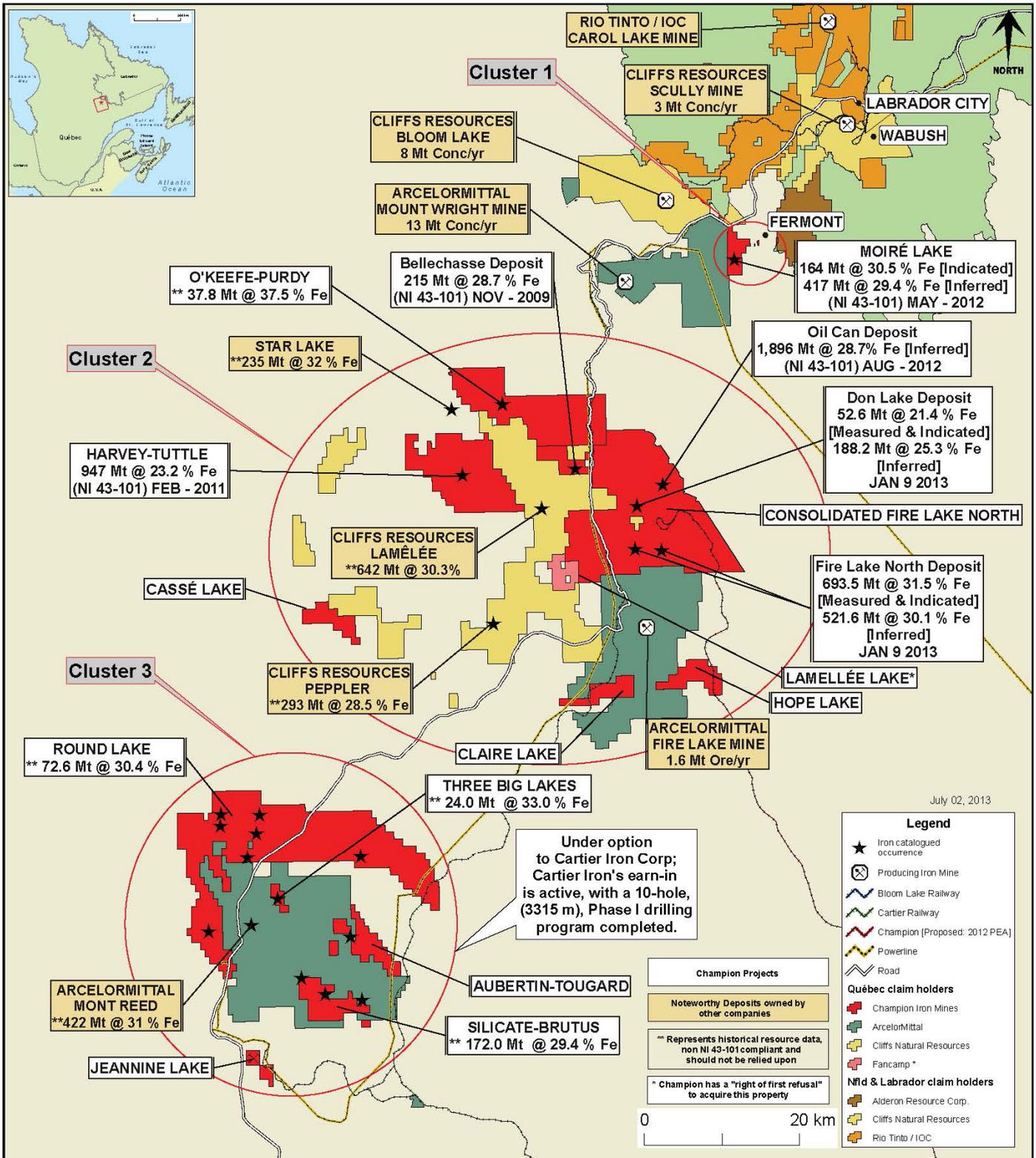
Interest	Prime rate charged by the Company's bank, calculated and compounded annually, payable by way of set off upon the commencement of payment of Fancamp's 50% interest in the Royalty.
Security	Assignment of the Fancamp's 50% interest in the Royalty and the common shares of the Company issued pursuant to the exercise of the Champion Warrants.
Repayment	Payable by way of set off upon the commencement of payment of Fancamp's 50% interest in the Royalty. To the extent that the Company exercises the Fancamp Warrants (as defined below), the exercise price payable by the Company will be settled by way of set off against the loan. To the extent that the loan has not been repaid within 15 years from the date of granting of the loan, the common shares of the Company assigned by Fancamp as security for the loan shall be forfeited by Fancamp to the Company.

In the event that Fancamp is not able to obtain shareholder approval for a change in control in the event that the Company exercises the Fancamp Warrants, Fancamp has agreed that it will only exercise Champion Warrants equal to the number of Fancamp Warrants exercisable by the Company divided by 5.

- b) On May 17, 2012, the Company granted a waiver to Fancamp of the Company's option to purchase 0.5% of Fancamp's 50% interest in the Royalty. As consideration for the waiver, Fancamp made a payment of \$2,000,000 to the Company, which the Company used to acquire 8,000,000 common shares of Fancamp for \$0.25 per share.
- c) On May 17, 2012, the Company acquired 10,000,000 units of Fancamp for \$0.30 per unit for cash of \$3,000,000. Each unit consisted of one common share and one non-transferable common share purchase warrant entitling the Company to purchase one common share for \$0.60 between November 17, 2014 and May 17, 2015 ("Fancamp Warrants"). As a result of regulatory requirements, subject to the approval of the shareholders of Fancamp, the Company has agreed not to exercise Fancamp Warrants to the extent that the exercise would result in a change of control of Fancamp. If the weighted-average closing price of the common shares of Fancamp is over \$0.80 per share for 20 consecutive trading days, the Fancamp Warrants must be exercised to the extent that the exercise would not result in a change of control of Fancamp within 30 calendar days of Fancamp providing written notice, or those Fancamp Warrants will be cancelled.

The Company and Fancamp have entered into a reciprocal rights agreement governing certain investor rights and obligations as between them. The Company and Fancamp will each be restricted from transferring securities of the other for a period of six years from the date of the agreement, after which time transfers will be permitted subject to certain restrictions.

The Fermont Holdings are grouped into three clusters from north to south, termed Clusters 1, 2 and 3, as outlined in the following map:



The FERMONT Holdings are located in proximity to and locally contiguous to an operating iron mine and a number of former operating iron mines and projects currently being developed for iron mining.

The following table sets out the current NI 43-101 compliant Measured, Indicated and Inferred Mineral Resources for the FERMONT Holdings by Property¹:

Property	Cluster	Deposit	Current Mineral Resources Estimates at 15% Iron Cut-Off					
			Measured		Indicated		Inferred	
			tonnes millions	grade FeT%	tonnes millions	grade FeT%	tonnes millions	grade FeT%
Moire Lake	1	Lac Moire	-	-	164.0	30.5	417.1	29.4
Consolidated Fire Lake North	2	Fire Lake North-West	23.6	35.4	404.9	32.6	329.2	30.9
		Fire Lake North-East	3.0	34.2	262.0	29.6	192.4	28.7
		Fire Lake North-Don Lake	0.4	21.4	52.2	26.5	188.8	25.3
		Subtotal-Fire Lake North	27.0	35.0	719.1	31.0	709.8	28.8
		Oil Can (Oxide)	-	-	-	-	972.0	33.2
		Oil Can (Mixed)	-	-	-	-	924.0	24.1
		Bellechasse	-	-	-	-	215.0	28.7
		Midway	-	-	-	-	-	-
		Total -CFLN	27.0	35.0	719.1	31.0	2,820.9	28.8
Harvey-Tuttle	2	Harvey-Tuttle	-	-	-	-	947.0	23.2
O'Keefe-Purdy	2		-	-	-	-	-	-
Hope Lake	2		-	-	-	-	-	-
Casse Lake	2		-	-	-	-	-	-
Claire Lake	2		-	-	-	-	-	-
Audrey-Ernie	3		-	-	-	-	-	-
Three Big Lakes	3		-	-	-	-	-	-
Aubertin-Tougaard Lakes	3		-	-	-	-	-	-
Jeannine Lake	3		-	-	-	-	-	-
Silicate-Brutus Lakes	3		-	-	-	-	-	-
Penguin	3		-	-	-	-	-	-
Black Dan	3		-	-	-	-	-	-
Totals			27.0	35.0	883.1	30.9	4,185.0	27.6
Total Resources Tonnes (millions)			5,095.1					

¹ The current Mineral Resource Estimate was calculated using the Canadian Institute of Mining, Metallurgy and Petroleum (CIM), CIM Standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions. Mineral resources, which are not mineral reserves, do not have demonstrated economic viability. The mineral resource estimate may be materially affected by environmental, permitting, legal, title, taxation, socio-political, marketing or other relevant issues. Furthermore, the quantity and grade of estimated Inferred Resource reported herein are uncertain and there has been insufficient exploration to categorize them as an Indicated or Measured Resource. It is uncertain if further exploration will result in reclassification of Inferred Mineral Resources to the Indicated or Measured Mineral Resource categories. The tonnage numbers are rounded according to NI 43-101 standards.

Copies of the NI 43-101 Mineral Resource Estimate reports for Consolidated Fire Lake North, Moire Lake, Bellechasse and Harvey-Tuttle are available under the Company's filings on SEDAR at www.sedar.com.

Waiver of right of first refusal on Fancamp's Lac Lamêlée Property

The Company had a right of first refusal on any disposition of Fancamp's interest in the Lac Lamêlée Property consisting of 29 mining claims contiguous with the Company's Consolidated Fire Lake North property.

On December 20, 2013, the Company waived its right of first refusal to allow Fancamp to sell its interest in the Lac Lamêlée Property to Lamêlée Iron Ore Ltd. (formerly Gimus Resources Inc.) ("Lamêlée"). In consideration for the waiver, the Company received 2,000,000 common shares of Lamêlée with a fair value of \$240,000 and 4,000,000 common shares of Fancamp with a fair value of \$200,000 ("Fancamp Shares"). The Fancamp Shares will be subject to the existing reciprocal rights agreement governing certain investor rights and obligations between the Company and Fancamp, including the provision that the Company and Fancamp will each be restricted from transferring securities of the other until May 17, 2018, after which time transfers will be permitted subject to certain restrictions. In addition, the Company subscribed to 2,000,000 units of Lamêlée at a price of \$0.10 per unit. Each unit consisted of one common share and one-half of one common share purchase warrant, with each whole warrant entitling the holder to purchase one common share for \$0.15 until December 20, 2015.

Cluster 1

Moire Lake (NI 43-101 Indicated Mineral Resource 164.0 million tonnes: grade 30.5% Total Iron / Inferred Mineral Resource of 417.1 million tonnes: grade 29.4% Total Iron / All categories are at a 15% cutoff grade)

Moire Lake is located 4 kilometres southwest of the town of Fermont, adjoins the eastern boundary of the Mont Wright mine and concentrator operations owned by ArcelorMittal and is 8 kms south of existing railway and other infrastructure.

On March 29, 2012, Champion announced the results of an NI 43-101 Mineral Resource Estimate completed on its Moire Lake Project, based on the results from 21 diamond drill holes completed by the Company in 2011. Using a 15% cutoff grade, the current Mineral Resource Estimate calculated 164.0 million tonnes grading 30.5% Total Iron in the Indicated category with 417.1 million tonnes grading 29.4% Total Iron in the Inferred category. Geological and geophysical evidence indicates that the mineralization continues westward onto ArcelorMittal's Mont Wright property.

Significantly, results of the In-Pit Optimization demonstrate that nearly 100% of the Moire Lake Mineral Resources might be potentially economically exploited. The global Mineral Resource Estimate and In-pit Optimized Mineral Resource Estimate presented above, respectively, include Mineral Resources only within the limits of the Moire Lake property. The Optimized Pit Shell that was generated, however, extends beyond the current western Moire Lake property boundary and includes only overburden and waste rock in this extension.

For comparison purposes, a second In-Pit Optimization was completed constraining not only the resources but the limits of the entire Pit Shell to within the limits of the Moire Lake property. This Optimization indicates that a portion of the resource would likely not be exploited if the pit shell is constrained to the Moire Lake property limits. The High Grade Zone resource, using a 15% cutoff would be reduced from the 164 million tonnes Indicated and 417 million tonnes Inferred to 128 million tonnes Indicated and 305 million tonnes Inferred, respectively.

Of note, the Company did not complete any drilling in 2011 on the 4 kilometre, "Northeast Trend" magnetic anomaly underlying the eastern part of the Moire Lake Project. Outcrops of specular hematite-rich iron formation in exposures up to 40 m across were identified along the Northeast Trend and provide a significant exploration target to potentially delineate additional iron resources.

The Company expects to follow-up the Mineral Resource Estimate with a Preliminary Economic Assessment ("PEA") study although this is not currently designated as a priority for the Company and the Company has not budgeted and does not anticipate incurring any significant expenditures at Moire Lake.

Cluster 2 – Consolidated Fire Lake North

For reporting purposes, Fire Lake North, Oil Can, Bellechasse and Midway properties were consolidated into one property known as Consolidated Fire Lake North. The Company made the following expenditures on Consolidated Fire Lake North:

	9 months ended December 31,	
	2013	2012
	\$	\$
Expenditure		
Drilling	52,203	6,580,369
Geology and geophysics	507,639	2,093,601
Assays	340,954	349,918
Camp and supplies	151,354	878,600
Helicopter, vehicles and fuel	–	496,497
Access road	6,740	1,684,788
Bulk sample and testing	–	814,909
Environmental impact assessment	–	540,606
Railroad study and development	417,418	524,472
Feasibility study	61,107	2,006,639
Geotech hydro study	10,846	845,585
Project management	455,800	621,090
Engineering	191,861	363,141
Other	447,124	2,345,810
	<hr/> 2,643,046	<hr/> 20,146,025

With the completion of the Preliminary Feasibility Study ("PFS") in early 2013 (see Consolidated Fire Lake North Property – Preliminary Feasibility Study below), the Company has significantly curtailed development and exploration-related

expenditures at Consolidated Fire Lake North. Expenditures for the 6 months ended September 30, 2013 totaled \$1,694,152, which represents a substantial reduction to the comparable period in 2012 (\$17,711,036) when the Company was undertaking exploratory and development work related to the completion of the PFS. The Company anticipates that it will continue to implement cash conservation measures while remaining committed to developing the CFLN Project and securing transportation and port handling services that will permit the Company to place among the lowest cost iron producers in the Labrador Trough.

Development of several of the Cluster 2 properties – namely the CFLN Property is on-going. Some properties, such as Oil Can, are within a reasonable distance to the Fire Lake North Project to enable potential development of satellite resources that might be conveyed to a centralized production complex developed at Fire Lake North. It is for this reason that the Company remains dedicated to exploring the Cluster 2 properties in order to identify which of them have the potential for coarse-grained specular-hematite mineralization and prioritize the delineation of these more valued resources for sinter feed. The Company may also continue to further delineate the magnetite-rich resources at other Cluster 2 projects for potential development as sinter/pellet feed source.

On February 6, 2014 the Company announced that drilling had resumed at the CFLN Property as part of the plan to complete a Feasibility Study for the project by year end.

Consolidated Fire Lake North (NI 43-101 Measured Mineral Resource of 27.0 million tonnes: grade 35.0% Total Iron / Indicated Mineral Resource 719.1 million tonnes: grade 31.0% Total Iron / Inferred Mineral Resource of 2,820.9 million tonnes; grade 28.8% Total Iron / All categories are at a 15% cutoff grade)

Consolidated Fire Lake North Property – Preliminary Feasibility Study

CFLN is located adjacent (to the north) of ArcelorMittal's operating Fire Lake Mine and is 60 km to the south of Cliffs Natural Resources Inc.'s ("Cliffs") operating Bloom Lake Mine in northeastern Quebec. CFLN is situated at the southern end of the Labrador Trough, which is known to contain coarser grained iron deposits due to higher grade metamorphism within the Grenville geological province. The Fermont-Wabush-Labrador City Iron Ore District is a world-renowned iron ore mining camp and is considered to be an optimal location to develop iron ore resource projects.

On February 7, 2013, the Company announced the results from its PFS for the West and East deposits of the CFLN Project that was performed by BBA Inc. ("BBA") of Montréal, Québec. The study is based on an initial 20-year mine life and produced a Net Present Value ("NPV") of \$3.295 billion using an 8% discount rate. The financial model shows an Internal Rate of Return ("IRR") of 30.9% and a capital payback period of 3.4 years.

The PFS reports that the iron process recovery of 82% yields an average production of 9.3 million tonnes per year ("Mtpa") of iron concentrate grading 66% total Iron ("FeT") during a 19.6-year mine life. The current optimized engineered pits yield reserves of 464.6 M tonnes grading 32.37% FeT at a 15% FeT cut-off grade with a weight recovery of 39.9%. The first five years of production will average 9.8 Mtpa of concentrate. The engineered pits recover 67% of the current In-pit Optimized Measured and Indicated Resources totalling 691.3 Mt grading 31.5% FeT. The engineered pits limit the inclusion of In-pit Inferred resources to 45.8 Mt which are categorized as waste.

Additional drilling of the 480 Mt grading 30.4% FeT current Inferred Resources within the limits and proximal to the Optimized Pit Shells could provide additional Measured and Indicated resources required to double production capacity and support a second concentrator line that would produce an estimated 20 Mt of concentrate annually for a mine life of 20 years.

Compared to the result of the Preliminary Economic Assessment (see the Company's press release dated November 21, 2011) the main differences in the capital costs of the project are as follows:

- Rail costs increased from \$275.4 million to \$1.334 billion, reflecting the estimate for a rail system from the CFLN Project to Point Noire at the Port of Sept-Îles as contained in the 2012 Feasibility Study prepared for Champion by Rail Cantech. However, \$200 million of upfront costs in this rail scenario are attributed to Champion and \$1.134 billion is financed via construction financing and repaid from project cash flows over a 12-year period.
- Concentrator and site infrastructure cost was increased by \$145.9 million to support an increased concentrate production capacity to 10 Mtpa and a dual voltage substation.
- Pointe Noire port facilities cost was increased by \$109.8 million after consideration to a more suitable storage location which could be expanded at minimal cost.
- Environmental cost increased by \$83.4 million due to a cost underestimation in the PEA.
- All mining equipment is capitalized (\$55.4 million) compared to the PEA where the mining equipment was leased.

The addition of these significant cost components clarify the project scope with regards to the project schedule and estimated budget. The financial model illustrates the robust economics of the West and East iron ore deposits on their

own merit. With the adjacent resources within the CFLN project boundaries, the mid-term and long-term growth profile of this project are promising.

The financial analysis in the PFS study used a sale price of \$115 per tonne of iron concentrate (\$/tonne is FOB Sept-Iles) for the first 5 years, and \$110 per tonne for years 6 to 20. A sale price of \$115 per tonne was used for the PEA.

The PFS study has an accuracy of +15/-10%, which is considered industry standard for capital and operating cost estimates in a feasibility study. The only component that is not at a feasibility study precision level is the multi-user rail infrastructure component.

In order to complete the PFS in a timely manner, the Company included the metrics from its Rail Cantech feasibility study completed in August 2012. This study is based on a 310 km railway designed for an initial capacity of 20 Mtpa that is located on the east side of the Ste. Marguerite River, starting at the CFLN project loading station and ending in the Pointe Noire area of the Sept-Îles port. Therefore, the PFS includes an estimated cost of \$9.47/tonne of concentrate for rail debt service in addition to \$4.80/tonne for operations, totalling \$14.27/tonne based on 9.3 Mtpa mine-life average production of iron concentrate. This is a higher cost than the initial rates proposed by the CN multi-user rail transportation solution. Nonetheless, it shows that the project economics are strong enough to support the construction of a new 310 km railway on its own.

Excluding the rail transportation capital cost component, the total capital expenditures during the pre-production period were estimated at \$1.39 billion of which \$227.3 million is allocated to the Pointe Noire concentrate stockyard facilities. The cost to develop the CFLN concentrator and site facilities near Fermont totals \$1.167 billion, which equates to a capital intensity of \$125/tonne for the 9.3 million tonnes of annualized production of iron ore concentrate.

This PFS study takes into consideration the usage of the Sept-Iles multi-user Port facility project that is currently in construction and planned for completion by Q1 of 2014. The Port Authority communicated in December 2012 that the project was on schedule and on budget.

Table 2 below details the pre-production capital costs:

Table 2: Pre-production Capital Costs	
	C\$ million
Mine equipment and pre-stripping	133.7
Site infrastructure	192.0
Concentrator including load out facilities	410.7
Environmental and Tailings Management	85.0
Other Pre-production Costs (rail rolling stock lease)	13.4
Port Facilities: Car dumper, stacker/reclaimer, stockyard	158.3
Railway (Owner's cost for 310 km distance including turnaround loop and sidings)	200.0
Sub Total	1,193.2
Indirect Costs (including Owner's Costs)	300.2
Contingency (10%)	114.6
Grand Total (100% of the project)	1,607.9

Operating costs are outlined in Table 3:

Table 3: Operating Costs	(\$/Tonne of Concentrate)	
	Average 20 years	Average years 1 to 5
Mining	18.89	12.76
Concentrator crushing and processing	4.38	3.89
Site Infrastructure Maintenance, & General Administration	4.05	3.66
Environmental Tailings and Management	0.13	0.12
Rail Transport including lease for rolling stock	4.80	5.42
Port facilities	2.34	2.14
Total Direct Operating Cost	34.58	27.99
Railway capital repayment (\$1,133.6 million)	6.22	7.40
Railway interest payment (\$592.6 million)	3.25	7.29
Total operating cost	44.05	42.68

Optimization of the mine-life production schedule resulted in a strip ratio of 1.56:1 (waste/ore) for the first three years of production, 2.02:1 for the first five years of operation; and a 2.74:1 strip ratio for the current 20-year mine-life.

As in the 2012 updated PEA study, the mill flowsheet of this PFS is based on a standard three-stage spiral iron beneficiation process. The run-of-mine iron ore is crushed in a 60" by 89" gyratory crusher and then ground in a 38' by 21.5' autogenous grinding mill ("AG Mill"). The AG Mill diameter and associated horsepower was increased for the PFS in order to optimize the production rate throughput and enhance the economic metrics in comparison to the 2012 PEA study. The AG Mill will have two AC variable drive motors totalling 21,450 HP.

The PFS operating costs were reduced by 16% in comparison to the 2012 PEA despite a significant cost increase related to the construction of a new railway and associated debt service of \$1,133.6 million. Mining costs were reduced by \$5.34/tonne of concentrate primarily associated with a reduction in strip ratio (\$4.19/tonne) combined with the removal of the mine equipment lease cost (\$1.15/tonne). Costs at the Pointe Noire Port facilities were reduced by \$1.38/tonne of concentrate following the signing of an agreement with the Port of Sept-Îles Authority. The concentrator, environmental, and general and administration costs were slightly reduced by \$0.14/tonne, \$0.16/tonne and \$0.35/tonne respectively, following a detailed analysis of each cost component by BBA.

Manpower levels are expected to be 508 employees in Year 1 and to peak at 688 employees in Year 15 when the mine reaches maximum production.

There is potential for the CFLN Project to become a significant low cost iron ore producer with a new concentrator equipped with today's advanced mineral processing technologies. The Company continues to analyze lower cost opportunities.

Results from the PFS indicate that the CFLN project is a very technically feasible and economically robust project with a Base Case scenario including one production line yielding 9-10 Mtpa of concentrate from 464.6 M tonnes of in-pit reserves processed over a 20 year mine-life. The PFS study is based on a stand-alone operation at CFLN and does not consider the current Mineral Resources identified at other iron deposits located on the CFLN Property (see the Company's Press Release dated January 9, 2013). The outstanding mid-term and long-term growth profiles for the Company are evident from mineral resources identified within the CFLN Property and surrounding Fermont Holdings.

Subsequent to the release of the PFS, on June 28, 2013, the Company terminated the July 2012 agreement related to the multi-user port facilities proposed at Pointe Noire, Sept-Îles, Quebec (see Agreement with Sept-Îles Port Authority section below). The Company remains committed to developing the CFLN Project and securing transportation and port handling services that will permit the Company to place among the lowest cost iron producers in the Labrador Trough.

On February 6, 2014 the Company announced that drilling had resumed at the CFLN Property as part of the plan to complete a Feasibility Study for the project by year end.

Oil Can Property

On July 4, 2012, the Company announced the completion of a current Mineral Resource Estimate for Oil Can, located within the larger area which is now consolidated and designated the Consolidated Fire Lake North Property. The Mineral Resource Estimate was completed by P&E Mining Consultants Inc. ("P&E"), based on 19 drill holes totalling 8,435 m, completed between August 5 and December 11, 2011. The current Mineral Resource Estimate is outlined in the following table (Table 1):

Table 1: Inferred Mineral Resource Estimate¹

Zone	Cut-Off Grade	Tonnes	Grade
	FeT%	Millions	FeT%
Total Oxide	20%+	969	33.2
	15%+	972	33.2
	10%+	1,355	23.8
Total Mixed	20%+	788	25.1
	15%+	924	24.1
	10%+	1,027	23.0
Total All	15%+	1,896	28.7

¹ The current Mineral Resource Estimate was calculated using the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) Standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions. Mineral resources, which are not mineral reserves, do not have demonstrated economic viability. The mineral resource estimate may be materially affected by environmental, permitting, legal, title, taxation, socio-political, marketing, or other relevant issues. Furthermore, the quantity and grade of estimated Inferred Resource reported herein are uncertain and there has been insufficient exploration to categorize them as an Indicated or Measured Resource. It is uncertain if further exploration will result in reclassification of Inferred Mineral Resources to the Indicated or Measured Mineral Resource categories. The tonnage numbers are rounded according to NI 43-101 standards. Grades are calculated from Total Fe% ("FeT%") sample assays completed by ALS Minerals using the "High Grade/Ores Method" XRF analysis.

The Oil Can Deposit consists of both magnetite-rich "Oxide" iron formation and a "Mixed" magnetite-silicate iron formation hosted within 5 domains separated by possible thrust faults.

P&E utilized a 1:1 C\$-US\$ exchange rate, a mining cost of \$1.90/Tonne and \$7.97/Tonne for the processing, G&A and freight costs. The process recovery, estimated to be 60.0%, and an Iron ore price of \$1.77/dmtu were used to complete the Whittle pit optimization with 50 degree overall slopes to estimate the in-situ Mineral Resources. Table 2 presents the results of the In-Pit Optimization at various cut-off grades and demonstrates the economic sensitivity of the resource estimates by indicating the quantity of the mineral resources that may be potentially economically exploited within the optimized pit shell.

Table 2: In-Pit Optimization Sensitivity Estimate

Zone	Cut-Off Grade	Tonnes	Grade
	FeT%	Millions	FeT%
Total Oxide	20%+	964	33.3
	15%+	967	33.2
	10%+	967	33.2
Total Mixed	20%+	781	25.1
	15%+	912	24.1
	10%+	978	23.4
Total All	15% +	1,879	28.8

The Company has completed limited preliminary metallurgical test work for indications of grind size, recovery and potential concentrate quality that might be produced from the Oil Can Mineral Resources. Early results from composites tested at SGS Lakefield Laboratories indicate that a relatively coarse grind and primary magnetic separation could yield a commercial grade magnetite sinter-feed concentrate. Further metallurgical test work will focus on the Oxide resource to evaluate the potential to improve recoveries utilizing secondary gravity separation of the magnetic-tails to recover the specular hematite mineralization that occurs in significant concentrations locally within the deposit, most notably in the South, Central and North zones.

Bellechasse and Midway Properties

As the Bellechasse and Midway properties are contiguous with the Fire Lake North and the Oil Can properties, there exists an increased prospect for exploiting the Bellechasse resource from potential common infrastructure to be developed to serve Fire Lake North and Oil Can. Accordingly, the Bellechasse and Midway properties were consolidated

with Fire Lake North and Oil Can to form part of a Consolidated Fire Lake North Property. The Bellechasse Property contains an Inferred Mineral Resource of 215 million tonnes grading 27.8% Total Iron while the Midway Property does not contain any NI 43-101 compliant or historic resources.

Harvey-Tuttle (NI 43-101 Inferred Mineral Resource of 947 million tonnes: grade 23.2% Total Iron at 15% cutoff)

On February 28, 2011, the Company announced the results of an initial NI 43-101-compliant Mineral Resource Estimate for the Harvey-Tuttle Project. The Total Inferred Mineral Resources at Harvey-Tuttle are estimated at 717 million tonnes grading 25.0% Total Iron at a 20% cut-off or 947 million tonnes grading 23.2% Total Iron at a 15% cut-off, the same cut-off used for the Fire Lake North PEA.

The Company has deferred the second phase of diamond drilling at Harvey-Tuttle when 12,500m of drilling originally budgeted for Harvey-Tuttle was redirected to the Fire Lake North Project to meet additional higher priority drilling requirements. Further drilling and the initiation of a PEA at Harvey Tuttle have been deferred in order to better allocate available capital resources on the Company's higher priority projects in Cluster 2.

O'Keefe-Purdy

The O'Keefe-Purdy Project is located adjacent to the Harvey-Tuttle Project and to date the Company has completed 6,064 m of drilling in 23 holes at the project. Results for the first fifteen drill holes were announced by the Company on November 30, 2011. Select composite assay results for the remaining eight holes completed at O'Keefe Purdy were announced on April 17, 2012. The O'Keefe Purdy Project's 215 claims cover approximately 19 kilometres of cumulative strike length of magnetic anomaly which is interpreted to define tightly folded specularite, specular hematite and magnetite iron formation. The drilling program was focused mainly on the areas around the three chronicled mineral showings on the project; namely Lac O'Keefe Nord-Est (COGITE # 23B/12-006), Lac O'Keefe Nord-Ouest (COGITE # 23B/12-0003) and Lac Purdy (COGITE # 23B/12-0008) (see <http://sigeom.mrnf.gouv.qc.ca/> for COGITE references). No drilling was completed in the eastern part of the property.

Champion will defer a Mineral Resource Estimate for the O'Keefe Purdy Project until additional suggested drilling more thoroughly establishes the full extent of iron mineralization underlying the property.

Quality Assurance and Quality Control

All drill core logging and sample preparation was conducted by qualified Company personnel under NI 43-101 standards at the Company's core logging facilities in Wabush (Newfoundland & Labrador) and at the Company's field exploration camps, located south of Fermont (Quebec). The NQ and HQ-sized drill core was split in half. One-half of the NQ or HQ-sized drill core was kept in the core tray for reference purposes and the other half core was individually bagged, tagged, sealed and packed in large nylon bags which were then securely closed and sent by commercial ground transportation for sample preparation at ALS Chemex Laboratories in Val d'Or (Quebec) or Sudbury (Ontario). Analysis of the core pulp samples was conducted at ALS Chemex Laboratories' Vancouver (British Columbia) laboratory facility. Quality Control samples including standards of certified reference material, field duplicates and blank samples were routinely inserted in sample batches including duplicate pulp and coarse reject samples prepared and assayed to further monitor results. ALS Chemex also inserted blank samples, standards and duplicates for Quality Control purposes.

Cluster 3

The Company currently remains dedicated to exploring the Cluster 1 and Cluster 2 areas of its Fermont Holdings. Prior to December 19, 2013, there were no NI 43-101 compliant Mineral Resources in the Aubertin-Tougard, Aubrey-Ernie, Black Dan, Jeannine Lake, Penguin Lake, Silicate-Brutus and Three Big Lakes Properties (collectively, the "Cluster 3 Properties").

Grant of option for Cluster 3 Properties to Cartier Iron Corporation (formerly Northfield Metals Inc.)

On September 28, 2012, the Company granted an option to Cartier Iron Corporation ("Cartier") to acquire a 65% interest in Aubertin-Tougard, Audrey-Ernie, Black Dan, Jeannine Lake, Penguin Lake, Silicate-Brutus and Three Big Lakes ("Cluster 3 Properties"). In order to earn its interest, Cartier must make option payments, issue common shares and incur exploration expenditures, as follows:

	Option payments \$	Common shares	Exploration expenditures \$
Upon execution of agreement (received)	–	1,000,000	–
Upon conditional approval from a stock exchange for the listing of the common shares of Cartier (received)	100,000	–	–
December 10, 2013	150,000	500,000	500,000
December 10, 2014	250,000	500,000	750,000
December 10, 2015	250,000	500,000	–
December 10, 2016	250,000	–	4,750,000
	1,000,000	2,500,000	6,000,000

Upon Cartier earning its 65% interest, a joint venture will be formed to incur additional exploration expenditures. If the Company does not fund its proportionate interest in the joint venture, its interest will be diluted and, when its interest is reduced below 10%, its interest would be reduced solely to a 1% royalty. Cartier will have the option to reduce the royalty from 1% to 0.5% by making a payment of \$3,000,000.

In the event that the Company or Cartier proposes to acquire any property within 10 kilometres of the Cluster 3 Properties, the acquirer must offer the property at cost to the other party for inclusion in the Cluster 3 Properties.

The Company has not received the option payment or common shares due on December 10, 2013 and is currently in discussions with Cartier to resolve the matter.

The Company currently owns common shares of Cartier, representing approximately 19.9% of its issued and outstanding shares.

Pursuant to a Pre-emptive Rights Agreement, Cartier granted Champion the right to participate in any private placement of Cartier shares until December 31, 2014 in order for Champion to maintain its proportionate interest in the issued and outstanding shares of Cartier. Champion also reserved the right to participate in any private placement of Cartier shares to increase its holdings of Cartier issued and outstanding shares up to 38% until Cartier has at least 30,000,000 shares issued and outstanding. Pursuant to a Board Representation and Standstill Agreement, until December 31, 2017, Champion will have the right to nominate one director to Cartier's board of directors and will be restricted from voting in certain circumstances, including not voting against the election of any nominee to the board of directors proposed by Cartier or against any resolutions supported by Cartier's board of directors, subject to certain exceptions. The Company nominated Alexander Horvath as its nominee and, on January 10, 2013, Mr. Horvath was elected to the Cartier board of directors. The agreement also provides for restrictions on sales of Cartier shares not acquired in the open market by Champion without Cartier's consent until December 31, 2017 and then limited monthly sales thereafter.

On April 25, 2013, Cartier reported assay results in its inaugural ten-hole Phase I diamond-drilling programme completed on the Penguin Lake Project. The ten NQ-diameter drill-holes, totaling 3,315 m, were designed to intersect magnetite/hematite-rich iron formation, coincident with a strong magnetic-response anomaly in the area of the catalogued "Lac Pingouin Zone 1" Occurrence (<http://sigeom.mrnf.gouv.qc.ca/> Cogite # 23C/01-0004). The Phase I drilling campaign intersected a total of 1600 metres of iron formation with an average grade of 29.5% FeT. Selected "best" intervals include: 242 m grading 25.2% FeT from hole PL13-04; 129 m grading 34.4% FeT in hole PL13-05; 112 m of 29.4% FeT encountered in hole PL13-07 and 300 m grading 33% FeT in hole PL13-10. A list of composite assay results from the drill programme can be found in Cartier's press release dated April 25, 2013, which is available on its corporate website at www.cartieriron.com and is also posted under Cartier's SEDAR filings at www.sedar.com.

On December 19, 2013, Cartier announced an initial Mineral Resource Estimate for the Penguin Lake Project. As reported by Cartier, the Mineral Resource Estimate reported 531.1 million tonnes grading 33.1% FeT of In-pit Inferred Resources at a 15% FeT cut-off grade. The Mineral Resource Estimate was completed by Abder Ladidi, P. Geo., an independent QP of MRB & Associates ("MRB") of Val-d'Or, Québec, based on 10 drill holes totalling 3,315 m, completed by Cartier in early 2013. A summary of the Mineral Resource Estimate and resource estimation methodology can be found in Cartier's press release dated December 19, 2013, which is available on their corporate website at www.cartieriron.com and is also be posted under Cartier's filings at www.sedar.com.

Significantly, the 10 drill holes that define the Mineral Resource Estimate drilled only the southern portion of the deposit. The deposit occurs in the form of a multiply refolded tightly overturned synform that produces a bowl-like shape of shallow dipping iron formation host rock. No recent drilling has been completed in the northern portion of the deposit; however, the strong correlation of magnetic response to where iron formation surfaces and a historic drill hole located in the northwest

portion of the deposit allow for projection of the modelled iron formation and an estimate of the exploration target potential¹. The interpreted 3D model of iron formation includes an additional 700 to 900 million tonnes of similar grade as suggested by the current Inferred Resource, predominantly in the undrilled portion of the deposit to the north and northwest where additional resources might be identified. Additional work to be undertaken by Cartier in the near-term at Penguin Lake includes metallurgical studies followed by a Preliminary Economic Assessment to establish the parameters required for the future development of the project.

One director and one officer of the Company are directors of Cartier.

Work towards a Rail Solution for the Fermont Holdings Projects

The Company remains committed to formulating and finalizing a suitable rail solution for its Fermont Holdings projects. On October 7, 2013, the Company reported that the an announcement by the Quebec Government regarding Quebec's Economic Policy included the initiation of a pre-feasibility study for a new third railway to transport ore from the Labrador Trough. Specifically, funds totaling up to \$20 million have been set aside for this study within the Fonds du développement nordique, which will mobilize various stakeholders for the development of a public infrastructure or its equivalent, ensuring free access at advantageous costs to interested users. The Company viewed this announcement as a significant first step to demonstrate a cost-effective solution for iron ore developers to transport ore to the Port of Sept-Îles, including from the Fermont Holdings projects.

Agreement with Sept-Îles Port Authority

On June 28, 2013, the Company provided notice to the Port terminating the agreement with the Port and requested the repayment of the long-term advance of \$6,000,000. The Company has not received the repayment of the advance and is engaged in discussions with the Port to resolve the matter.

After conducting detailed feasibility study work on a Quebec private railway project and extensive discussions with the CN during the 2011-2012 period, the Company had agreed in August 2012 to support the CN North Shore Railway proposal and signed CN's collaborative framework agreement. After the CN announcement in February 2013 that it was suspending the feasibility study for the construction of the proposed new multi-user railway and terminal handling facility, the suspended CN North Shore Railway proposal was no longer the Company's leading rail transportation strategy and the Company reactivated its alternative Quebec railway strategy. The Company commenced discussions with various potential private and public partners to develop a multi-user railway collaborative framework for the construction, financing and operation of the railway. The Company worked diligently and felt it could reach an alternative rail transportation solution prior to the July 1, 2013 payment date stipulated in its agreement with the with Port. Unfortunately, the multi-user railway collaborative framework process had not reached a critical point in terms of both public and private support by the end of June 2013 and the Company determined that it was in the Company's best interest to terminate its agreement with the Port.

The Company remains committed to developing its flagship CFLN Project and securing both transportation and port handling services that will permit the Company to place among the lowest cost iron producers in the Labrador Trough.

Exclusive Memorandum of Understanding with Takuaihan Uashat Mak Mani-Utenam Innus First Nation

On April 2, 2012, the Company announced that it had entered into a memorandum of understanding with the Takuaihan Uashat Mak Mani-Utenam Innu First Nation ("ITUM") of Uashat, Québec, located near the Port of Sept-Îles.

The memorandum of understanding confirmed that ITUM had agreed to enter into exclusive discussions with the Company in connection with the potential development of an entirely new multi-user railway and the potential creation of a partnership, the equity of which would be opened to other users, in order to design, build and manage this new railway. The objective of this new railway would be to service the iron ore industry directly linking the Fire Lake North region to the planned multi-user port facility at Pointe Noire, in Sept-Îles, Québec. The participation of ITUM in this railway project is conditional upon, among other things, the negotiation of definitive agreements between the Company and ITUM.

In connection with CN's announcement on August 10, 2012 that together with a group of five mining companies CN committed to work on a feasibility study into the construction of a proposed rail line and terminal handling facility to serve the Quebec/Labrador iron ore range, ITUM issued a press release on September 27, 2012 indicating that, without their consent, they opposed the construction of CN's proposed new multi-user railway on their territory. Subsequently, on

¹ *Exploration Target Potential is not a Mineral Resource. There is insufficient work completed to estimate the quantity and grade or quality of the exploration target on the basis of geological evidence and sampling. There is no guarantee that further exploration will define additional mineral resources from any portion of the exploration target potential.*

February 12, 2013, CN announced that it was suspending its feasibility study for the construction of its proposed new multi-user railway.

Attikamagen (Taconite-bearing Sokoman Iron Formation)

The Company owned a 100% interest in 946 claims covering 310 square kilometres in Labrador and Quebec. The Company originally acquired 4 licences covering 52 claims ("Original Claims") and acquired an additional 894 claims primarily by staking. The Original Claims are encumbered with an aggregate royalty of \$1.50 per tonne of iron content in any and all iron ore, pellets or other products produced from those claims, which royalty may be purchased for \$2,500,000.

On May 12, 2008, the Company granted an option to Labec Century Iron Ore Inc. ("Labec") to earn up to a 60% interest in Attikamagen. In order to earn its interest, Labec was to incur exploration expenditures as follows:

	Exploration expenditures
	\$
To earn 51% interest	
March 26, 2009 (incurred)	2,500,000
March 26, 2011 (incurred)	2,500,000
March 26, 2012 (incurred)	2,500,000
	<hr/> 7,500,000
To increase to 56% interest	
March 26, 2013 (incurred)	2,500,000
To increase to 60% interest	
March 26, 2014 (extended from March 26, 2013)	3,000,000
	(increased by \$500,000)
	<hr/> 13,000,000

Upon Labec earning its 60% interest, the joint venture would incur additional exploration expenditures. If a joint venturer chose not to fund its proportionate interest in the joint venture, its interest would be diluted and, when its interest reduced below 10%, its interest would be reduced solely to a 2% royalty on the sale price of all minerals mined from Attikamagen and any property within 10 kilometres of Attikamagen owned by the payer of the royalty, of which 1% could be purchased by the payer of the royalty for \$7,500,000 to reduce the royalty to 1%.

On or about May 15, 2012, Labec earned an increase in its interest in Attikamagen from 51% to 56%, leaving the Company with a 44% interest. Labec gave notice that it had incurred sufficient exploration expenditures to earn an increase in its interest in Attikamagen from 56% to 60% and to further increase its interest and dilute the Company's interest for exploration expenditures that Labec had incurred without contribution from the Company.

Effective November 29, 2013, the Company sold its remaining interest in Attikamagen to Labec, a subsidiary of Century Iron Mines Corporation ("Century"), for 2,000,000 Century common shares with a fair value of \$1,000,000 and 1,000,000 Century warrants entitling the Company to purchase one common share of Century for:

Exercise price	Exercise period
\$0.75	November 29, 2013 to November 29, 2014
\$1.00	November 30, 2014 to November 29, 2015
\$1.50	November 30, 2015 to November 29, 2016
\$2.00	November 30, 2016 to November 29, 2017
\$2.50	November 30, 2017 to November 29, 2018

The Century shares are subject to a hold period ending on November 29, 2015, after which, in the event that the Company seeks to sell Century shares, Century will have a right of first refusal to arrange sales.

Century assumed the existing royalty on Attikamagen and granted the Company a 1% royalty on the sale of minerals mined from Attikamagen until \$2,500,000 has been paid, and thereafter, a 2% royalty on the sale of minerals mined from Attikamagen.

In connection with the sale, the Company paid a 7% finder's fee consisting of 140,000 Century common shares and 70,000 Century warrants.

Powderhorn and Gullbridge (Base Metals)

The Powderhorn Lake Project ("Powderhorn") is a base metals project which consists of 115 claims covering an area of 29 square kilometres situated in the Buchans-Robert's Arm Belt in Central Newfoundland. Powderhorn is 40 km northeast of, and on strike with, the Buchans Mine Volcanogenic Massive Sulphide deposits which produced 16.2 million tonnes from 5 ore bodies with average mill head grades of 14.5% Zn, 7.6% Pb, 1.3% Cu, 126 g/t Ag and 1.4 g/t Au (source: J.G. Thurlow, 1990). Powderhorn is encumbered with a 2.85% net smelter royalty ("NSR"), of which 1.85% can be purchased by the participants for \$2,300,000 to reduce the NSR to 1.0%.

The Gullbridge base metals property is located adjacent and to the southeast of Powderhorn.

Prior to the acquisition of the remaining interest in the Powderhorn and Gullbridge projects completed on July, 26, 2013, the Company held a 70% and 51% interest, respectively, in the projects.

On July 26, 2013, the Company completed the acquisition from Copper Hill Resources Inc. (the "Vendor") of the Vendor's remaining 30% and 49% interests covering the Powderhorn and Gullbridge base metal projects, respectively. Under the terms of the acquisition agreement, Champion issued the Vendor 1,000,000 common shares from treasury and granted the Vendor a 1% royalty (the "Royalty") in the Gullbridge property, subject to the Company's right to buy-down the Royalty in its entirety at any time by electing to either pay the Vendor \$1 million or issue to the Vendor a further 1 million common shares. The Company was granted the right of first refusal on any sale, transfer, mortgage or grant of security interest or any other disposition or encumbrance in the Royalty, in whole or in part, by the Vendor, at any time.

The Powderhorn and Gullbridge projects are now wholly-owned by the Company. The Company is not undertaking any further exploration on Powderhorn and Gullbridge at this time, but will evaluate its options in connection with advancing the projects.

Financing with Baotou Chen Hua Investments Limited

On July 31, 2013, the Company completed a private placement financing with Baotou Chen Hua Investments Limited ("Baotou") for the acquisition by Baotou of 15,000,000 Units (the "Units") at a subscription price of \$0.20 per Unit for aggregate proceeds of \$3,000,000 (the "Transaction"). Baotou is a Hong Kong investment company, the principal of which is a mining entrepreneur with substantial interests in Chinese rare earth deposits and iron.

Each Unit consists of one common share and one common share purchase warrant exercisable to purchase one common share at a price of \$0.25 per share for a period of 24 months from closing.

From various discussions held with Baotou's representatives, the Company's management is confident that Baotou and its principals and affiliates have the potential to provide the Company with access to multiple end-users of iron ore in China and to Chinese companies that have a strong interest in participating in financing the Company's short-term endeavours as well as providing strategic relationships which will assist the Company in its long-term objectives. Baotou's industrial and financial contacts within China are substantial and, with Baotou's initial investment in the Company, Baotou's interests are aligned with those of the Company. The Company will be the beneficiary of Baotou providing as much assistance as possible with the introduction of its business network to the Company. The Company anticipates that this strategic investment set the stage for the Company's expanded discussions with Asian steel producers that are seeking lower risk and direct sources of iron.

Private Placement Highlights

- Baotou subscribed for 15,000,000 Units of the Company at a price of \$0.20 per Unit which resulted in Baotou holding approximately 11% of the common shares of the Company post-closing on a non-diluted basis.
- So long as Baotou holds at least 10% of the outstanding shares of the Company, Baotou will have a pre-emptive right to participate in any financing (a "Financing") to maintain its percentage interest in the outstanding common shares of the Company on a non-diluted basis. Baotou will also have a participation right which terminates 18 months from the closing date, which grants Baotou the right to participate as the initial subscriber in any Financing completed by the Company in an amount up to \$4,000,000.
- So long as Baotou holds more than 10% of the outstanding shares of the Company, Baotou will be entitled to nominate one person to the Company's Board of Directors. On October 14, 2013, Mr. James Wang was appointed to the Board of Directors as Baotou's nominee. In the event that Baotou holds more than 20% of the outstanding shares of the Company, Baotou will be entitled to nominate an additional person to the Company's Board of Directors.

- For a period of two years, Baotou will not vote its shares against the election of any nominees to the Board of Directors proposed by the Company, against any resolutions supported by the Board of Directors of the Company or in favour of any resolutions not supported by the Board of Directors of the Company, subject to certain exceptions.
- Baotou will be restricted from transferring securities of the Company for a period of one year following the closing, subject to certain exceptions and procedures. For an additional year, there will be certain conditions and restrictions on Baotou's ability to sell or transfer the Company's securities.
- Baotou has undertaken to use commercial best efforts to introduce a strategic investor for the Company to invest in its properties and the Company has agreed to co-operate with Baotou on a non-exclusive basis and to compensate Baotou if it is successful within 18 months after closing.

The proceeds of the transaction will be used to continue the feasibility study and technical work in connection with the development of the CFLN Project.

Appointments to the Board of Directors

On April 2, 2013, Messrs. Ashwath Mehra, Jean Depatie and Joseph S.C. Chan resigned as directors of the Company.

On June 24, 2013, the Company re-appointed former director Paul Ankcorn as a director of the Company and member of its Audit Committee. On August 7, 2013, the Board of Directors appointed Mr. Ankcorn to the Compensation and Nominating Committee.

On August 7, 2013 the Company also appointed Harry Burgess to its Board of Directors. Mr. Burgess, a professional engineer with global mining experience is a founder and associate of Micon International Limited, mineral industry consultants whose clients include mining and mineral exploration companies, financial institutions and government agencies from around the world.

On October 14, 2013 the Company appointed James Wang to its Board of Directors as Baotou's nominee.

Risks and Uncertainties

The Company is exposed to financing risk as it is not in commercial production on any of its mineral resource properties and, accordingly, has no revenues. The Company finances its operations by raising capital in the equity markets. Although the Company has been successful in raising funds to date, there can be no assurance that additional funding will be available in the future, particularly in light of the volatility and uncertainties associated with current financial equity markets.

The Company is exposed to the inherent risks associated with mineral exploration and development, including the uncertainty of mineral resources and their development into mineable reserves; the uncertainty as to potential project delays from circumstances beyond the Company's control; and the timing of production; as well as title risks, risks associated with joint venture agreements and the possible failure to obtain mining licences.

The Company is exposed to commodity price risk with respect to iron ore prices. A significant decline in metal commodity prices may affect the Company's ability to obtain capital for the exploration and development of its mineral resource properties.

Results of Operations

	3 months ended December 31,		9 months ended December 31,	
	2013	2012	2013	2012
	\$	\$	\$	\$
Revenue				
Interest	37,237	37,043	210,740	231,783
Gain on sale of exploration and evaluation	618,249	-	618,249	-
Gain on waiver of right of first refusal	440,000	-	440,000	-
Other income	-	-	-	58,400
	1,095,486	37,043	1,268,989	290,183
Expenses				
Professional fees	126,496	87,391	627,656	251,350
Consulting fees	307,400	261,145	1,338,525	1,026,292
Share-based compensation	239,000	-	239,000	-
General and administrative	187,240	230,801	593,817	841,144
Investor relations	471,199	322,229	1,164,286	1,008,840
Travel	170,705	121,370	399,931	252,175
Interest	8,318	-	12,263	-
Unrealized loss (gain) on investments	(72,684)	705,000	1,128,341	2,644,614
	1,437,674	1,727,936	5,503,819	6,024,415
Loss and comprehensive loss	(342,188)	(1,690,893)	(4,234,830)	(5,734,232)

9 months ended December 31

Factors that affected the loss compared to the comparative period include the following:

- decrease in other income as no management fees were earned on Attikamagen.
- gains on sale of exploration and evaluation and waiver of right of first refusal.
- increase in professional fees for legal fees related to corporate governance and transactional matters.
- increase in consulting fees for fees of \$400,000 paid to Kingsdale Shareholder Services Inc. for services related to a potential dissident shareholder action.
- decrease in general and administrative due to efforts to conserve cash.
- decrease in unrealized loss on investments in Fancamp and Cartier.

3 months ended December 31

- increase in professional fees for legal fees related to corporate governance and transactional matters.
- decrease in general and administrative due to efforts to conserve cash.
- decrease in unrealized loss on investment in Fancamp and Cartier.

Summary of Quarterly Results

	Q4 2012 \$	Q1 2013 \$	Q2 2013 \$	Q3 2013 \$	Q4 2013 \$	Q1 2014 \$	Q2 2014 \$	Q3 2014 \$
Revenue	35,337	152,832	100,308	37,043	73,426	16,878	156,504	1,095,486
Loss								
- Total	2,400,740	2,464,989	1,578,350	1,690,893	2,170,101	2,132,450	1,760,191	342,188
- Per share	0.02	0.02	0.01	0.01	0.02	0.02	0.01	-

The variation in the total loss from quarter to quarter is primarily a result of variations in gains, stock-based compensation, bonuses and unrealized loss on investments:

	Q4 2012 \$	Q1 2013 \$	Q2 2013 \$	Q3 2013 \$	Q4 2013 \$	Q1 2014 \$	Q2 2014 \$	Q3 2014 \$
Gain on sale of exploration and evaluation	-	-	-	-	-	-	-	618,249
Gain on waiver of right of first refusal	-	-	-	-	-	-	-	440,000
Stock-based compensation	-	-	-	-	-	-	-	239,000
Bonuses	1,050,000	-	-	-	-	-	-	-
Unrealized loss (gain) on investments	-	1,464,000	475,614	705,000	802,296	826,130	374,895	(72,684)

Liquidity and Capital Resources

The Company is not in commercial production on any of its mineral resource properties and, accordingly, the Company has no revenues, other than relatively small amount of interest earned on its cash balances. The Company finances its operations by raising capital in the equity markets.

The Company's monthly "burn rate" (excluding discretionary investor relations and travel expenses) is approximately \$300,000.

The Company has received an advance of \$11,000,000 against the claims for the refundable tax credit on exploration expenditures of \$13,502,212 for the years ended March 31, 2011 and 2012, pending the completion of the audit of the claims.

As reported in the Company's audited financial statements for the year ended March 31, 2013, the Company has filed for years ended March 31, 2011 and 2012, and will file for the year ended March 31, 2013, Quebec Corporation Income Tax Returns with Revenu Québec claiming a refundable tax credit on exploration expenditures and Quebec Mining Duties Returns with Ressources naturelles et Faune Québec claiming a credit on duties refundable for losses for a total of \$24,535,089. These claims are subject to audit by Revenu Québec and Ressources naturelles et Faune Québec.

While the Company has sufficient funds to meet its current commitments, the Company will require additional funding to fund its operations and the exploration of its mineral resource properties. During the year, the Company will seek to raise the necessary capital to meet its future funding requirements. Although the Company has been successful in raising funds to date, there can be no assurance that additional funding will be available.

Related Party Transactions

	9 months ended December 31, 2013 \$	Outstanding as at December 31, 2013 \$
Exploration and evaluation, geological consulting services		
Alex Horvath, Executive Vice President, Exploration and Project Development and a director, and A.S. Horvath Engineering Inc., a company controlled by him	142,500	17,104
MRB & Associates, a company controlled by Martin Bourgoïn, Executive Vice President, Operations	856,016	116,094
Jeff Hussey & Associates Inc., a company controlled by Jeff Hussey, Vice President, Development	142,500	23,046
Consulting fees		
Gambier Holdings Corp., a company controlled by Thomas G. Larsen, for his services as President and Chief Executive Officer	285,000	-
Marlborough Management Limited, a company controlled by Miles	135,000	-

	9 months ended December 31, 2013 \$	Outstanding as at December 31, 2013 \$
Nagamatsu, for his services as Chief Financial Officer		
J. Estepa Consulting Inc., a company controlled by Jorge Estepa, for his services as Vice President and Secretary-Treasurer	135,000	–
MRI Advisory AG, a company controlled by Ashwath Mehra, a director who resigned on April 2, 2013	–	20,000
Decamine Inc., a company controlled by Jean Depatie, a director who resigned on April 2, 2013	–	20,000
Vanctor Investments Limited, a company controlled by William Harding, a director	57,000	–
William Harding, a director, for director fees	20,000	–
Paul Ankcorn, a director, for director fees	20,000	–
Harry Burgess, a director, for director fees	28,645	–
Common shares		
Sheldon Huxtable Professional Corporation, a law firm controlled by Donald A. Sheldon, a director	25,020	–
Legal fees		
Sheldon Huxtable Professional Corporation, a law firm controlled by Donald A. Sheldon, a director	380,140	212,212

See *Cluster 3* on page 9 for related party transactions with Cartier.

Proposed transaction

On December 5, 2013, the Company agreed to the proposed acquisition by Mamba Minerals Limited, together with its wholly-owned subsidiary, Champion Exchange Limited (collectively, "Mamba"), of all of the issued and outstanding common shares of the Company pursuant to the terms of an arrangement agreement between the Company and Mamba ("Arrangement"). Pursuant to the Arrangement, Mamba (a) will acquire all of the issued and outstanding common shares of Champion on the basis of an exchange ratio of 0.7333333 Mamba share for each of the Company's common shares and (b) will replace each of the Company's outstanding warrants and stock option on the basis that the holder will be entitled to acquire, on equivalent terms and conditions, 0.7333333 Mamba share.

Concurrently with the closing of the Arrangement, Mamba will complete an equity financing to raise gross proceeds of at least A\$10,000,000 at a subscription price of no less than A\$0.50 per share.

The obligation of Company and Mamba to complete the Arrangement is subject to the satisfactory completion of the following conditions:

- a) Approval of the Arrangement by the shareholders of the Company and Mamba.
- b) Court approval of the Arrangement.
- c) Receipt of all required regulatory approvals including TSX and ASX.
- d) Mamba shares issuable pursuant to the Arrangement, common share purchase warrants and stock options have been approved for listing on the ASX.
- e) Receipt of TSX conditional approval for listing of the Mamba shares.
- f) Repayment of the Company's convertible note of \$203,945.
- g) Mamba completes an equity financing to raise gross proceeds of at least A\$10,000,000 at a subscription price of no less than A\$0.50 per share.
- h) Mamba converts Mamba performance shares on the basis of an exchange ratio of 1 Mamba share for 10 Mamba performance shares, subject to a minimum acceptance by 77% of Mamba performance shareholders holding and tendering not less than 77% of the outstanding Mamba performance shares.

The Board of Directors has recommended that its security holders vote in favour of the Arrangement. In the event that (i) Mamba terminates the Arrangement as a result of the Company withdrawing, amending or qualifying such recommendation in a manner adverse to Mamba, or (ii) the Company enters into a definitive agreement in respect of a proposal superior to the Arrangement, the Company shall pay a termination fee of \$1,000,000. If Mamba terminates the Arrangement Agreement due to a breach by the Company, the Company shall pay the fees, costs and expenses incurred by Mamba up to a maximum of \$1,000,000.

On February 7, 2014, the Company obtained an interim order from the Ontario Superior Court of Justice (Commercial List) authorizing the holding of a special meeting (the "Meeting") of the Company's shareholders and optionholders and matters relating to the conduct of the Meeting. At the Meeting, the Company's securityholders will be asked to consider and, if thought fit, approve a special resolution relating to the Arrangement.

Changes in Accounting Policies including Initial Adoption

New standards and interpretations not yet adopted

The following amendment to standards and interpretations is effective for periods beginning on or after January 1, 2015:

IFRS 9, Financial Instruments ("IFRS 9")

IFRS 9 addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, *Financial Instruments - Recognition and Measurement*, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

IFRS 9 is expected to have an effect on the financial statements of the Company. The Company has not determined the extent of the impact of this standard and does not plan to early adopt this new standard.

Critical Accounting Estimates

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

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

Estimates

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

Fair value of investment in warrants and common share purchase warrants

The Company uses the Black-Scholes option pricing model in determining the fair value of its investment in warrants and common share purchase warrants, which requires a number of assumptions to be made, including the risk-free interest rate, expected life, forfeiture rate and expected share price volatility. Consequently, actual fair value of its investments in warrants and warrants may vary from the amounts estimated.

Impairment of exploration and evaluation

Expenditures on exploration and evaluation are initially capitalized with the intent to establish commercially viable reserves. The Company makes estimates about future events and circumstances in determining whether any indicators of impairment exist.

Share-based payments

The Company uses the Black-Scholes option pricing model in determining share-based payments, which requires a number of assumptions to be made, including the risk-free interest rate, expected life, forfeiture rate and expected share price volatility. Consequently, actual share-based compensation and warrant valuations may vary from the amounts estimated.

Deferred income taxes

Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates at the reporting date in effect for the period in which the temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized as part of the provision for income taxes in

the period that includes the enactment date. The recognition of deferred income tax assets is based on the assumption that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

Financial instruments and risk management

Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Cash and cash equivalents, short-term investments, advance, due from Cartier and accounts payable and accrued liabilities

The fair values of cash and cash equivalents, short-term investments, advance, due from Cartier and accounts payable and accrued liabilities approximate their carrying value due to their short term to maturity.

Investments

The fair values of the investment in common shares of Fancamp, Cartier, Century and Lamêlée are measured at the bid market price on the measurement date.

The fair value of the investment in common share purchase warrants of Fancamp, Century and Lamêlée are measured using a Black-Scholes option pricing model. Measurement inputs include share price on the measurement date, exercise price, expected volatility (based on historical volatility), expected life, expected dividends and the risk-free interest rate (based on government bonds).

Stock options

The fair value of stock options is measured using a Black-Scholes option pricing model. Measurement inputs include share price on grant date, exercise price, expected volatility (based on historical volatility or historical volatility of securities of comparable companies), weighted average expected life and forfeiture rate (both based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds).

Classification of fair value of financial instruments

The Company classified the fair value of its financial instruments measured at fair value according to the following hierarchy based on the amount of observable inputs used to value the instrument:

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

As at December 31, 2013

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial asset at fair value through profit and loss				
Cash and cash equivalents and short-term investments	8,141,628	–	–	8,141,628
Investment in Fancamp				
Common shares	1,100,000	–	–	1,100,000
Common share purchase warrants	–	4,000	–	4,000
Investment in Cartier				
Common shares	446,000	–	–	446,000
Investment in Century				
Common shares	837,000	–	–	837,000
Common share purchase warrants	–	161,000	–	161,000
Investment in Lamêlée				
Common shares	500,000	–	–	500,000
Common share purchase warrants	–	60,000	–	60,000

Financial risk management

The Company's activities expose it to a variety of financial risks that arise as a result of its exploration, development, production and financing activities, including credit risk, liquidity risk and market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these interim condensed financial statements.

The Board of Directors oversees management's establishment and execution of the Company's risk management framework. Management has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities.

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the Company's cash and cash equivalents, short-term investments and due from Cartier. The Company limits its exposure to credit risk on its cash and cash equivalents by holding its cash and cash equivalents and short-term investments in deposits with high credit quality Canadian chartered banks. The Company is able to limit the credit risk on the amount due from Cartier by settling the amount in common shares of Cartier.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial liabilities that are settled in cash or other financial assets. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities as they come due. The amounts for accounts payable and accrued liabilities are subject to normal trade terms.

Market risk

Market risk is the risk that changes in market prices, such as equity prices, foreign exchange rates and interest rates will affect the Company's income or the value of its financial instruments. The Company is exposed to equity price risk with respect to investments. The Company estimates that if the fair value of its investments as at December 31, 2013 had changed by 10%, with all other variables held constant, the loss would have decreased or increased by approximately \$312,000.

Interest rate risk

The Company's exposure to interest rate risk is limited due to the short-term nature of its financial instruments.

Capital management

Capital of the Company consists of capital stock, warrants, contributed surplus and deficit. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can acquire, explore and develop mineral resource properties for the benefit of its shareholders. The Company manages its capital structure and makes adjustments based on the funds available to the Company in light of changes in economic conditions. The Board of Directors has not established quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain the future development of the Company. In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that consider various factors, including successful capital deployment and general industry conditions. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company's principal source of capital is from the issue of common shares. In order to achieve its objectives, the Company intends to raise additional funds as required.

The Company is not subject to externally imposed capital requirements and there were no changes to the Company's approach to capital management during the year.

Controls and Procedures

The Chief Executive Officer and Chief Financial Officer have designed disclosure controls and procedures ("DC&P") to provide reasonable assurance that material information relating to the Company is made known to them by others within the Company, particularly during the period in which the interim filings are being prepared. The Chief Executive Officer and Chief Financial Officer have also designed internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and preparation of the financial statements in accordance with Canadian generally accepted accounting principles.

The Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Company's DC&P and ICFR and concluded that they are ineffective due to the weakness discussed below. As the Company has a limited number of personnel, management has concluded that a weakness exists in the design of internal controls over financial reporting caused by a lack of adequate segregation of duties. This weakness has the potential to result in material misstatements in the Company's financial statements and should also be considered a weakness in its disclosure controls and procedures. Management has concluded that, taking into account the present stage of the Company's development and the best interests of its shareholders, the Company does not have sufficient size and scale to warrant the hiring of additional personnel to correct this weakness at this time. To help mitigate the impact of this weakness and to ensure quality financial reporting, there are additional supervisory controls exercised by management and audit committee oversight. Commencing with the interim financial statements for the 6 months ended September 30, 2012, interim financial statements are being reviewed by the Company's auditors.

Shares Outstanding at February 13, 2014

Shares

Authorized: Unlimited number of common shares.

Outstanding: 137,895,609 common shares.

Warrants

Outstanding:

Common share warrant exercise price	Expiry date	Warrants outstanding
\$3.00	May 17, 2015	7,000,000
\$0.30	July 31, 2015	15,000,000
		22,000,000

The 7,000,000 common share purchase warrants entitling Fancamp to purchase one common share for \$3.00 are non-transferable and can be exercised only between November 17, 2014 and May 17, 2015, provided that if the weighted-average closing price of the common shares is over \$4.00 for 20 consecutive trading days, the warrants must be exercised within 30 calendar days of the Company providing written notice to Fancamp to accelerate the expiry date, or they will be cancelled. In the event that Fancamp provides notice within 10 days of the receipt of the Company's notice that Fancamp does not have sufficient funds to exercise the Champion Warrants, the Company will advance a loan to Fancamp to fund the exercise of such warrants. The loan will be secured by Fancamp's interest in the Royalty on the Fermont Holdings and the shares acquired on exercise of the warrants.

In the event that Fancamp is not able to obtain shareholder approval for a change in control in the event that the Company exercises the Fancamp Warrants, Fancamp has agreed that it will only exercise warrants equal to the number of Fancamp Warrants exercisable by the Company divided by 5.

Stock options

Authorized:

The Company may grant up to 15,000,000 stock options to directors, officers, employees and consultants that vest on the date of grant for a term not exceeding 5 years. At December 31, 2013, 4,740,000 stock options are available to be granted.

Outstanding:

Exercise price	Expiry date	Options outstanding and exercisable
\$0.30	September 16, 2014	1,145,000
\$0.33	September 24, 2014	152,500
\$0.405	November 9, 2014	50,000
\$0.80	January 14, 2015	1,375,000
\$0.85	February 2, 2015	50,000
\$1.00	March 2, 2015	350,000
\$1.00	October 3, 2015	2,100,000
\$1.00	October 4, 2015	250,000
\$1.50	October 4, 2015	500,000
\$2.17	January 10, 2016	150,000
\$1.50	September 9, 2016	1,025,000
\$0.40	December 20, 2016	1,600,000
\$1.30	December 23, 2016	922,500
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		9,670,000