

# **Champion Iron 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 Limited (the "Company") for the 6 months ended September 30, 2015 and should be read in conjunction with the condensed interim consolidated financial statements and the accompanying notes. The MD&A is the responsibility of management and is dated as of November 12, 2015.

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](http://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, through its wholly-owned subsidiary Champion Iron Mines Limited ("Champion"), is an 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 a reporting issuer in Ontario, Alberta, British Columbia, Saskatchewan, Manitoba, New Brunswick, Prince Edward Island, Newfoundland and Nova Scotia and its Ordinary Shares are listed for trading on the Australian Stock Exchange and the Toronto Stock Exchange under the symbol CIA.

### **Overall Performance**

The Company's immediate term focus is on completing a full feasibility study ("Feasibility Study") for the development of a long-life, low-cost operation at the Consolidated Fire Lake North Property ("Consolidated Fire Lake North" or "CFLN") yielding 9.3Mtpa of concentrate at 66% Fe. The Company continued work on reviewing and preparing the Feasibility Study which is targeted for completion during the final quarter of calendar 2015. The major improvements targeted are the increase in iron recovery with a better recovery circuit and the decrease in stripping ratio resulting from the new data from the 2014 geotechnical drill hole campaign. Champion is also in discussion with major equipment suppliers to develop a long term partnership from the Feasibility Study to the start-up/ramp-up phases of the CFLN project.

The Company expended approximately \$410,000 on exploration activity on the CFLN project during the 6 months ended September 30, 2015. Following the completion of the exploration phase of the CFLN project, the exploration camp at the Fire Lake North site has been dismantled in order to minimize costs.

Previously, on October 27, 2014, the Company announced that P&E Mining Consultants completed an independent audit of the CFLN project database and produced an updated Mineral Resource Estimate of over 1.2 billion tonnes, including 755 million tonnes of Measured and Indicated metallurgical coarse grained hematite mineralization for CFLN in compliance with Joint Ore Reserves Committee ("JORC")<sup>1</sup> and National Instrument 43-101 ("NI 43-101") guidelines.

In connection with working towards a rail solution, Champion is the general partner and a limited partner in La Société ferroviaire du Nord québécois, société en commandite ("SFNQ"). The other limited partners in the SFNQ are the Government of Québec and Lac Otehluk Mining Ltd., a joint arrangement between Adriana Resources Inc. and WISCO

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<sup>1</sup> The Company is not aware of any new information or data that materially affects the information included in the JORC report and confirms that all material assumptions and technical parameters underpinning the estimates in the JORC Resource & Reserve statement continue to apply and have not materially changed.

International Resources Development & Investment Limited. SFNQ was formed as a partnership of government and industry to complete a feasibility study for the construction of a new multi-user rail link giving mining projects in the Labrador Trough access to the port at Sept-Îles at the lowest possible cost. The Government of Québec has set aside a maximum of \$20,000,000 from its Plan Nord Fund to contribute to SFNQ, while the Company's contribution will consist of previously incurred costs of a minimum of \$5,000,000 and a maximum of \$6,000,000, with the final amount to be determined by an audit of the previously incurred costs.

On June 25, 2015 the Company completed an arrangement to reduce the NSR on the Fermont Holdings (as defined in *Fermont Property Holdings* section below), including Champion's flagship CFLN project, from 3% to 1.5% by paying \$50,000 on closing and \$250,000 on October 25, 2015.

### ***Fermont Property Holdings***

Through its wholly-owned subsidiary Champion, the Company owns a 100% interest in 12 properties (each a "Property"), covering 795 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.

The Fermont Holdings are subject to a 1.5% Royalty payable to an arm's length party.

The Fermont Holdings are grouped into three clusters from north to south, termed Clusters 1, 2 and 3, as outlined in Table 1 below and Map 1 on page 4. The Company recently enhanced the Fermont Holdings by staking strategic claims including 4 claims located at the centre of the original Fire Lake North Property, while also acquiring 10 additional claims in the between the O'Keefe-Purdy and CFLN Property. The 4 claims located within the Fire Lake North Property claim group will provide significant flexibility in the design of overburden, rock and tailings waste dumps by reducing transport distance from the proposed mine and/or process plant.

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.

Table 1 sets out the current National Instrument 43-101 ("NI 43-101") compliant In-Pit Mineral Resource Estimates for the Fermont Holdings by Property<sup>1</sup>:

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Table 1: In-Pit Mineral Resource Estimates – Fermont Holdings

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	<b>Lac Moire</b>	-	-	<b>163.9</b>	<b>30.5</b>	<b>416.9</b>	<b>29.4</b>
Consolidated Fire Lake North	2	Fire Lake North-West	28.4	35.5	441.5	32.2	307.9	32.7
		Fire Lake North-East	12.0	31.2	273.5	30.2	153.1	30.0
		Fire Lake North-Don Lake	0.4	21.4	52.1	26.5	186.8	25.3
		<b>Subtotal-Fire Lake North</b>	<b>40.8</b>	<b>34.1</b>	<b>767.1</b>	<b>31.1</b>	<b>647.8</b>	<b>29.9</b>
		Oil Can (Oxide)	-	-	-	-	967.0	33.2
		Oil Can (Mixed)	-	-	-	-	912.0	24.1
		Bellechasse	-	-	-	-	177.2	29.2
		Midway	-	-	-	-	-	-
		<b>Total -CFLN</b>	<b>40.8</b>	<b>34.1</b>	<b>767.1</b>	<b>31.1</b>	<b>2,704.0</b>	<b>29.1</b>
Harvey-Tuttle	2	<b>Harvey-Tuttle</b>	-	-	-	-	<b>749.0</b>	<b>23.6</b>
O'Keefe-Purdy	2		-	-	-	-	-	-
Hope Lake	2		-	-	-	-	-	-
Casse Lake	2		-	-	-	-	-	-
Claire Lake	2		-	-	-	-	-	-
Aubrey-Ernie <sup>2</sup>	3		-	-	-	-	-	-
Big Three Lake	3		-	-	-	-	-	-
Aubertin-Tougard Lakes	3		-	-	-	-	-	-
Jeannine Lake <sup>2</sup>	3		-	-	-	-	-	-
Silicate-Brutus Lakes	3		-	-	-	-	-	-
Penguin Lake <sup>2</sup>	3	<b>Penguin Lake</b>	-	-	-	-	<b>531.2</b>	<b>33.1</b>
Black Dan <sup>2</sup>	3		-	-	-	-	-	-
<b>Fermont Holdings In-Pit Resource Totals</b>			<b>40.8</b>	<b>34.1</b>	<b>931.0</b>	<b>31.0</b>	<b>4,401.1</b>	<b>28.7</b>

<sup>1</sup> 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.

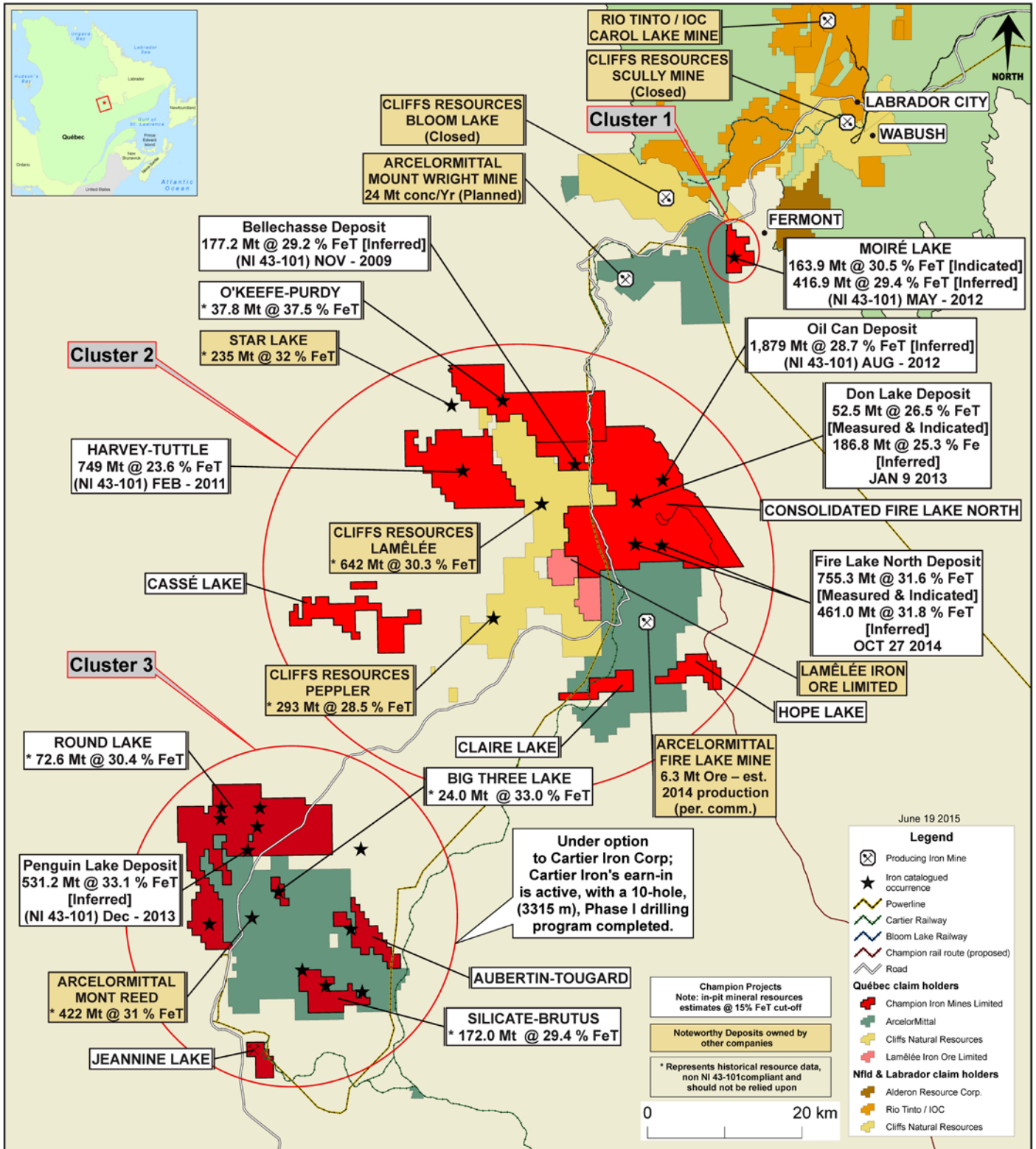
<sup>2</sup> Currently under option to Cartier Iron Corporation.

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Map 1 – Fermont Holdings



# QUÉBEC HOLDINGS



Copies of the NI 43-101 Mineral Resource Estimate reports for Consolidated Fire Lake North, Moire Lake, Bellechasse and Harvey-Tuttle are available under Champion's filings on SEDAR at [www.sedar.com](http://www.sedar.com) and a copy of the NI 43-101 Mineral Resource Estimate report for Penguin Lake is available under Cartier Iron Corporation's filings on SEDAR.

### ***Consolidated Fire Lake North – Exploration and Development Activity***

In the 6 months ended September 30, 2015, the Company expended approximately \$410,000 on exploration activity at the CFLN project. Following the completion of the exploration phase of the CFLN project, the exploration camp at the Fire Lake North site has been dismantled in order to minimize costs.

Previously, on October 27, 2014, the Company announced that P&E Mining Consultants completed an independent audit of the CFLN project database and produced an updated Mineral Resource Estimate of over 1.2 billion tonnes, including 755 million tonnes of Measured and Indicated metallurgical coarse grained hematite mineralization for CFLN in compliance with JORC<sup>2</sup> and NI 43-101 guidelines.

Champion has selected Australian-based Mineral Technologies to undertake a testwork study to improve the concentrate quality and iron recovery from the CFLN prefeasibility results. Previous testwork with a 3 stage spiral circuit produced a 65% iron concentrate with an 82% iron recovery. Champion's objective is to modify the flowsheet to achieve a 67% iron concentrate with an 85% iron recovery. These improvements would position Champion's concentrate as one of the highest quality sinter feeds. The study has not yet commenced.

### ***Consolidated Fire Lake North – 2013 Prefeasibility 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 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, Champion announced the results from its Prefeasibility Study ("PFS") for the Fire Lake North West and East deposits of the CFLN project that was performed by BBA Inc. 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 used in the PFS 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.

The financial model illustrates the robust economics of the Fire Lake North 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 profiles 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-Îles) for the first 5 years, and \$110 per tonne for years 6 to 20. 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 was not at a feasibility study precision level in the PFS is a proposed multi-user rail infrastructure component.

In order to complete the PFS in a timely manner, Champion 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

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<sup>2</sup> The Company is not aware of any new information or data that materially affects the information included in the JORC report and confirms that all material assumptions and technical parameters underpinning the estimates in the JORC Resource & Reserve statement continue to apply and have not materially changed.

iron concentrate. This is a higher cost than the estimated rates for a 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-Îles multi-user Port facility project that is currently in construction and planned for completion in 2015. However, subsequent to the release of the PFS, on June 28, 2013, Champion terminated the July 2012 agreement related to the multi-user port facilities proposed at Pointe Noire, Sept-Îles, Quebec (see Sept-Îles Port Authority section below).

Table 2 below details the PFS pre-production capital costs:

<b>Table 2: Pre-production Capital Costs</b>	
	<b>C\$ million</b>
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 as per the PFS are outlined in Table 3:

<b>Table 3: Operating Costs</b>	<b>(\$/Tonne of Concentrate)</b>	
	<b>Average 20 years</b>	<b>Average years 1 to 5</b>
<b>Cost Parameters</b>		
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 <sup>1</sup>	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

<sup>1</sup> Subsequent to the release of the PFS, on June 28, 2013, Champion terminated the July 2012 agreement related to the multi-user port facilities proposed at Pointe Noire, Sept-Îles, Quebec.

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.

Results from the PFS indicate that the CFLN project is a 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. The 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, Champion terminated the July 2012 agreement related to the multi-user port facilities proposed at Pointe Noire, Sept-Îles, Quebec. 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.

#### Work towards a Rail Solution

Champion is a founding partner in SFNQ which is open to all miners in the region. The other partners in SFNQ are the Government of Québec and Lac Oteluk Mining Ltd., a joint arrangement between Adriana Resources Inc. and WISCO International Resources Development & Investment Limited. SFNQ was formed as a partnership of government and industry and has oversight of the work contributing to the feasibility study for the construction of a new multi-user rail from the port at Sept-Îles to the Labrador Trough. The Government of Québec has set aside a maximum of \$20,000,000 from its Plan Nord Fund to contribute to the SFNQ, while the Company's contribution will consist of previously incurred costs of a minimum of \$5,000,000 and a maximum of \$6,000,000, with the final amount to be determined by an audit of the previously incurred costs.

SFNQ completed the tender process for a Feasibility study on the first phase of a new multi-user railway that would link the new Pointe Noire port facilities at the Port of Sept-Îles to Fire Lake North and other miners in the Fermont area. The contract was awarded to Canarail Consultants Inc. ("Canarail"). The contract is currently being amended to include the phase 1B segment extending the proposed rail from Fire Lake North to Bloom Lake allowing access to a greater number of potential users in the Labrador Trough.

Canarail's September 2015 monthly report of activities estimated the feasibility study for phase 1A was at 88% completion. Remaining geotechnical investigations required near the Port area will be completed when all permits have been received in the coming weeks. The SFNQ has temporarily suspended permitting activities for the proposed phase 1B portion of the feasibility study. The proposed phase 1B portion would extend the rail line from Fire Lake North to Bloom Lake.

A review of the initially proposed phase 1B railway alignment revealed it might be further optimized to have less environmental impact, provide better access for potential clients and potentially facilitate both north and southbound service for loaded cars.

Options for the phase 1B alignment are currently being reviewed for the SFNQ Board. When the optimized alignment has been approved by the SFNQ Board, permitting activities required to complete the site investigations for the feasibility study will be re-initiated.

#### Sept-Îles Port Authority

On July 13, 2012, the Company signed an agreement ("Agreement") with the Port to reserve annual loading capacity of 10 million metric tons of iron ore for an initial term of 20 years with options to renew for 4 additional 5-year terms. Pursuant to the Agreement, the Company was to pay \$25,581,000 and take-or-pay payments as an advance on the Company's future shipping, wharfage and equipment fees. The Company provided the Port with irrevocable guarantees in the form of a deed of hypothec regarding its mining rights, title and interest over Moire Lake and Don Lake ("Mining Rights") to secure its obligations under the Agreement.

On June 28, 2013, the Company sent to the Port a notice of termination of the Agreement and requested the repayment of the \$6,000,000 that had already been advanced ("Advances"). The Port registered a notice of hypothecary recourse dated August 22, 2013 ("Notice") that requested the Company to surrender the Mining Rights and advised of its intention to have the Mining Rights sold under judicial authority. The Notice alleges that the Company is in default of a payment of \$19,581,000, accrued interest of \$4,522,182 up to August 22, 2013, and thereafter, *per diem* interest of \$10,729. Since then, the Port has taken no further legal action.

Based on the advice of its legal counsel, the Company believes that it was entitled to terminate the Agreement, the Company would be entitled to the repayment of the Advances and the Port would not be entitled to any payment under the Agreement or recover the loss of profits. Accordingly, no amount has been recorded as a liability in the consolidated

financial statements.

Consolidated Fire Lake North – Ongoing Development

During the 6 months ended September 30, Champion made the following expenditures on CFLN:

	2015	2014
	\$	\$
<b>Expenditure</b>		
Data acquisition	202,641	2,116,107
Mineral resource estimate studies	–	19,254
Exploration facilities and supplies	100,226	365,052
Exploration transportation	10,200	3,409
Exploration expenditures	9,425	126,738
Mineral processing tests	9,562	28,858
Environmental	8,257	6,016
Feasibility study	–	821,336
Geotechnical studies	–	790,023
Community, investor and public relations	70,000	232,660
Rail study	–	46,522
Project management	276,805	556,596
Other	8,854	37,332
	<hr/> 695,970	<hr/> 5,149,903

With the completion of the PFS in early 2013 (see Consolidated Fire Lake North Property – Preliminary Feasibility Study above), Champion has significantly curtailed development and exploration-related expenditures at CFLN. 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 project is on-going. Other CFLN deposits, such as Oil Can (see Table 1), are within a reasonable distance to the Fire Lake North deposits 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 intends to finance its Feasibility Study from its working capital resources.

***Other Fermont Holdings***

***Cluster 1 - Moire Lake Property***

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.

Further exploration at Moire Lake has been deferred in order to better allocate available capital resources on the Company's higher priority project at CFLN.

**Cluster 2 - Harvey-Tuttle Property and Other Properties**

In addition to the NI 43-101 Mineral Resource Estimates at CFLN (including the Fire Lake North, Oil Can and Bellechasse deposits) the Company has additional compliant resources in Cluster 2. On February 28, 2011, Champion 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.



Further exploration at Harvey Tuttle has been deferred in order to better allocate available capital resources on the Company's higher priority project at CFLN.

**Cluster 3- Cartier Iron Corporation Option**

On September 28, 2012, Champion 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:

	<b>Option payments \$</b>	<b>Common shares</b>	<b>Exploration expenditures \$</b>
Upon execution of agreement (issued)	–	1,000,000	–
Upon conditional approval from a stock exchange for the listing of the common shares of Cartier (paid)	100,000	–	–
December 10, 2013 (paid, issued and incurred)	150,000	500,000	500,000
Extended from December 10, 2014 to the date that Cartier received its refundable tax credit on eligible expenditures incurred in Québec for the year ended December 31, 2013 (paid, issued and incurred)	250,000	500,000	750,000
December 10, 2015	250,000	500,000	–
December 10, 2016	250,000	–	4,750,000
	<b>1,000,000</b>	<b>2,500,000</b>	<b>6,000,000</b>

Upon Cartier earning its 65% interest, a joint venture will be formed to incur additional exploration expenditures. If Champion 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 Champion 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.

At September 30, 2015, the Company compared the carrying value of the investment in Cartier to the fair value less costs to sell the common shares of Cartier, as indicated by the trading price on the Canadian Securities Exchange. As the carrying value exceeded the fair value, the Company recorded an impairment loss of \$512,000.

At September 30, 2015, the Company holds 11,019,970 common shares of Cartier, representing 33% of the issued and outstanding common shares of Cartier and 6,176,470 warrants entitling the Company to purchase one common share of Cartier for \$0.22 until April 17, 2016. If the average closing price of common shares of Cartier is greater than \$0.40 for 20 consecutive business days, the warrants must be exercised within 10 calendar days of Cartier providing written notice (or such longer period as Cartier may provide), or they will be cancelled.

The holdings of the Company in Cartier are subject to the terms of a pre-emptive rights agreement and an agreement respecting board representation rights and standstill obligations entered into on December 10, 2012.

Until December 31, 2017, the Company shall not sell common shares of Cartier without the prior written consent of Cartier, and thereafter, the Company shall not sell more than 2,000,000 common shares during any 30-day period.

Until December 31, 2017, provided that the Company owns at least 10% of the outstanding common shares of Cartier:

- a) Cartier shall take all commercially reasonable steps to have a nominee of the Company elected as a director ("Nominee") the board of directors of the Company ("Board").
- b) The Company shall not vote against any shareholder resolution recommended by the Board, except in the event that the Nominee dissented when the Board approved a shareholder resolution that proposes to: (i) reduce the voting or dividend rights of the common shares; (ii) issue shares which carry a number of votes proportionately greater than the capital to be represented thereby or which carry dividend rights at a rate which would substantially impair the dividends ordinarily payable on the common shares; and (iii) approve a transaction with an arm's length third party, which must be passed by at least two-thirds of the votes cast and in respect of which a shareholder has dissent rights.
- c) The Company shall not vote in favour of the election of nominees to the Board who are not proposed by the then Board.

- d) The Company shall not (i) participate in a take-over bid for any securities of Cartier; (ii) solicit proxies from any shareholder or attempt to influence the voting by any shareholders other than in support of initiatives recommended by the Board or (iii) seek to influence or control the management, Board or the policies or affairs of Cartier; or (iv) make any public or private announcement or disclosure with respect to the foregoing.

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 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](http://www.cartieriron.com) and is also be posted under Cartier's filings at [www.sedar.com](http://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 potential<sup>3</sup>. 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.

On March 24, 2014, Cartier announced that it had engaged BBA Inc. to complete a Preliminary Economic Assessment ("PEA") of the Penguin Lake Project. On November 28, 2014, Cartier announced that with the responsible allocation of capital funds at the forefront of its exploration strategies, it was re-scoping its current PEA study in order to incorporate the forthcoming findings from the multi-user rail feasibility study. While the rail study proceeds through 2015, Cartier will continue with metallurgical testwork studies and focus on base-case process flowsheet aspects for the Penguin Lake deposit. Metallurgical test results announced by the Cartier on April 28, 2015, indicate that the iron at the Penguin Lake deposit will be most efficiently liberated by a 2-stage process designed to yield iron-fines to produce a final sinter product.

The metallurgical tests were targeted towards producing a concentrate of 65% iron (Fe) and 4.5% silica (SiO<sub>2</sub>) from an average sample-grade of 30% Fe. Stage-1 gravimetric separation tests by Wilfley Table on 18 samples returned average grades of 65.3% Fe, 4.5% SiO<sub>2</sub> and 1.1% MgO. Iron concentrate of similar grade (65% Fe / <4.5% SiO<sub>2</sub>) will be sought from the second-stage regrinding and magnetic separation process. Additional tests to determine the process model for optimal second-stage iron recovery are on-going. Overall iron recoveries of >80% are targeted for the 2-stage circuit. The maximum 4.5% SiO<sub>2</sub> content for the Penguin Lake concentrate is a value imposed by Cartier, guided by today's selective-market requirement for the highest-quality iron concentrate.

On August 13, 2015, Cartier Iron announced the commencement of a helicopter-supported, four hole diamond-drilling programme on the Round Lake property designed to test magnetite/hematite-rich members of the Sokoman (iron) Formation that underlie the property at the Black Dan, Hearts Lake, Thémines #2 and Lac Penguin West occurrences.

Cartier is currently evaluating further exploration programs at the Cluster 3 Properties while managing its capital resources to ensure it has sufficient capital to support its ongoing operations. Further exploration and development of the Cluster 3 Properties are contingent upon Cartier raising an adequate amount of financing.

One director of the Company is a director of Cartier.

### **Powderhorn and Gullbridge**

The Company owns a 100% interest in

- (a) Powderhorn, 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 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%.
- (b) Gullbridge in the Buchans Mining Camp, Newfoundland.

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<sup>3</sup> 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.

The Company has not budgeted nor planned any substantive expenditure on further exploration for and evaluation of mineral resources for Powderhorn and Gullbridge. Accordingly, for the year ended March 31, 2015, the Company recorded impairment losses of \$1,645,065 and \$1,286,599 to write off Powderhorn and Gullbridge, respectively.

### **Snelgrove Lake**

The Company has an option to acquire a 100% interest in 5 licenses covering 106 square kilometres located approximately 55 kilometres southeast of Schefferville, Newfoundland. Snelgrove Lake is encumbered with a 3% gross sales royalty. In order to earn its interest, the Company must issue Performance Shares, grant options, make option payments and incur exploration expenditures, as follows:

	<b>Issue Performance shares</b>	<b>Grant options</b>	<b>Option payments A\$</b>	<b>Option payments \$</b>	<b>Exploration expenditures \$</b>
October 2012 (issued and paid)	32,000,000	17,000,000	425,000	410,000	–
March 11, 2014 (incurred)	–	–	–	–	3,250,000
August 1, 2018	–	–	–	5,750,000	3,250,000
	<b>32,000,000</b>	<b>17,000,000</b>	<b>425,000</b>	<b>6,160,000</b>	<b>6,500,000</b>

Up to September 30, 2015, the Company has incurred exploration expenditures of approximately \$6,400,000.

The decision to exercise the option will depend on the economic viability of Snelgrove Lake and the capacity to finance its development. Given the advanced stage of CFLN and the significant funds that will be required for its development, there is no certainty that the option for Snelgrove Lake Project will be exercised. Accordingly, prior to the completion of the Arrangement, the Company recorded an impairment loss of \$10,038,754 to write off the balance of Snelgrove Lake.

### **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 iron ore prices may affect the Company's ability to obtain capital for the exploration and development of its mineral resource properties.

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## Results of Operations

	3 months ended September 30,		6 months ended September 30,	
	2015	2014	2015	2014
	\$	\$	\$	\$
<b>Other income</b>				
Interest	8,223	35,478	76,087	57,808
Other	141,005	–	290,824	–
	149,228	35,478	366,911	57,808
<b>Expenses</b>				
Professional fees	132,162	177,262	148,412	238,389
Salaries	95,670	256,294	195,502	559,775
Consulting fees	140,420	516,204	277,367	864,414
Share-based compensation	66,835	122,700	132,232	407,426
General and administrative	203,452	579,146	413,160	904,646
Investor relations	15,747	122,274	29,068	346,836
Travel	94,077	152,371	152,808	434,748
Exploration	13,250	–	14,150	–
Foreign exchange loss (gain)	11,569	(124,661)	16,430	(310,902)
Unrealized loss on investments	219,600	569,600	553,500	2,008,113
Impairment of investment in associate	512,000	–	512,000	–
	1,504,783	2,371,190	2,444,628	5,453,445
Loss before share of net loss of an associate	(1,355,555)	(2,335,712)	(2,077,718)	(5,395,637)
Share of net loss of associate accounted for using the equity method	(129,941)	(13,063)	(209,615)	(13,063)
Loss	(1,477,496)	(2,348,775)	(2,287,333)	(5,408,700)

### 6 months ended September 30

The decrease in professional fees, salaries, consulting fees, general and administrative, investor relations and travel expenses reflect the Company's efforts to reduce expenditures to conserve cash.

### 3 months ended September 30

The decrease in professional fees, salaries, consulting fees, general and administrative, investor relations and travel expenses reflect the Company's efforts to reduce expenditures to conserve cash.

### Summary of Quarterly Results

	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016
	\$	\$	\$	\$	\$	\$	\$	\$
Other income	1,095,486	(39,166)	22,331	35,478	2,174	256,722	217,682	149,288
Loss								
- Total	342,188	44,358,068	3,059,922	2,348,775	1,424,398	5,007,011	801,837	1,485,496
- Per share	–	0.44	0.02	0.01	0.01	0.03	0.004	0.007

The decrease in the loss for Q1 2016 reflects the Company's efforts to reduce expenditures to conserve cash.

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

	Q3 2014 \$	Q4 2014 \$	Q1 2015 \$	Q2 2015 \$	Q3 2015 \$	Q4 2015 \$	Q1 2016 \$	Q2 2016 \$
Gain on sale of exploration and evaluation	618,249	—	—	—	—	—	—	—
Gain on waiver of right of first refusal	440,000	—	—	—	—	—	—	—
Stock-based compensation	239,000	—	284,726	122,700	87,244	220,081	65,397	66,385
Unrealized loss (gain) on investments	(72,684)	(1,867,865)	1,438,512	569,600	527,600	(14,500)	333,900	219,600
Impairment of investment in associate	—	—	—	—	—	794,000	—	512,000
Reverse acquisition transaction cost	—	(3,811,438)	—	—	—	—	—	—
Impairment of exploration and evaluation	—	—	—	—	—	(2,933,664)	—	—
Impairment of goodwill	—	(41,177,744)	—	—	—	—	—	—

### 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" is approximately \$205,000 for expenses and \$110,000 for exploration and development.

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

	6 months ended September 30, 2015 \$	Outstanding as at September 30, 2015 \$
<b>General and administrative</b>		
Welcome Hotel, a company controlled by Michael O'Keeffe, a director	27,270	—

See *Cluster 3* on page 7 for related party transactions with Cartier.

The Company recorded other income of \$264,000 for management services provided in its capacity of general partner of SFNQ. As at September 30, 2015, \$152,852 was due from SFNQ.

## Remuneration of key management personnel

6 months ended September 30, 2015	Short term \$				Post employment \$	Equity settled share based \$	Total \$	Performance related	Consisting of shares and options
	Salary	Consulting fees	Bonus	Non- monetary					
Michael O'Keeffe	78,438	–	–	–	(e) 7,452	49,563	135,453	–	36.6%
Gary Lawler	37,500	–	–	–	(e) 3,564	–	41,064	–	–
Andrew Love	37,500	–	–	–	(e) 3,564	–	41,064	–	–
Paul Ankcorn	24,000	–	–	–	(f) 1,188	–	25,188	–	–
Alexander Horvath (a)	–	120,000	–	–	–	8,334	128,334	–	6.5%
Beat Frei (b)	–	120,000	–	–	–	8,334	128,334	–	6.5%
David Cataford	120,000	–	–	5,148	(f) 2,691	–	127,839	–	–
Miles Nagamatsu (c)	–	45,000	–	3,486	–	–	48,486	–	–
Jorge Estepa (d)	–	36,000	–	3,486	–	–	39,486	–	–
Pradip Devalia	40,000	–	–	–	(e) 3,798	–	43,798	–	–
	337,438	321,000	–	12,120	22,257	66,231	759,046		

### Notes:

- (a) Paid to A.S. Horvath Engineering Inc., a company controlled by Alexander Horvath.
- (b) Paid to Comforta GmbH, a company controlled by Beat Frei.
- (c) Paid to Marlborough Management Limited, a company controlled by Miles Nagamatsu.
- (d) Paid to J. Estepa Consulting Inc., a company controlled by Jorge Estepa.
- (e) Amount relates to superannuation.
- (f) Amount relates to employer portion of contributions to the Canada Pension Plan.

## 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, 2018:

#### *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:

#### *Estimates of mining tax credit receivables*

The Company estimates amounts to be received for unassessed claims for Refundable Tax Credits and Credits on Duties as a receivable and a reduction to exploration and evaluation assets when there is reasonable assurance that the Company has complied with all conditions needed to obtain the credits.

#### *Fair value of investment in options and warrants*

The Company uses the Black-Scholes option pricing model in determining the fair value of its investment in options and 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 options and warrants may vary from the amounts estimated.

#### *Estimates of mineral resources*

The amounts used in impairment calculations are based on estimates of mineral resources. Resource estimates are based on engineering data, estimated future prices, expected future rates of production and the timing of future capital expenditures, all of which are subject to many uncertainties and interpretations. The Company expects that, over time, its resource estimates will be revised upward or downward based on updated information such as the results of future drilling, testing and production levels, and may be affected by changes in iron ore prices.

#### *Impairment of exploration and evaluation*

Exploration and evaluation assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable through future exploitation or sale. Such circumstances include the period for which the Company has the right to explore in a specific area, actual and planned expenditures, results of exploration, whether an economically-viable operation can be established and significant negative industry or economic trends. Management judgment is also applied in determining the lowest levels of exploration and evaluation assets grouping, for which there are separately identifiable cash flows [cash generating units], generally on the basis of areas of geological interest.

#### *Estimate of royalty payable*

The Company used inputs that are not based on observable market data in determining the fair value of the royalty payable. The Company expects that, over time, royalty payable will be revised upward or downward based on updated information on production levels and changes in iron ore prices.

#### *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 may vary from the amounts estimated.

### **Financial instruments and risk management**

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, receivables, due from Cartier and accounts payable and accrued liabilities*

The fair values of cash and cash equivalents, short-term investments, receivables, 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 warrants of Century and Lamêlée is 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 September 30, 2015*

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Financial asset at fair value through profit and loss</b>				
Cash and cash equivalents and short-term investments	2,817,844	–	–	2,817,844
Investments				
Common shares	1,074,800	–	–	1,074,800

### **Financial risk management**

The Company's activities expose it to a variety of financial risks that arise as a result of its exploration, development 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 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 amount 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 Australian and 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 investment as at September 30, 2015 had changed by 10%, with all other variables held constant, the loss would have decreased or increased by approximately \$107,000.

#### ***Interest rate risk***

The Company's exposure to interest rate risk is limited due to the short-term nature of its financial instruments. The Company has no interest-bearing debt.

#### ***Capital management***

Capital of the Company consists of capital stock, options, 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 ordinary 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, interim financial statements are reviewed by the Company's auditors and there are additional supervisory controls exercised by management and audit committee oversight.

### **Shares Outstanding at November 12, 2015**

#### ***Ordinary Shares***

Authorized: The Company does not have an authorized share capital as the requirement for a company to state an authorized share capital was repealed in Australia in 1998. Subject to compliance with the Corporations Act and the ASX Listing Rules, the legal ability of the Company to raise capital and the number of Ordinary Shares that it may issue is unlimited. The rights attaching to Ordinary Shares in the Company are set out in the Constitution of the Company and are regulated by the Corporations Act, ASX Listing Rules, ASX Settlement Operating Rules and laws of general application.

Outstanding: 198,319,784 Ordinary Shares.

#### ***Exchangeable Shares***

The Company has 114,555 exchangeable shares issued and outstanding. Each exchangeable share will be exchanged into an ordinary share at no cost to the holder. All exchangeable shares in existence on March 31, 2017 will be automatically converted into ordinary shares on that date.

#### ***Share Incentive Plan and Stock Option Replacement Plan***

*Stock Option Replacement Plan - Authorized:*

Pursuant to the Replacement Plan, stock options were granted to persons whose options in Champion Iron Mines Limited were outstanding on March 31, 2014, after which, no further stock options under can be issued.

*Stock Option Replacement Plan - Outstanding:*

<b>Exercise price</b>	<b>Expiry date</b>	<b>Options outstanding</b>	<b>Options exercisable</b>
\$2.9591	January 10, 2016	73,333	73,333
\$2.0455	September 9, 2016	715,000	715,000
\$0.5455	December 20, 2016	1,173,333	1,173,333
\$1.7728	December 23, 2016	661,833	661,833
		<b>2,623,499</b>	<b>2,623,499</b>

*Share Incentive Plan - Authorized:*

The Company is authorized to issue stock options equal to 20% of the issued and outstanding ordinary shares (39,663,957 shares as of the date of this MD&A) for issuance to participants under the Share Incentive Plan. The ordinary shares issuable under the Replacement Plan are not counted towards the number of ordinary shares issuable under the Share Incentive Plan.

*Share Incentive Plan - Outstanding:*

<b>Exercise price</b>	<b>Expiry date</b>	<b>Options outstanding</b>	<b>Options exercisable</b>
A\$0.50	December 15, 2015	500,000	500,000
A\$0.50	April 9, 2017	1,000,000	1,000,000
A\$0.50	June 18, 2017	150,000	150,000
A\$0.30	October 31, 2017	1,000,000	–
A\$0.30	December 11, 2017	2,000,000	2,000,000
A\$0.30	August 20, 2018	1,000,000	–
A\$0.50	November 29, 2018	2,300,000	800,000
		<b>7,950,000</b>	<b>4,450,000</b>

On September 1, 2014, 1,000,000 options were granted outside of the Company's Share Incentive Plan, each exercisable to purchase one ordinary share at an exercise price of \$0.45 expiring on September 1, 2018.