

CHAMPION IRON 

ANNUAL REPORT
31 March 2017

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REVIEW OF OPERATIONS

Champion Iron Limited (the “Company”) is pleased to provide its review of operations for the financial year ending March 31, 2017.

Acquisition of Bloom Lake and related rail assets

On April 11, 2016, the Company, through its subsidiary, Québec Iron Ore Inc. (“QIO”), acquired the Bloom Lake mine and related rail assets (“Bloom Lake”) from affiliates of Cliffs Natural Resources Inc. that were subject to restructuring proceedings under the *Companies’ Creditors Arrangement Act* (Canada) (“CCAA”).

The Bloom Lake mine is located approximately 13 km north of Fermont, Quebec, in the Labrador Trough and consists of Mining Lease BM877 and 114 mining claims. The Bloom Lake Mine is an open pit truck and shovel mine, a concentrator that utilizes single-stage crushing and an autogenous mill and gravity separation to produce iron concentrate. From the site, concentrate can be transported by rail, initially on the Bloom Lake Railway, to a ship loading port in Sept-Îles, Québec. The Bloom Lake mine is currently in a care and maintenance mode.

The Bloom Lake rail assets consist of the provincially regulated short-line railway comprising a 32-km rail spur contained wholly within Newfoundland and Labrador that connects the Bloom Lake mine to the railway owned by Northern Land Company.

Set out below is the purchase price equation for the acquisition of Bloom Lake:

	\$
Consideration	
Cash	9,237,500
Deposit	562,500
	9,800,000
Fair value recognized on acquisition	
<i>Assets</i>	
Property, plant and equipment	
Mobile equipment and parts	26,573,000
Rail	750,000
Mine	1,500,000
Mineral rights	1,500,000
Housing	4,000,000
	34,323,000
Deferred tax asset	6,499,000
	40,822,000
<i>Liabilities</i>	
Rehabilitation obligation	24,523,000
Deferred tax liability	6,499,000
	31,022,000
Total identifiable net assets at fair value	9,800,000

QIO is currently employing 54 workers in care and maintenance of the property.

As at March 31, 2017, \$26,669,074 has been expended on care and maintenance and property taxes at the Bloom Lake project.

Acquisition of Quinto Claims

On April 11, 2016, the Company, through its wholly-owned subsidiary, Champion Iron Mines Limited, acquired certain mineral claims (“Quinto Claims”) from affiliates of Cliffs Natural Resources Inc. that were subject to restructuring proceedings under the *Companies’ Creditors Arrangement Act* (Canada) (“CCAA”).

The Quinto Claims (447 claims), which encompass the Pepler Property (118 claims), the Lamelee Property (236 claims) and the Hobdad Property (93 claims), are located approximately 50 km southwest of the Bloom Lake mine.

Set out below is the purchase price for the acquisition of Quinto Claims which was recorded as exploration and evaluation assets.

	\$
Consideration	
Cash	739,318
Deposit	37,500
	776,818

Financings

Private placement by the Company

On April 11, 2016, in order to fund the acquisition purchase price of Bloom Lake and to provide working capital, the Company completed a private placement of 187,500,000 ordinary shares at a price of \$0.16 per share for gross proceeds of \$30,000,000 ("Private Placement").

Subscribers to the financing included:

Subscriber	Subscription \$
Ressources Québec	6,000,000
WC Strategic Opportunity, L.P. (a Wynnchurch Capital LLC portfolio company)("Wynnchurch")	10,000,000
Resource Capital Fund VI LP ("RCF")	6,453,000
A company controlled by Michael O'Keeffe, the Company's Chairman and CEO	3,500,000

In connection with the Private Placement, the Company received commitments from two parties ("Initial Subscribers") to backstop up to \$15,000,000 of the Private Placement. One of the Initial Subscribers was arm's length while the other was a company controlled by Michael O'Keeffe, the Company's Chairman and CEO. The Initial Subscribers each agreed to purchase 46,875,000 ordinary shares (the "Committed Shares") under the Private Placement, subject to their right to engage dealers to find substituted purchasers to purchase all or a portion of the Committed Shares. In connection with their commitment to subscribe for the Committed Shares, the Company granted 15,000,000 compensation options to the Initial Subscribers, entitling the holder to purchase one ordinary share for \$0.25 until February 1, 2020. For one year after the closing of the Private Placement, the Initial Subscribers were restricted from selling, pledging or granting any rights with respect to the acquired ordinary shares, except in certain limited circumstances.

In connection with the Private Placement, subject to certain terms and conditions, Wynnchurch and RCF were both granted the following rights for as long as they hold more than 10% of the issued and outstanding ordinary shares of the Company:

1. The Subscriber is entitled to designate one nominee for election or appointment to the board of directors of the Company and the Company agrees to include the Subscribers' nominee in the slate of directors presented at any meeting of shareholders at which directors are to be elected;
2. The Company undertakes that it will not grant any stock options unless such grant is unanimously approved by the board of directors of the Company.

Private placement by QIO

On April 11, 2016, QIO completed a private placement of 14,000,000 ordinary shares to Ressources Québec at a price of \$1 per share for gross proceeds of \$14,000,000.

In connection with the private placement by QIO, the Company granted 6,000,000 compensation options to Ressources Québec entitling the holder to purchase one ordinary share of the Company at a price of \$0.25 per share until February 1, 2020.

In addition, QIO issued 3,000,000 ordinary shares to the Company to settle an amount due to Company and issued another 6,000,000 ordinary shares to the Company for providing a guarantee of \$6,000,000, following which, the Company's interest in QIO was reduced from 100% to 63.2%.

Feasibility study

The Company completed a National Instrument 43-101("NI43-101") Technical Report on the Bloom Lake Mine Re-Start dated March 17, 2017 ("Feasibility Study"). The Feasibility Study demonstrates that recommencing iron ore mining operations at Bloom Lake is financially viable and would be competitive in global iron ore markets with the potential to be one of the region's leading long-life iron ore mines. A production restart at Bloom Lake would be a major contributor to the provincial and national economy.

Highlights (all quoted figures in C\$ unless stated otherwise)

- Net after-tax cash flow of \$2.3 billion (including all forecasted CAPEX);
- After-tax net present value at 8% discount rate of \$984 million and an internal rate of return of 33.3% after tax;
- Total revenue over life-of-mine of \$15.1 billion;
- Total capital costs of \$326.8 million including mine upgrade capital cost of \$157.2 million;
- Mineral Reserves for the Bloom Lake Project are estimated at 411.7 million tonnes at an average grade of 30.0% Fe;
- Concentrate production averages 7.4 million tonnes per annum at an assumed steady state over the 21-year life-of-mine. The concentrate, at 66.2% Fe is obtained with an expected metallurgical recovery that averages 83.3% Fe relative to plant feed at the 30% Fe average feed grade;
- Plant and processing upgrades are expected to deliver improvements in Fe recovery. The upgraded recovery circuit flowsheet replaces the existing 3-stage spiral circuit with a new gravity circuit that limits the recirculating process streams and reduces the chance of losses of iron to the rougher stage tailings. The recovery of additional iron minerals will also be achieved by a magnetic scavenging circuit;
- Life-of-mine average operating cost of production of \$44.62 per dry metric tonne, FOB Sept-Iles;
- Life-of-mine average iron ore price at 66.2% Fe CFR China (62% Fe index plus premium for extra Fe content) of US\$78.40 provided by a market study by Metalytics, a specialist economics consultancy in the metals and mineral resources sector.

Summary of Economic Parameters and Feasibility Results

Mining Parameters	Reserve (Mt)	411.7
	Processed tonnage (Mtpa)	20.0
	Average Fe processing recovery (%)	83.3%
	Average mining dilution (%)	4.3%
	Average Recovered concentrate (Mtpa)	7.4
Cost Parameters	Mine Life (years)	21 years
	Initial CAPEX including Working Capital (CA\$M)	326.8
	LOM CAPEX (CA\$M)	329.5
	LOM OPEX (CA\$/t of ore)	16.85
	LOM OPEX (CA\$/t dry concentrate)	44.62
Revenue Parameters	Gross Revenue (CA\$M)	15,116
	Shipping Costs (CA\$M)	3,748
	Cash Operating Margin (CA\$M)	4,432
	Operating Margin %	29.3%
	After Tax Net Cash-Flow (CA\$M)	2,335
Iron Ore Price Parameters	LOM Av Iron Price at 66.2%Fe CFR China (US\$/ton)	78.40
	Inflation	Nil
	Average Exchange Rate	0.79 US\$:1.0 CA\$
Valuation Parameters	NPV – 8% Pre-Tax (CA\$M)	1,675
	IRR (pre-tax)	43.9%
	NPV – 8% After-Tax (CA\$M)	984
	IRR (after-tax)	33.3%
	Pay-back (pre-tax) (years)	2.5
Pay-back (after-tax) (years)	3.1	

Mineral Resource and Reserve Estimates

See “Mineral Resource and Ore Reserves Statement” on page 52.

Updated Mine Plan

The restart of operations at Bloom Lake is based on different operating assumptions which include an upgrade to the concentrator plant and a mineral reserve and mining scenario updated for the current iron ore market.

The operation consists of a conventional surface mining method using an owner mining approach with electric hydraulic shovels and mine trucks. All major mine equipment required for the restart of Bloom Lake is present on-site as this equipment was among the assets purchased by the Company’s subsidiary, Quebec Iron Ore Inc.

Updated Concentrator Plant

QIO intends to use Bloom Lake's existing crushing and storage facilities, along with the mill and the rail load-out facilities to produce 7.4 Mtpa of concentrate, with an expected recovery of 83.3% from the ore mined from the main pit.

The proposed concentrator plant upgrade was developed to improve the overall iron recovery previously achieved by the existing concentrator when Bloom Lake was in production from 2010 until 2014. The specific goal was to improve the recovery of both the coarser (+425 microns) and fine (-106 microns) iron minerals, while having no adverse effect on the recovery of other size fractions.

The concentrator upgrade development was based on proven technology for Labrador Trough iron ore deposits.

Logistics

The mine already has operational processing facilities and rail loop infrastructure, with access to end markets via port and rail. The rail access consists of three separate segments. The first is the 31.9 km rail spur on-site that is operational and connects to the Quebec North Shore & Labrador (QNS&L) railway at the Wabush Mines facilities in Wabush, Labrador. The second segment uses the QNS&L railway between Wabush to the Arnaud junction in Sept-Îles. The third segment is from Arnaud to Pointe-Noire port facilities (Sept-Îles) where the concentrate will be unloaded, stockpiled and then loaded onto vessels for export.

Bloom Lake benefits from excellent access to power, water, roads, rail, ports and a highly professional mining labour market, as well as a government that continues to be supportive of new investment and mining.

Acquisition of railcars

On March 10, 2017, the Company, through its wholly-owned subsidiary, Lac Bloom Railcars Corporation Inc. ("Lac Bloom Railcars"), entered into a Railcar Instalment Sale Agreement to acquire 735 specialized iron ore railcars for consideration of US\$30,077,570 plus Goods and Services Tax ("GST") of US\$1,503,879 and Quebec Sales Tax ("QST") of US\$3,000,238. The Company made a down payment of US\$1,818,100 with the balance of the consideration, including HST and QST being financed by a note owing to the vendor.

Memorandum of Understanding for the Development of Pointe-Noire

The Company, through QIO, Société du Plan Nord and Tata Steel Minerals Canada entered into a memorandum of understanding to work together, in a multi-user approach, to manage and develop the industrial facilities (rail lines, access to port facilities, rail yards, a pellet plant, administrative offices and other facilities) on a site of around 1,200 hectares at Pointe-Noire in Sept-Îles, Québec, via the limited partnership Société Ferroviaire et Portuaire de Pointe-Noire ("SFPPN"). SFPPN will develop an innovative business model that meets the needs of the private sector while also promoting maximum benefits for future projects in the region.

On March 23, 2017, the Company contributed \$1,000,000 to the capital of the limited partnership.

Other developments

See "Directors Report, Matters Subsequent to the End of the Financial Year" on page 6 for other developments.

Fermont

Consolidated Fire Lake North

Consolidated Fire Lake North ("CFLN") is located adjacent (to the north) of ArcelorMittal's operating Fire Lake Mine and is 60 km to the south of the Company'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 nearer to 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. A copy of the PFS is available under Champion's filings on SEDAR at www.sedar.com.

With the completion of the exploration phase and the PFS, the Company dismantled the exploration camp in order to minimize costs and has significantly curtailed exploration and development expenditures at CFLN. Expenditures in the current year were undertaken primarily to maintain current claim holdings.

The Company is planning on completing a full feasibility study (“CFLN 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 CFLN Feasibility Study. The major improvements targeted are the increase in iron recovery with a better recovery circuit and the decrease in stripping ratio resulting from the data from the 2014 geotechnical drill hole campaign. Champion has also had discussions 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 intends to finance its CFLN Feasibility Study from its working capital resources

Grant of option for Cluster 3 Properties to Cartier Iron Corporation

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 reduce land maintenance expenditure commitments, the Company and Cartier agreed to an approximate 40% reduction in the acreage of the original Cluster 3 Properties, abandoning Aubertin-Tougard, Silicate-Brutus and Three Big Lake properties within Cluster 3.

On May 17, 2016, the Company and Cartier amended the option for the Cluster 3 Properties. In order to earn a 55% interest (reduced from a 65% interest), Cartier must:

- a) make option payments, issue common shares and incur exploration expenditures, as follows:

	Option payments \$	Common shares Number	Fair value \$	Exploration expenditures \$
Upon execution of agreement (received)	–	1,000,000	250,000	–
Upon conditional approval from a stock exchange for the listing of the common shares of Cartier (received)	100,000	–	–	–
December 10, 2013 (paid, issued and incurred)	150,000	500,000	80,000	500,000
December 10, 2014 (issued and incurred)	–	500,000	80,000	750,000
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)	250,000	–	–	–
December 10, 2015 (paid and issued)	50,000 (Note 1)	500,000	12,500	–
December 10, 2016 (incurred)		–	–	1,800,000 (note 3)
December 31, 2017 (extended from December 10, 2016)	450,000 (Note 2)	–	–	–
	1,000,000	2,500,000	422,500	3,050,000 (note 4)

Note 1: reduced to \$50,000 from \$250,000.

Note 2: increased from \$250,000 to \$450,000.

Note 3: reduced from \$4,750,000 to \$1,800,000.

Note 4: reduced from \$6,000,000 to \$3,050,000.

- b) repay the Term Loan which had a balance of \$348,003 at March 31, 2017.

Upon Cartier earning its 55% 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.

Snelgrove Lake

On May 17, 2016, the Company terminated the option to acquire Snelgrove Lake.

Subsequent events

See “Director’s Report, Matters Subsequent to the End of the Financial Year” on page 6.

DIRECTOR'S REPORT

Your directors present their report on Champion Iron Limited and its controlled entities (collectively, the "Company") for the financial year ended March 31, 2017.

DIRECTORS

The Directors of the Company at any time during or since the end of the year are:

Director	Position	Note
Michael O'Keeffe	Executive Chairman and Chief Executive Officer	
Gary Lawler	Non-executive Director	Independent director
Andrew Love	Non-executive Director	Independent director
Paul Ankcorn	Non-executive Director	Independent director resigned on June 15, 2016
Michelle Cormier	Non-executive Director	Independent director appointed on April 11, 2016
Wayne Wouters	Non-executive Director	Independent director appointed on November 1, 2016

Qualifications and experience of Directors' are disclosed on page 14.

PRINCIPAL ACTIVITY

The Company's principal activity is the exploration and development of iron ore properties in Québec, Canada.

REVIEW OF OPERATIONS AND RESULTS

For the year ended March 31, 2017, the Company recorded a consolidated loss of \$35,416,404 (2016: \$7,768,938) and comprehensive loss of \$34,869,393 (2016: \$7,298,651). Details of the operations of the Company are set out in the review of operations on page 1.

FINANCIAL POSITION

At March 31, 2017, the Company had net assets totaling \$94,778,051 (2016: \$84,315,527) and cash and cash equivalents and short-term investments \$13,329,084 (2016: \$1,671,016).

DIVIDENDS

No dividends were paid or recommended for the year ended March 31, 2017 (2016: Nil).

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

See "Acquisition of Bloom Lake Mine and Rail Assets" in the section "Review of Operations".

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Other than those noted below, no matter or circumstance has arisen since March 31, 2017 that has significantly affected, or may significantly affect:

- The Company's operations in the future financial years, or
- The results of those operations in future financial years, or
- The Company's state of affairs in future financial years.

Impact and Benefits Agreement

The Company, through QIO, and the band council, Innu of Takuaikan Uashat mak Mani-utenam have entered into an Impact and Benefits Agreement (the "IBA") with respect to future operations at the Bloom Lake.

The IBA is a life-of-mine agreement and provides for real participation in Bloom Lake for the Uashaunnuat in the form of training, jobs and contract opportunities, and ensures that the Innu of Takuaikan Uashat mak Mani-utenam will receive fair and equitable financial and socio-economic benefits. The IBA also contains provisions which recognize and support the culture, traditions and values of the Innu of Takuaikan Uashat mak Mani-utenam, including recognition of their bond with the natural environment.

Off-take agreement

On May 1, 2017, the Company has signed a Framework Off-Take Agreement (the "Agreement") with Sojitz Corporation ("Sojitz"), a major trading company based in Tokyo, Japan, pursuant to which Sojitz would purchase up to 3,000,000 DMT per annum from QIO after the re-commencement of commercial operations at the Bloom Lake Iron Mine ("Bloom Lake"). The Agreement is for an initial five-year term from the date that commercial operations commence at Bloom Lake and shall automatically extend for successive terms of five-years.

\$40,000,000 bridge financing

On May 17, 2017, to finance required upgrades to the tailings management system, other process plant upgrades and long-lead items in connection with the recommencement of operations at Bloom Lake, the Company arranged, on behalf of QIO, a \$40,000,000 bridge financing, comprised of debt of \$26,000,000 and equity of \$14,000,000. The debt component consists of a one-year term loan secured against the Bloom Lake fixed assets and large-scale mining equipment. The equity component consists of a proportionate contribution of \$8,800,000 and \$5,200,000 from the shareholders of QIO, the Company and the Government of Québec, respectively.

In connection with its \$8,800,000 equity contribution into QIO, the Company completed the sale of a \$10,000,000 unsecured convertible debenture bearing interest at the rate of 8% payable quarterly and maturing on June 1, 2018 ("Debenture"). The Debenture is convertible at the option of the holder at any time into ordinary shares of the Company ("Shares") at a conversion price of \$1.00 per Share. Should the Company not complete a master financing of a minimum of \$212,000,000 ("Master Financing") by November 30, 2017, the conversion price will be adjusted to the lesser of \$1.00 or the 5-day weighted average trading price of Shares on the TSX determined as of the date of conversion. The maximum number of Shares that may be issued upon conversion of the Debenture is 50,000,000 Shares, with the balance of the unconverted principal amount of the Debenture to be repaid in cash or converted into a proportion of the Royalty (as defined hereinafter) at the option of the Company. If the principal amount is not repaid in full on or before June 1, 2019, the holder will have the right to convert the entire outstanding principal amount into a 0.21% gross overriding royalty on Bloom Lake (the "Royalty").

Following completion of the Master Financing, the principal amount of the Debenture may be prepaid in whole or in part by the Company subject to a minimum payment representing 6 months of interest.

Grant of stock options and share rights

On May 25, 2017, the Company granted 1,650,000 stock options to employees entitling the holder to purchase one ordinary share for A\$1.00 until May 25, 2020. The stock options vest, as follows: 650,000 on May 25, 2017, 150,000 on May 25, 2018, 150,000 on May 25, 2019 and 700,000 on satisfaction of vesting conditions set by the Board.

On May 25, 2017, the Company granted 1,250,000 share rights convertible into ordinary shares. The share rights vest on the satisfaction of vesting conditions set by the Board.

Financial assistance

On June 5, 2017, the Company announced that QIO has been granted financial assistance of \$3,085,089 and \$2,131,656 from the Government of Québec's Green Fund in connection with two energy conversion projects at Bloom Lake.

Rail transportation contract

On June 19, 2017, the Company entered into a transportation agreement with the Quebec North Shore & Labrador Railway Company Inc. ("QNS&L") for the transportation of iron ore from Bloom Lake by way of the QNS&L railway for approximately 400 kilometres from the Wabush Lake Junction in Labrador City, Newfoundland & Labrador to the Sept-Îles Junction in Sept-Îles, Québec.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Likely developments in the operations of the Company have been set out in the Review of Operations. Further information on the likely developments and expected results of operations of the Company has not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the Company.

MEETINGS OF DIRECTORS

The number of meetings of directors of the Company (including meetings of committees of directors) held during the year and the number of meetings attended by each director was as follows:

	Directors		Audit Committee		Remuneration and Nomination Committee	
	Meetings	Attended	Meetings	Attended	Meetings	Attended
Michael O'Keeffe	8	6	–	–	5	2
Gary Lawler	8	7	7	6	5	5
Andrew Love	8	7	7	5	5	5
Paul Ankcorn	1	1	1	1	–	–
Michelle Cormier	7	6	–	–	–	–
Wayne Wouters	3	2	–	–	–	–

AUDIT COMMITTEE

The Company has established an Audit Committee that comprises Andrew Love (Chair) and Gary Lawler.

REMUNERATION AND NOMINATION COMMITTEE

The Company has established a Remuneration and Nomination Committee that comprises Gary Lawler (Chair), Michael O'Keeffe and Andrew Love.

ENVIRONMENTAL ISSUES

The Company's policy is to comply with all relevant legislation and the best practice conventions in respect of its exploration and mining activities on the tenements it holds. There have been no significant known breaches of the Company's licence conditions or any environmental regulations to which it is subject.

OPTIONS

The unissued shares of the Company under option at March 31, 2017 are disclosed in note 18 of the consolidated financial statements.

REMUNERATION REPORT – AUDITED

This report outlines the remuneration arrangements in place for the Directors and other Key Management Personnel ("KMP") of the Company.

Directors' Remuneration Policy

- The policy of the Company is to ensure that remuneration packages adequately reward executives and directors for their experience, duties, responsibilities and contribution to the Company's growth and development and are sufficient to ensure that the Company is in a position to retain and attract the highest calibre executives and directors.
- Executive remuneration comprises a mix of base remuneration, short-term incentives and long-term incentives.

Remuneration Report

The directors of the Company present the Remuneration Report prepared in Accordance with Section 300A of the *Corporations Act* for the Company for the year ended March 31, 2017.

The following persons had authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, during the financial year:

Person	Position	Note
Michael O'Keeffe	Executive Chairman and Chief Executive Officer	
Gary Lawler	Non-executive Director	
Andrew Love	Non-executive Director	
Paul Ankcorn	Non-executive Director	Resigned on June 15, 2016
Michelle Cormier	Non-executive Director	Appointed on April 11, 2016
Wayne Wouters	Non-executive Director	Appointed on November 1, 2016
Alexander Horvath	Chief Operating Officer	Retired on December 31, 2016
David Cataford	Chief Operating Officer	Promoted from Vice President, Engineering to Chief Operating Officer on March 20, 2017
Miles Nagamatsu	Chief Financial Officer	
Jorge Estepa	Vice President, Corporate Secretary, Canada	
Pradip Devalia	Company Secretary, Australia	
Beat Frei	Head of Finance	

Remuneration of directors and key management personnel

Remuneration paid in A\$ has been converted to C\$ using an exchange rate of \$1.00.

Year ended March 31, 2017	Short term \$				Termination payments \$	Post employment \$	Equity settled share based \$	Total \$	Performance related	Consisting of shares and options
	Salary	Consulting fees	Bonus	Non- monetary						
Michael O'Keeffe	252,804	—	—	52,020	—	(h) 17,641	514,584	837,049	—	61.5%
Gary Lawler	75,000	—	—	—	—	(h) 7,128	—	82,128	—	—
Andrew Love	75,000	—	—	—	—	(h) 7,128	—	82,128	—	—
Paul Ankcorn (a)	10,000	—	—	—	—	(i) 495	—	10,495	—	—
Michelle Cormier (b)	—	12,500	—	—	—	—	—	12,500	—	—
Wayne Wouters (c)	—	31,250	—	—	—	—	55,000	86,250	—	63.8%
Alexander Horvath (d)	—	180,000	—	—	—	—	16,668	196,668	—	8.5%
David Cataford	253,333	—	75,000	10,296	—	(i) 2,737	280,000	622,458	12.0%	45.0%
Miles Nagamatsu (e)	—	124,500	—	7,410	90,000	—	—	221,910	—	—
Jorge Estepa (f)	—	98,000	—	7,410	—	—	—	105,410	—	—
Pradip Devalia	80,004	—	—	—	—	(h) 7,596	—	87,600	—	—
Beat Frei (g)	—	240,000	100,000	65,856	—	—	366,668	772,524	12.9%	47.5%
	746,141	686,250	175,000	144,084	90,000	42,725	1,232,920	3,117,120		

Notes:

- (a) Resigned on June 15, 2016.
(b) Appointed on April 11, 2016, Consulting fees commenced on February 1, 2017.
(c) Appointed on November 1, 2016. Consulting fees commenced on November 1, 2016 and are paid to 2468435 Ontario Inc., a company controlled by Wayne Wouters.
(d) Paid to A.S. Horvath Engineering Inc., a company controlled by Alexander Horvath.
(e) Paid to Marlborough Management Limited, a company controlled by Miles Nagamatsu.
(f) Paid to J. Estepa Consulting Inc., a company controlled by Jorge Estepa.
(g) Paid to Comforta GmbH, a company controlled by Beat Frei.
(h) Amount relates to superannuation.
(i) Amount relates to employer portion of contributions to the Canada Pension Plan/Quebec Pension Plan.

Year ended March 31, 2016	Short term \$				Termination payments \$	Post employment \$	Equity settled share based \$	Total \$	Performance related	Consisting of shares and options
	Salary	Consulting fees	Bonus	Non- monetary (g)						
Michael O'Keeffe	156,876	—	—	97,620	—	(e) 14,904	106,316	375,716	—	28.3%
Gary Lawler	75,000	—	—	—	—	(e) 7,128	—	82,128	—	—
Andrew Love	75,000	—	—	—	—	(e) 7,128	—	82,128	—	—
Paul Ankcorn	48,000	—	—	—	—	(f) 2,376	—	50,376	—	—
Alexander Horvath (a)	—	240,000	—	—	—	—	16,668	256,668	—	6.5%
David Cataford	240,000	—	—	10,296	—	(f) 2,691	—	252,987	—	—
Miles Nagamatsu (b)	—	90,000	—	6,972	—	—	—	96,972	—	—
Jorge Estepa (c)	—	72,000	—	6,972	—	—	—	78,972	—	—
Pradip Devalia	80,004	—	—	—	—	(e) 7,596	—	87,600	—	—
Beat Frei (d)	—	240,000	—	65,856	—	—	16,668	322,524	—	5.2%
	674,880	642,000	—	187,716	—	41,823	139,652	1,682,071		

Notes:

- (a) Paid to A.S. Horvath Engineering Inc., a company controlled by Alexander Horvath.
(b) Paid to Marlborough Management Limited, a company controlled by Miles Nagamatsu.
(c) Paid to J. Estepa Consulting Inc., a company controlled by Jorge Estepa.
(d) Paid to Comforta GmbH, a company controlled by Beat Frei.
(e) Amount relates to superannuation.
(f) Amount relates to employer portion of contributions to the Canada Pension Plan.
(g) Table was updated to include disclosure of non-monetary remuneration for Michael O'Keeffe and Beat Frei of \$96,720 and \$65,856.

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Each of these agreements has the provision for performance-related cash bonuses, other benefits and participation in Company's long-term incentive plans. Major provisions of the service agreements relating to remuneration as at March 31, 2017 are set out below.

Michael O’Keeffe – Director and Executive Chairman

- Annual salary and superannuation was A\$171,780 and the Company made condominium rental payments of \$6,600 per month and car lease payments of \$2,135 per month on his behalf. Effective May 1, 2016, annual salary increased to \$200,000 and the Company made condominium rental payments of \$6,600 per month and car lease payments of \$2,135 per month on his behalf. Effective August 1, 2016, in lieu of making condominium rental payments of \$6,600 per month, annual salary increased to \$279,200 and the Company continued to make car lease payments of \$2,135 per month on his behalf.
- to be reviewed annually, with a 2-year term of agreement.
- Payment of termination benefit equal to salary for 3 months annual package or salary for 1 year on a change of control event.

Gary Lawler – Non-executive Director

- Annual fees of A\$75,000 until termination.

Andrew Love – Non-executive Director

- Annual fees of A\$75,000 until termination.

Michelle Cormier – Non-executive Director

- Commencing February 1, 2017, annual fees of \$75,000 until termination.

Wayne Wouters – Non-executive Director

- Commencing November 1, 2016, annual fees of \$75,000 until termination.

David Cataford – Chief Operating Officer

- Effective March 1, 2017, upon his promotion to Chief Operating Officer, annual salary increased from \$240,000 to \$400,000 year plus pension participation; annual participation in the Company’s short-term incentive bonus plan of between 50% and 100% of base salary at the Board’s discretion, but subject to the satisfaction of agreed key performance measures; annual participation in the Company’s long-term incentive plan at the Board’s discretion, but subject to the satisfaction of agreed key performance measures.

Miles Nagamatsu – Chief Financial Officer

- Effective February 17, 2017, retroactive to April 14, 2016, annual consulting fees increased from \$90,000 to \$126,000 payable to Marlborough Management Limited, pursuant to an amended professional services agreement, which unless terminated, renews automatically on November 30.

Jorge Estepa – Vice President and Corporate Secretary, Canada

- Effective May 1, 2016, annual consulting fees increased from \$72,000 to \$96,000 payable to J. Estepa Consulting Inc., pursuant to an engagement letter, which may be terminated by either party on 30 days advance notice.

Pradip Devalia – Corporate Secretary, Australia

- Annual salary of A\$80,000 pursuant to an employment agreement until termination on 3 months written notice.
- Payment of termination benefit equal to salary for 6 months on a change of control event.

Beat Frei – Head of Finance

- Annual fees of \$240,000 payable to Comforta GmbH, a company controlled by Beat Frei, pursuant to a professional services agreement, which, unless terminated, renews automatically on September 30.
- The Company makes condominium rental payments of \$4,175 per month and car lease payments of \$1,313 per month on his behalf.
- Payment of termination benefit equal to fees for 12 months.

Remuneration approved subsequent to March 31, 2017

On April 28, 2017, the Company approved bonuses and awards for certain employees. The bonuses and awards are subject to the completion of the key performance measure of the completion of the total financing package required to facilitate the recommissioning of the plant at the Bloom Lake at a rated capacity of 7 million tonnes per annum (“Financing KPM”) and/or key performance measure of the actual recommissioning of the plant at the mine at a capacity of 7 million tonnes per annum (“Recommissioning KPM”).

Michael O’Keeffe – Director and Executive Chairman

- 1,000,000 share rights which will vest and be convertible into 1,000,000 ordinary shares on the satisfaction of the Financing KPM and Recommissioning KPM.

David Cataford – Chief Operating Officer

- 500,000 stock options entitling the holder to purchase 1 ordinary share for A\$1.00 until May 25, 2020;
- cash bonus of \$660,000, with \$360,000 payable on the satisfaction of the Financing KPM and \$300,000 on the satisfaction of the Recommissioning KPM;
- 250,000 share rights which will vest and be convertible into 250,000 ordinary shares on the satisfaction of the Financing KPM and Recommissioning KPM.

Beat Frei – Head of Finance

- Cash bonus of \$2,000,000 payable on the satisfaction of the Financing KPM;
- 1,000,000 share rights which will vest and be convertible into 1,000,000 ordinary shares on the satisfaction of the Financing KPM.

Movement in key management personnel equity holdings

Ordinary shares

	Holding at March 31, 2016	Acquired	Sold	Other changes	Holding at March 31, 2017
Michael O’Keeffe (a)	11,401,930	22,135,000	–	–	33,536,930
Gary Lawler (b)	833,889	66,111	–	–	900,000
Andrew Love (c)	720,000	44,468	–	–	764,468
Paul Ankorn (d)	163,533	–	–	(163,533)	–
Michelle Cormier	–	–	–	–	–
Wayne Wouters	–	–	–	–	–
Alexander Horvath (e)	559,208	–	–	(559,208)	–
David Cataford (f)	625,698	144,000	–	–	769,698
Miles Nagamatsu	1,211,916	–	–	–	1,211,916
Jorge Estepa	1,133,083	–	–	–	1,133,083
Pradip Devalia	–	–	–	–	–
Beat Frei	1,950,364	–	–	–	1,950,364

Notes:

- (a) Holding at March 31, 2017 includes 30,036,930 ordinary shares held indirectly by Prospect AG Trading Pty. Ltd. as trustee for O’Keeffe Family, a company controlled by Michael O’Keeffe and 3,500,000 ordinary shares held indirectly by Eastbourne DP Pty Ltd. as trustee for The O’Keeffe Superannuation Fund, a company controlled by Michael O’Keeffe.
- (b) Holding at March 31, 2017 includes 600,000 ordinary shares held indirectly by Parcent Holdings Pty Limited, as trustee for G.K. Lawler Superannuation Fund, a company controlled by Gary Lawler.
- (c) Holding at March 31, 2017 includes 44,648 ordinary shares held indirectly by Amanda G. Love, spouse of Andrew Love and 720,000 ordinary shares held indirectly by Love Superannuation Pty Ltd. as trustee for Love Superannuation Fund, a company controlled by Andrew Love.
- (d) Ceased to be a member of key management personnel on June 15, 2016.
- (e) Ceased to be a member of key management personnel on December 31, 2016.
- (f) Holding at March 31, 2017 includes 214,285 ordinary shares held indirectly by Genevieve Robert, spouse of David Cataford.

Stock options

Each option entitles the holder to acquire 1 ordinary share and have been issued for no consideration.

	Holding at March 31, 2016	Granted	Forfeited	Expired	Other changes	Holding at March 31, 2017	Exercisable at March 31, 2017
Michael O’Keeffe (a)	2,000,000	10,500,000	–	–	–	12,500,000	11,330,000
Gary Lawler	500,000	–	–	–	–	500,000	500,000
Andrew Love	500,000	–	–	–	–	500,000	500,000
Paul Ankorn	73,333	–	–	(73,333)	–	–	–
Michelle Cormier	–	–	–	–	–	–	–
Wayne Wouters	–	500,000	–	–	–	500,000	500,000
Alexander Horvath	610,000	–	–	(100,000)	–	500,000	330,000
David Cataford	–	2,000,000	–	–	–	2,000,000	2,000,000
Miles Nagamatsu	73,333	–	–	(73,333)	–	–	–
Jorge Estepa	73,333	–	–	(73,333)	–	–	–
Pradip Devalia	150,000	–	–	–	–	150,000	150,000
Beat Frei	866,667	2,500,000	–	–	–	3,000,000	2,830,000

Notes:

- (a) Holding at March 31, 2017 includes 7,500,000 options held indirectly by Prospect AG Trading Pty. Ltd, a company controlled by Michael O’Keeffe.

Option compensation granted and vested during the year

	Exercise price	Number granted	Grant date	Vested in period %	Fair value per option at grant date \$	Value of options granted \$	Expiry & last exercise date
Michael O’Keeffe (a)	\$0.25	7,500,000	April 11, 2016	100%	0.12	900,000	February 1, 2020
Michael O’Keeffe (b)	A\$0.20	3,000,000	April 11, 2016	100%	0.14	420,000	April 11, 2020
David Cataford (b)	A\$0.20	2,000,000	April 11, 2016	100%	0.14	280,000	April 11, 2020
Beat Frei (b)	A\$0.20	2,500,000	April 11, 2016	100%	0.14	350,000	April 11, 2020
Wayne Wouters (c)	A\$0.30	500,000	November 4, 2016	100%	0.11	55,000	November 4, 2019

Notes:

- (a) Options were granted to Prospect AG Trading Pty. Ltd., a company controlled by Michael O’Keeffe, as compensation for providing a backstop of \$7,500,000 for a \$30,000,000 private placement completed by the Company on April 11, 2016.
- (b) Options were granted in recognition of the significant contribution of the option holder with respect to the Company’s acquisition of Bloom Lake.
- (c) Options were granted in recognition of the service of the option holder as a director of the Company.

There were no options forfeited during the year ended March 31, 2017 (2016: no options).

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

There are indemnities in place for directors and officers insurance policies in regard to their positions.

INDEMNITY OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims from third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the end of the financial year.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

REMUNERATION CONSULTANT

Ernst & Young (“EY”) was engaged as a remuneration consultant to provide market remuneration information for two executive roles. The report provided factual information relating to remuneration quantum of executives in the companies selected by the Company and did not contain a remuneration recommendation in relation to key management personnel. In respect of the engagement, the Company paid \$15,000 to EY.

NON-AUDIT SERVICES

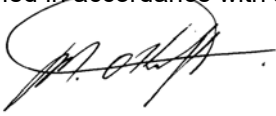
Ernst & Young performed other services in addition to their statutory duties. The details and remuneration for these services is disclosed in Note 27 of the consolidated financial statements. The Directors have considered the non-audit services provided during the year by the auditor, and are satisfied that the provision of non-audit services by the auditor during the year is compatible, and not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- (a) All non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the audit committee to ensure they do not impact the integrity and objectivity of the auditor; and
- (b) The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor’s own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards,

AUDITOR’S INDEPENDENCE DECLARATION

The lead auditor’s independence declaration for the year ended March 31, 2017 has been received, as set out on page 16, and forms part of this report.

Signed in accordance with a resolution of the Directors



Michael O'Keeffe, Executive Chairman



Andrew Love, Non-executive Director

Sydney, New South Wales
June 28, 2017

BOARD OF DIRECTORS IN OFFICE AT THE DATE OF THIS REPORT



Executive Chairman and Chief Executive Officer

Michael O'Keeffe B.App.Sc (Metallurgy)

Mr O'Keeffe was appointed executive Chairman of Champion Iron Limited on August 13, 2013. Mr O'Keeffe commenced work with MIM Holdings in 1975. He held a series of senior operating positions, rising to Executive Management level in commercial activities. In 1995 he became Managing Director of Glencore Australia (Pty) Limited and held the position until July 2004. Mr O'Keeffe was the founder and Executive Chairman of Riversdale Mining Limited. He has previously held directorships in Anaconda Nickel Limited, Mt Lyell Mining Co Limited and BMA Gold Limited. Mr O'Keeffe is currently the chairman of Riversdale Resources Limited.



Non-Executive Director

Gary Lawler BA, LLB, LLM (Hons), ASIA, Master of Laws (Applied Laws)(Wills and Estates)

Mr. Lawler was appointed as a Non-Executive Director on April 9, 2014. He is a leading Australian mergers and acquisitions lawyer who has been involved in some of Australia's most notable merger and acquisition transactions. Mr Lawler has over 30 years' experience as a practising corporate lawyer and has been a partner in a number of leading Australian law firms. He is currently a consultant of the legal firm Ashurst Australia. Mr Lawler was also previously a director of Riversdale Mining Limited and Dominion Mining Limited. Mr Lawler is currently a director of Riversdale Resources Limited.



Non-Executive Director

Andrew J. Love, FCA

Mr. Love was appointed as a Non-Executive Director on April 9, 2014. He is a Chartered Accountant with more than 30 years of experience in corporate recovery and reconstruction in Australia. He was a senior partner of Australian accounting firm Ferrier Hodgson from 1976 to 2008 and is now a consultant. In that time he advised major local and overseas companies and financial institutions in a broad variety of restructuring and formal insolvency assignments. During this time Mr. Love specialized in the Resources Industry. Mr. Love has been an independent company director of a number of companies over a 25-year period in the Resources, Financial Services and Property Industries. This has involved corporate experience in Asia, Africa, Canada, United Kingdom and United States. Mr. Love's previous recent Board positions have included Chairman of ROC Oil Ltd., Deputy Chairman of Riversdale Mining Ltd., Director of Charter Hall Office Trust and Chairman of Museum of Contemporary Art. Mr. Love is currently a director of Gateway Lifestyle Operations Ltd. and Scottish Pacific Group Ltd.



Non-Executive Director

Michelle Cormier, CPA, CA, ASC

Mrs. Cormier is a senior-level executive with experience in management including financial management, corporate finance, turnaround and strategic advisory situations and human resources. She has strong capital markets background with significant experience in public companies listed in the United States and Canada. Mrs. Cormier spent 13 years in senior management and as CFO of large North American forest products company and 8 years in various senior management positions at Alcan Aluminum Limited (RioTinto). Mrs. Cormier articulated with Ernst & Young. She serves on the Board of Directors of Cascades Inc., Dorel Industries Inc. and Uni-Select Inc.



Non-Executive Director


Wayne Wouters

The Honourable Wayne G. Wouters is a Strategic and Policy Advisor with McCarthy Tétraut LLP. Before joining the private sector, Mr. Wouters had a long and illustrious career in the Public Service of Canada. His last assignment was the Clerk of the Privy Council, Secretary to the Cabinet, and Head of the Public Service. Appointed by Prime Minister Harper, Mr. Wouters served from July 1, 2009 until October 3, 2014, at which time he retired from the Public Service of Canada. Prior to this, Mr. Wouters was a Deputy Minister in several departments, including the Deputy Minister of Human Resources and Skills Development Canada and Secretary of the Treasury Board. In 2014, Mr. Wouters was inducted as a Member of the Privy Council by the Prime Minister.

DIRECTORS' DECLARATION

- 1) In the opinion of the Directors:
 - (a) The accompanying financial statements and notes are in accordance with the Corporations Act 2001, including:
 - giving a true and fair view of the Group's financial position as at March 31, 2017 and of its performance for the year ended on that date; and
 - complying with Australian Accounting Standards and the Corporations Act 2001.
 - (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.
 - (c) the audited remuneration disclosure set out in the Remuneration Report of the Director's Report for the year ended March 31, 2017 complies with section 300A of the Corporations Act 2001.
- 2) The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 for the financial year ended March 31, 2017.
- 3) The Group has included in the notes to the financial statements a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors



Michael O'Keeffe, Executive Chairman



Andrew Love, Non-executive Director

Sydney, New South Wales
June 28, 2017



Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

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Auditor's Independence Declaration to the Directors of Champion Iron Limited

As lead auditor for the audit of Champion Iron Limited for the financial year ended 31 March 2017, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Champion Iron Limited and the entities it controlled during the financial year.

Ernst & Young

Ryan Fisk
Partner
Sydney
28 June 2017

Champion Iron Limited

(ACN: 119 770 142)

Consolidated Financial Statements

March 31, 2017 and 2016

(expressed in Canadian dollars)

Independent Auditor's Report to the Members of Champion Iron Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Champion Iron Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 March 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 31 March 2017 and of its consolidated financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Impairment assessment of exploration and evaluation assets

Why significant

Capitalised exploration and evaluation assets represent 40% of the Group's total assets. The ability to recognise and to continue to defer exploration evaluation assets under AASB 6 is impacted by the Group's ability, and intention, to continue to explore the tenements or its ability to realise this value through development or sale. Due to the significance of exploration and evaluation assets and the subjectivity involved in assessing the ability to continue to defer these assets, this is a key audit matter.

Refer to Note 14 - Exploration and evaluation assets to the financial statements for the amounts held on the Balance sheet by the Group as at 31 March 2017 and related disclosure.

How our audit addressed the key audit matter

Our procedures to address the Group's assessment of the ability to continue to defer the exploration and evaluation assets included:

- ▶ Consideration of the Company's right to explore in the relevant exploration areas which included obtaining and assessing relevant documentation such as license agreements; and
- ▶ Considered the Group's intention to continue to carry out exploration and evaluation activity in the relevant exploration area which included assessment of the Group's cash-flow forecast models and discussions with senior management and Directors as to the intentions and strategy of the Group

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2017 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Remuneration Report

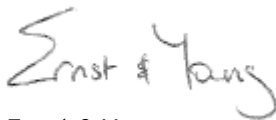
Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 3 to 7 of the directors' report for the year ended 31 March 2017.

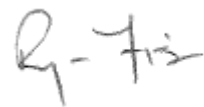
In our opinion, the Remuneration Report of Champion Iron Limited for the year ended 31 March 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



Ernst & Young



Ryan Fisk
Partner
Sydney
28 June 2017

To the Shareholders of
Champion Iron Limited

We have audited the accompanying consolidated financial statements of Champion Iron Limited, which comprise the consolidated statement of financial position as at March 31, 2017 and 2016, and the consolidated statement of comprehensive loss, changes in equity and cash flows for the year ended March 31, 2017 and 2016, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

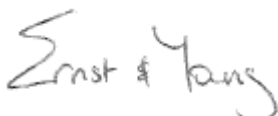
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Champion Iron Limited as at March 31, 2017 and 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



Chartered accountants
Sydney, Australia
June 28, 2017

Champion Iron Limited

Consolidated Statements of Financial Position

(expressed in Canadian dollars)

	Notes	As at March 31,	
		2017	2016
		\$	\$
Assets			
Current			
Cash and cash equivalents		1,863,387	293,714
Short-term investments	5	11,465,697	1,377,302
Receivables	6	6,541,921	277,822
Due from Cartier Iron Corporation	7	348,003	-
Due from SFNQ	8	102,166	125,050
Prepaid expenses		279,024	436,456
Deposits		-	1,600,000
		20,600,198	4,110,344
Non-current			
Receivables	6	3,351,692	4,883,659
Due from Cartier Iron Corporation	7	-	1,325,504
Investments	9	2,794,000	944,500
Investment in port partnership	10	1,000,000	-
Long-term advance	12	6,000,000	6,000,000
Property, plant and equipment	13	69,852,656	21,926
Exploration and evaluation	14	69,623,841	68,208,370
		173,222,387	85,494,303
Liabilities			
Current			
Accounts payable and accrued liabilities		1,667,502	878,777
Note payable	13	5,994,977	-
		7,662,479	878,777
Non-current			
Note payable	13	37,613,355	-
Property taxes payable	15	7,713,000	-
Royalty payable	16	300,000	300,000
Rehabilitation obligation	17	25,155,500	-
		78,444,334	1,178,777
Shareholders' equity			
Capital stock	18	201,989,902	174,509,902
Contributed surplus		20,120,494	16,268,574
Foreign currency translation reserve		588,200	41,189
Non-controlling interest		2,362,819	-
Accumulated deficit		(130,283,362)	(106,504,139)
		94,778,053	84,315,527
		173,222,387	85,494,303

On behalf of the Board:



Director



Director

Champion Iron Limited

Consolidated Statements of Loss and Comprehensive Loss

(expressed in Canadian dollars)

	Notes	Years ended March 31,	
		2017	2016
		\$	\$
Other income			
Interest		246,980	123,163
Other		50,979	602,444
		297,959	725,607
Expenses			
Professional fees		301,436	223,811
Salaries		441,988	438,457
Consulting fees		701,563	347,761
Share-based compensation		1,331,920	271,654
General and administrative		904,980	574,585
Investor relations		77,554	48,149
Travel		443,687	197,158
Exploration expense		80,619	25,875
Care and maintenance of Bloom Lake	19	26,669,074	-
Depreciation		2,586,047	-
Foreign exchange loss (gain)		(987)	477,498
Gain on sale of property, plant and equipment		(433,038)	-
Unrealized (gain) loss on investments	9	(1,173,233)	683,800
Impairment of investment in associate		-	512,000
Impairment of exploration and evaluation		-	1,906,806
Transaction costs		2,623,874	2,123,588
Interest-accretion of asset		632,500	-
Interest		526,379	-
		35,714,363	7,831,142
Loss before share of net loss of an associate		(35,416,404)	(7,105,535)
Share of net loss of associate accounted for using the equity method		-	(663,403)
Loss		(35,416,404)	(7,768,938)
Item that may be reclassified in future years to the statement of loss			
Net movement in foreign currency		547,011	470,287
Comprehensive loss		(34,869,393)	(7,298,651)
Loss attributable to:			
Equity holders of Champion		(23,779,223)	(7,768,938)
Non-controlling interest		(11,637,181)	-
Loss		(35,416,404)	(7,768,938)
Comprehensive loss attributable to:			
Equity holders of Champion		(23,232,212)	(7,298,651)
Non-controlling interest		(11,637,181)	-
Comprehensive loss		(34,869,393)	(7,298,651)
Loss per share - basic and diluted	21	(0.06)	(0.04)

Champion Iron Limited

Consolidated Statements of Changes in Equity

(expressed in Canadian dollars)

	Capital stock \$	Warrants \$	Contributed surplus \$	Foreign currency translation reserve \$	Non- controlling interest \$	Accumulated deficit \$	Total \$
Balance, March 31, 2016	174,509,902	-	16,268,574	41,189	-	(106,504,139)	84,315,527
Loss	-	-	-	-	(11,637,181)	(23,779,223)	(35,416,404)
Other comprehensive loss	-	-	-	547,011	-	-	547,011
Total comprehensive loss	-	-	-	547,011	(11,637,181)	(23,779,223)	(34,869,393)
Private placement of ordinary shares	30,000,000	-	-	-	-	-	30,000,000
Private placement	-	-	-	-	14,000,000	-	14,000,000
Share-based compensation	-	-	1,331,920	-	-	-	1,331,920
Fair value of compensation options	(2,520,000)	-	2,520,000	-	-	-	-
Balance, March 31, 2017	201,989,902	-	20,120,494	588,200	2,362,819	(130,283,362)	94,778,053
Balance, March 31, 2015	171,420,382	3,089,520	15,996,920	(429,098)	-	(98,735,201)	91,342,524
Loss	-	-	-	-	-	(7,768,938)	(7,768,938)
Other comprehensive loss	-	-	-	470,287	-	-	470,287
Total comprehensive loss	-	-	-	470,287	-	(7,768,938)	(7,298,651)
Share-based compensation	-	-	271,654	-	-	-	271,654
Fair value of expired warrants	3,089,520	(3,089,520)	-	-	-	-	-
Balance, March 31, 2016	174,509,902	-	16,268,574	41,189	-	(106,504,139)	84,315,527

Champion Iron Limited

Consolidated Statements of Cash Flows

(expressed in Canadian dollars)

		Years ended March 31,	
		2017	2016
	Notes	\$	\$
Cash provided by (used in)			
Operating activities			
Loss		(35,416,404)	(7,768,938)
Non-operating transaction costs		2,623,874	2,123,588
Items not affecting cash			
Interest not received		(22,500)	(27,752)
Share-based compensation		1,331,920	271,654
Property taxes not paid		7,245,000	-
Depreciation		2,586,047	24,740
Accretion of rehabilitation obligation		632,500	-
Gain on sale of equipment		(433,038)	-
Unrealized (gain) loss on investments	9	(1,173,233)	683,800
Impairment of investment in associate		-	512,000
Impairment of exploration and evaluation		-	1,906,806
Share of net loss of associate accounted for using the equity method		-	663,403
Interest not paid		468,000	-
		(22,157,834)	(1,610,699)
Changes in non-cash operating working capital			
Receivables		(500,691)	(374,418)
Due from SFNQ		22,884	(517)
Prepaid expenses		157,432	(248,422)
Deposit		1,600,000	(600,000)
Accounts payable and accrued liabilities		788,727	(1,001,812)
		(20,089,482)	(3,835,868)
Financing activities			
Private placement of ordinary shares		30,000,000	-
Private placement of common shares of Quebec Iron		14,000,000	-
		44,000,000	-
Investing activities			
Receipt of refundable tax credit on exploration	6	1,763,536	1,135,539
Receipt of credit on duties refundable	6	339,139	3,736,138
Investment in term deposits	5	(10,088,395)	(77,302)
Advances to Cartier Iron Corporation		-	(234,716)
Acquisition of Bloom Lake	4	(9,800,000)	-
Purchase of Quinto claims		(776,818)	-
Purchase of railcars		(3,087,613)	-
Purchase of property, plant and equipment		(3,522)	-
Purchase of leasehold improvements		(351,787)	-
Investment in port partnership		(1,000,000)	-
Proceeds on sale of investments	9	323,733	-
Proceeds on sale of equipment	12	3,395,538	-
Option payment from Cartier		-	50,000
Exploration and evaluation		(977,793)	(332,458)
Acquisition of royalty		-	(300,000)
Transaction costs		(2,623,874)	(1,664,592)
		(22,887,856)	2,312,609
Net decrease in cash and cash equivalents		1,022,661	(1,523,260)
Cash and cash equivalents, beginning of year		293,714	1,346,685
Effects of exchange rate changes		547,011	470,287
Cash and cash equivalents, end of year		1,863,387	293,713
Non-cash transactions			
Receipt of Cartier common shares			
Option payment from Cartier		15,000	12,500
Receipt of Eloro common shares			
Repayment of Term Loan		1,000,000	-
Note payable issued for acquisition of railcars			
Consideration		38,241,678	-
Payment of HST and QST		6,095,122	-

Champion Iron Limited

Notes to Consolidated Financial Statements

March 31, 2017 and 2016

(expressed in Canadian dollars)

1. Basis of preparation

The financial report is a general purpose financial report which has been prepared for a for-profit enterprise in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, except for cash and cash equivalent, short-term investments, investments, investment in associate and royalty payable which have been measured at fair value.

The consolidated financial statements of Champion Iron Limited and its subsidiaries (collectively the “Company”) for the year ended March 31, 2017 were approved and authorized for issue by the Board of Directors on June 28, 2017.

The nature of the operations and principal activities of the Company are described in the Directors’ Report.

Statement of compliance with IFRS

The financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board.

Presentation currency

These consolidated financial statements are presented in Canadian dollars.

2. Significant accounting policies and future accounting changes

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

Basis of consolidation and functional currency

The consolidated financial statements include the accounts of the Company and its subsidiaries:

Subsidiary	Ownership percentage	Country of incorporation	Functional currency
Champion Iron Mines Limited	100.0%	Canada	Canadian dollars
Champion Exchange Limited	100.0%	Canada	Canadian dollars
Québec Iron Ore Inc.	63.2%	Canada	Canadian dollars
CIP Magnetite Pty Limited	100.0%	Australia	Australian dollars
CIP Magnetite Limited	100.0%	Canada	Canadian dollars
Lac Bloom Railcars Corporation Inc.	100.0%	Canada	US dollars

During the year ended March 31, 2017, Lac Bloom Railcars Corporation Inc. was incorporated as a wholly-owned subsidiary of the Company to acquire railcars (note 13).

Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if, and only if, the Company has all of the following:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary.

All intra-group assets and liabilities, revenues, expenses and cash flows relating to intra-group transactions are eliminated.

Champion Iron Limited

Notes to Consolidated Financial Statements

March 31, 2017 and 2016

(expressed in Canadian dollars)

Non-controlling interest

Non-controlling interest represents the minority shareholder's portion of the profit or loss and net assets of subsidiaries and is presented separately in the statement of financial position and statement of loss and comprehensive loss. Losses within a subsidiary are attributable to the non-controlling interests even if that results in a deficit balance.

Financial instruments

Non-derivative financial assets

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value (i.e. quoted close price) and changes therein are recognized in profit or loss.

The Company has classified cash and cash equivalents, short-term investments and investments as financial assets at fair value through profit or loss.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

The Company has classified receivables, due from SFNQ and due from Cartier Iron Corporation as loans and receivables.

Non-derivative financial liabilities

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

The Company classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

The Company has classified accounts payable and accrued liabilities as other financial liabilities.

Champion Iron Limited

Notes to Consolidated Financial Statements

March 31, 2017 and 2016

(expressed in Canadian dollars)

Impairment of non-derivative financial assets

A financial asset is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value. Acquisition-related costs are expensed as incurred and included in administrative expenses.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration over the net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Cash and cash equivalents

Cash and cash equivalents consists of cash in bank, cash held in trust and short-term deposits with a maturity of less than three months.

Investment in associate

Associates are entities over which the Company has significant influence, but not control. Significant influence is generally presumed to exist where the Company has between 20 percent and 50 percent of the voting rights of the associate. The Company accounts for its investment in associate using the equity method, under which, the investment in associate was initially recognized at fair value and the carrying amount is increased or decreased to recognize the investor's share of profit or loss of the associate. Dilution gains and losses arising from changes in the interest in investment in associates where significant influence is retained are recognized in the statement of loss.

At each reporting date, the Company determines whether there is any objective evidence that the investment in associate is impaired. If impairment is determined to exist, the amount of the impairment is recognized in the statement of loss. The amount of impairment is calculated as the difference between the recoverable amount of the investment in associate and its carrying value.

Property, plant and equipment

Property, plant and equipment are carried at historical cost less any accumulated depreciation and impairment losses.

Depreciation is calculated on following basis over the estimated useful lives of property, plant and equipment:

Mobile equipment and parts	Straight-line over 10 years
Rail	Straight-line over 24 years
Railcars	Straight-line over 23 years
Mine	Unit-of-production over life of mine
Mineral rights	Unit-of-production over life of mine
Housing	Straight-line over 24 years

Exploration and evaluation

Recognition and measurement

Exploration and evaluation, including the costs of acquiring licenses and directly attributable general and administrative costs, initially are capitalized as exploration and evaluation. The costs are accumulated by property pending the determination of technical feasibility and commercial viability. Pre-license costs are expensed when incurred. Pre-exploration costs are expensed unless it is considered probable that they will generate future economic benefits.

Champion Iron Limited

Notes to Consolidated Financial Statements

March 31, 2017 and 2016

(expressed in Canadian dollars)

Mining tax credits earned in respect to costs incurred in Quebec are recorded as a reduction to exploration and evaluation assets when there is reasonable assurance that the Company has complied with, and will continue to comply with, all conditions needed to obtain the credits.

The recoverability of amounts shown for exploration and evaluation is dependent upon the ability of the Company to obtain financing to complete the exploration and development of its mineral resource properties, the existence of economically recoverable reserves and future profitable production, or alternatively, upon the Company's ability to recover its costs through a disposition of its mineral resource properties. The amounts shown for exploration and evaluation do not necessarily represent present or future value. Changes in future conditions could require a material change in the amount recorded for exploration and evaluation.

The technical feasibility and commercial viability of extracting a mineral resource from a property is considered to be determinable when proved and/or probable reserves are determined to exist and the necessary permits have been received to commence production. A review of each property is carried out at least annually. Upon determination of technical feasibility and commercial viability, exploration and evaluation is first tested for impairment and then reclassified to property, plant and equipment and/or intangibles or expensed to the statement of loss and comprehensive loss to the extent of any impairment.

Impairment

Exploration and evaluation is assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. An impairment loss is recognized in the statement of loss and comprehensive loss if the carrying amount of a property exceeds its estimated recoverable amount. The recoverable amount of property used in the assessment of impairment of exploration and evaluation is the greater of its value in use ("VIU") and its fair value less costs of disposal ("FVLCTS"). VIU is determined by estimating the present value of the future net cash flows at a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the property. FVLCTS refers to the price that would be received to sell the property in an orderly transaction between market participants. For a property that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the property belongs. Impairment losses previously recognized are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount only to the extent that the property's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognized.

Rehabilitation obligation

The Company records a rehabilitation obligation for legal and constructive asset retirement obligations. Rehabilitation obligation is recorded for restoration in the financial period upon business combination or when the related environmental disturbance occurs, based on the estimated future costs and timing of expenditures using information available at year end. The obligation is discounted using a pre-tax rate that reflects the risk specific to the rehabilitation liabilities and the unwinding of the discount is recognized in the pro forma statement of loss and comprehensive loss as accretion of rehabilitation obligation.

Subsequent changes in the estimated costs are recognized within property, plant and equipment. The estimated future costs of rehabilitation are reviewed on a regular basis for changes to obligations, timing of expenditures, legislation or discount rates that impact estimated costs. The cost of the related asset is adjusted for changes in the provision resulting from changes in the estimated cash flows or discount rate and the adjusted cost of the asset is depreciated prospectively unless the corresponding asset is fully depreciated in which case the change is recognized immediately in the consolidated statements of loss and comprehensive loss.

Royalties payable

Upon completion of a pre-feasibility study, royalties are recorded at estimated fair value as an acquisition cost of exploration and evaluation and an offsetting royalty payable. Future adjustments of royalties payable will be reflected as an adjustment to exploration and evaluation and an offsetting royalty payable.

Share capital

Share capital is classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

Champion Iron Limited

Notes to Consolidated Financial Statements

March 31, 2017 and 2016

(expressed in Canadian dollars)

Reserves

Exchange differences relating to the translation of the results and net assets of the Company's foreign operations from their functional currency to the Company's presentation currency are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve.

Share-based payments

The Company offers a stock option plan for its officers, directors, employees and consultants. The fair value of stock options for each vesting period is determined using the Black-Scholes option pricing model and is recorded over the vesting period as an increase to stock-based compensation and contributed surplus. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest. Upon the exercise of stock options, the proceeds received by the Company and the related contributed surplus are recorded as an increase to share capital. In the event that vested stock options expire, previously recognized share-based compensation is not reversed. In the event that stock options are forfeited, previously recognized share-based compensation associated with the unvested portion of the stock options forfeited is reversed.

The fair value of share-based payment transactions to non-employees and other share-based payments including shares issued to acquire exploration and evaluation are based on the fair value of the goods and services received. If the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or services.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Income tax

Income tax expense comprises current and deferred taxes. Current tax and deferred tax is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Champion Iron Limited

Notes to Consolidated Financial Statements

March 31, 2017 and 2016

(expressed in Canadian dollars)

Loss per share

The Company presents basic and diluted loss per share data for its ordinary shares. Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for any of its own shares held. Diluted loss per share is determined by adjusting the loss attributable to shareholders and the weighted average number of ordinary shares outstanding, adjusted for any of its own shares held, for the effects of all dilutive potential ordinary shares, which comprise outstanding warrants and stock options. As at March 31, 2017 and March 31, 2016, outstanding stock options and warrants are anti-dilutive.

Changes in accounting standards

On April 1, 2016, the Company adopted all of the mandatorily applicable new Australian Accounting Standards and International Financial Reporting Standards, amendments to standards and interpretations. The adoption of these accounting standards had no impact on these financial statements.

New standards and interpretations not yet adopted

Australian Accounting Standards and International Financial Reporting Standards that have been issued but are not yet effective have not been adopted by the Company for the year ended March 31, 2017. The Company has not determined the extent of the impact of these standards and does not plan to early adopt these new standards.

3. Significant accounting judgments, estimates and assumptions

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. See note 5.

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. See note 12.

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 cash generating units, the lowest levels of exploration and evaluation assets grouping, for which there are separately identifiable cash flows, generally on the basis of areas of geological interest. See note 14.

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. See note 16.

Champion Iron Limited

Notes to Consolidated Financial Statements

March 31, 2017 and 2016

(expressed in Canadian dollars)

Estimate of rehabilitation obligation

The rehabilitation obligation represents the present value of rehabilitation costs relating to Bloom Lake which are expected to be incurred when Bloom Lake is expected to cease operations. The rehabilitation obligation has been determined based on the Company's internal estimates. Assumptions based on the current economic environment have been made, which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary rehabilitation works required that will reflect market conditions at the time. Furthermore, the timing of rehabilitation is likely to depend on when the Bloom Lake ceases to produce at economically viable rates. This, in turn, will depend upon future iron ore prices, which are inherently uncertain. See note 14.

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. See note 18.

4. Acquisitions and private placement

On April 11, 2016, the Company, through its wholly-owned subsidiary, Québec Iron Ore Inc. ("QIO"), acquired Bloom Lake from affiliates of Cliffs Natural Resources Inc. that were subject to restructuring proceedings under the *Companies' Creditors Arrangement Act (Canada)* ("CCAA").

Bloom Lake mine is located approximately 13 km north of Fermont, Quebec, in the Labrador Trough and consists of Mining Lease BM877 and 114 mining claims. Bloom Lake Mine is an open pit truck and shovel mine, a concentrator that utilizes single-stage crushing and an autogenous mill and gravity separation to produce iron concentrate. From the site, concentrate can be transported by rail, initially on the Bloom Lake Railway, to a ship loading port in Sept-Îles, Québec. The Bloom Lake mine is currently in a care and maintenance mode.

The Bloom Lake rail assets consist of the provincially regulated short-line railway comprising a 32 km rail spur contained wholly within Newfoundland and Labrador that connects the Bloom Lake mine to the railway owned by Northern Land Company.

Set out below is the purchase price equation for the acquisition of Bloom Lake:

Consideration	\$
Cash	9,237,500
Deposit	562,500
	9,800,000
 Fair value recognized on acquisition	
<i>Assets</i>	
Property, plant and equipment	
Mobile equipment and parts	26,573,000
Rail	750,000
Mine	1,500,000
Mineral rights	1,500,000
Housing	4,000,000
	34,323,000
Deferred tax asset	6,499,000
	40,822,000
 <i>Liabilities</i>	
Rehabilitation obligation	24,523,000
Deferred tax liability	6,499,000
	31,022,000
 Total identifiable net assets at fair value	9,800,000

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The Company has determined the fair value of its rehabilitation liabilities by using a discount rate of 2.5%. The liabilities accrete to their future value until the obligations are completed. The estimated rehabilitation expenditures may vary based on changes in operations, cost of rehabilitation activities, and legislative or regulatory requirements. Although the ultimate amount to be incurred is uncertain, the liability for rehabilitation on an undiscounted basis is estimated to be approximately \$41,700,000. The cash flows required to settle the liability are expected to be incurred primarily in 2037.

As the acquisition was completed on April 11, 2016, the impact on revenue and loss for the year as though the acquisition had been at the beginning of the year would be insignificant.

Acquisition of Quinto Claims

In addition, on April 11, 2016, the Company, through its wholly-owned subsidiary, Champion Iron Mines Limited, acquired the Quinto Claims from affiliates of Cliffs Natural Resources Inc. that were subject to restructuring proceedings under the CCAA.

The Quinto Claims (458 claims), which encompass the Pepler Property (118 claims), the Lamelee Property (236 claims) and the Hobdad Property (93 claims), are located approximately 50 km southwest of the Bloom Lake mine and 10 km from each other.

Set out below is the purchase price for the acquisition of Quinto Claims which will be recorded as exploration and evaluation assets.

	\$
Consideration	
Cash	739,318
Deposit	37,500
	<hr/> 776,818

Private placement

On April 11, 2016, in order to fund the Acquisitions and to provide for working capital requirements, the Company completed a private placement of 187,500,000 ordinary shares at a price of \$0.16 per share for gross proceeds of \$30,000,000 ("Private Placement"). In connection with the Private Placement, the Company received commitments from two parties ("Initial Subscribers") to backstop up to \$15,000,000 of the Private Placement. One of the Initial Subscribers was arm's length while the other was a company controlled by a director and officer of the Company. The Initial Subscribers each agreed to purchase 46,875,000 ordinary shares (the "Committed Shares") under the Private Placement, subject to their right to engage dealers to find substituted purchasers to purchase all or a portion of the Committed Shares. In connection with their commitment to subscribe for the Committed Shares, the Company granted 15,000,000 compensation options to the Initial Subscribers, entitling the holder to purchase one ordinary share for \$0.25 until February 1, 2020. For one year after the closing of the Private Placement, the Initial Subscribers are restricted from selling, pledging or granting any rights with respect to the acquired ordinary shares, except in certain limited circumstances.

See note 18 for a summary of the assumptions for the calculation of the fair value of those stock options using the Black-Scholes option pricing model.

In connection with the Private Placement, subject to certain terms and conditions, 2 subscribers were both granted the following rights for as long as they hold more than 10% of the issued and outstanding ordinary shares of the Company:

- a) Each Subscriber is entitled to designate one nominee for election or appointment to the board of directors of the Company and the Company agrees to include the Subscribers' nominee in the slate of directors presented at any meeting of shareholders at which directors are to be elected;
- b) The Company undertakes that it will not grant any stock options unless such grant is unanimously approved by the board of directors of the Company.

Private placement by QIO

On April 11, 2016, QIO completed a private placement of 14,000,000 ordinary shares at a price of \$1 per share for gross proceeds of \$14,000,000.

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In connection with the private placement by QIO, the Company granted 6,000,000 compensation options entitling the holder to purchase one ordinary share of the Company at a price of \$0.25 per share until February 1, 2020.

In addition, QIO issued 3,000,000 ordinary shares to the Company to settle an amount due to Company and issued another 6,000,000 ordinary shares to the Company for providing a guarantee of \$6,000,000, following which, the Company's interest in QIO was reduced from 100% to 63.2%. There were no consequences to the reduction of the Company's interest in QIO.

See note 18 for a summary of the assumptions for the calculation of the fair value of those stock options using the Black-Scholes option pricing model.

Grant of stock options

On April 12, 2016, in connection with the Acquisitions, the Company granted 7,500,000 to employees of the Company, entitling the holder to purchase one ordinary share at the price of Australian \$0.20 until April 12, 2020.

See note 18 for a summary of the assumptions for the calculation of the fair value of those stock options using the Black-Scholes option pricing model.

5. Short-term investments

Maturity	Interest rate	
On demand	0.80%	9,826,395
March 30, 2018	0.50%	500,000
March 30, 2018	0.50%	577,302
April 15, 2017	0.85%	250,000
April 21, 2017	0.85%	100,000
August 9, 2017	0.95%	212,000
		<hr/> 11,465,697

Short-term investments of \$1,077,302 have been pledged as security for letters of credit of \$1,077,302, \$350,000 have been pledged as security for credit card obligations and \$212,000 have been pledged as security for a letter of credit to secure obligations under a lease agreement for office premises.

6. Receivables

The Company files a Québec Corporation Income Tax Return claiming a refundable tax credit on eligible exploration expenditures incurred in Québec ("Refundable Tax Credits") and a Québec Mining Duties Return claiming a credit on duties refundable for losses ("Credit on Duties").

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	Claims for years ended March 31,					Receivable as at	
	2017	2016	2015	2014	2013	2017	March 31, 2016
Refundable Tax Credits							
As filed (2017 to be filed)	238,000	163,857	1,697,062	1,410,115	7,555,705		
Receivable							
Current	–	–	–	–	–	–	101,568
Non-current	190,000	131,000	1,357,650	–	1,673,042	3,351,692	4,883,659
	190,000	131,000	1,357,650	–	1,673,042	3,351,692	4,985,227
Credit on Duties							
As filed (2017 to be filed)	42,000	33,726	329,731	209,515	1,122,562		
Receivable							
Current	–	–	–	–	–	–	–
Harmonized and Quebec sales taxes and other							
Receivable							
Current						6,541,921	176,255
Total						9,893,613	5,161,481
Current						6,541,921	277,822
Non-current						3,351,692	4,883,659
						9,893,613	5,161,481

It is the Company's policy to record an estimate of 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. Due to the assessment process and the length of time involved, the Company estimates the amount of the receivables that it does not expect to receive in the next 12 months and classifies the amount as a non-current receivable.

During the year, the Company received:

- \$1,435,358 in respect of its claim for the Refundable Tax Credit related to the year ended March 31, 2013;
- \$328,178 in respect of its claim for the Refundable Tax Credit related to the year ended March 31, 2014;
- \$209,142 in respect of its claim for Credits on Duties related to the year ended March 31, 2014.

The amount of the unassessed and uncollected claims are subject to audit by Revenu Québec and Ressources naturelles et Faune Québec.

7. Due from Cartier Iron Corporation

At March 31, 2016, the principal amount of \$1,284,716 due from Cartier Iron Corporation ("Cartier") was a demand loan, which was unsecured, bore interest at the rate of LIBOR plus 2% and was due 6 months after the Company demanded repayment (the "Demand Loan"). The Company had the right to convert the Demand Loan, plus accrued but unpaid interest, into Cartier common shares at a conversion price equal to the lowest subscription price per Cartier common share paid for the most recent capital raising undertaken by Cartier at the time of the conversion, subject to the minimum pricing rules and stock exchange approval.

On May 17, 2016, the Company converted the Demand Loan to a term loan, which is unsecured, bears interest at the rate of LIBOR plus 2% and is due on September 30, 2017 ("Term Loan"). The Company has the right to convert the Term Loan, plus accrued but unpaid interest, into Cartier common shares at a conversion price equal to the lowest subscription price per Cartier common share paid for the most recent capital raising undertaken by Cartier at the time of the conversion, subject to the minimum pricing rules and stock exchange approval.

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On November 15, 2016, the Company received a repayment of \$1,000,000 of the Term Loan in the form of 2,000,000 common shares of Eloro Resources Ltd. ("Eloro") at a deemed price of \$0.50 per common share. The Company agreed to provide Eloro with 30 days written notice of its intention to sell common shares of Eloro, during which time, Eloro may identify purchasers and the Company shall sell to such identified purchasers at a mutually acceptable price. The Company also agreed to extend the due date of the repayment of the balance of the Term Loan from September 30, 2017 to December 31, 2017.

At March 31, 2017, the principal amount of the Term Loan and accrued interest was \$348,003 and for the year ended March 31, 2017, interest of \$22,500 was accrued.

One director of the Company is a director of Cartier.

8. Due from SFNQ

The Company is the general partner and a limited partner in La Société ferroviaire du Nord québécois, société en commandite ("SFNQ"). The other limited 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 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 consisted of previously incurred costs of \$5,576,823.

Other income includes nil (2016 - \$484,000 for management services provided by the Company in its capacity as general partner of SFNQ. As at March 31, 2017, \$102,166 (2016 - \$125,050) was due from SFNQ.

9. Investments

The fair values of the Company's investments in common shares are as follows:

	2017	As at March 31, 2016
	\$	\$
Investment in common shares		
Fancamp Exploration Ltd. ("Fancamp")	1,320,000	506,000
Century Global Commodities Corporation ("Century")	—	418,500
Lamêlée Iron Ore Ltd. ("Lamêlée")	34,000	20,000
Eloro Resources Ltd. (note 7)	1,440,000	—
	<hr/> 2,794,000	<hr/> 944,500

Investments in common shares are classified as financial assets at fair value through profit or loss. For the year ended March 31, 2017, the net increase in the fair value of investments in common shares of \$1,173,233 has been recorded as an unrealized gain on investments in the consolidated statement of loss and comprehensive loss.

Fancamp

The Company holds 22,000,000 common shares of Fancamp. 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 until May 17, 2018, after which time, transfers will be permitted subject to certain restrictions.

As at March 31, 2015, the Company held 10,000,000 warrants entitling the Company to purchase one common share of Fancamp for \$0.60 between November 17, 2014 and May 17, 2015 ("Fancamp Warrants"). The Fancamp Warrants expired on May 17, 2015 and there was no financial impact on the Company.

Century

During the period, the Company sold its holdings in the common shares of Century for proceeds of \$323,733.

The Company holds 930,000 warrants entitling it to purchase one common share of Century for:

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Exercise price	Exercise period
\$2.00	November 30, 2016 to November 29, 2017
\$2.50	November 30, 2017 to November 29, 2018

At March 31, 2017, the fair value of the warrants is \$nil (2016 - \$nil).

Lamêlée

The Company holds 200,000 common shares of Lamêlée.

As at March 31, 2015, the Company held 1,000,000 warrants entitling it to purchase one common share of Lamêlée for \$0.15 until December 20, 2015 ("Lamêlée Warrants"). The Lamêlée Warrants expired on December 20, 2015 and there was no financial impact on the Company.

10. Acquisition of an interest in rail and port infrastructure at Sept-Îles

The Company, through QIO, Société du Plan Nord and Tata Steel Minerals Canada entered into a memorandum of understanding to work together, in a multi-user approach, to manage and develop the industrial facilities (rail lines, access to port facilities, rail yards, a pellet plant, administrative offices and other facilities) on a site of around 1,200 hectares at Pointe-Noire in Sept-Îles, Québec, via the limited partnership Société Ferroviaire et Portuaire de Pointe-Noire ("SFPPN"). SFPPN will develop an innovative business model that meets the needs of the private sector while also promoting maximum benefits for future projects in the region.

On March 23, 2017, the Company contributed \$1,000,000 to the capital of the Limited Partnership.

11. Investment in Cartier

	\$
Balance at March 31, 2015	1,162,903
Option payment of 500,000 common shares of Cartier (note 12)	12,500
Share of net loss	(663,403)
Impairment	(512,000)
<u>Balance at March 31, 2016 and March 31, 2017</u>	<u>—</u>

At September 30, 2015, the Company compared the carrying value of 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.

For the year ended March 31, 2016, the Company's share of Cartier's net loss exceeded its remaining investment in Cartier. Accordingly, the investment in associate was written down to nil.

At March 31, 2017, the Company held 11,519,970 common shares of Cartier (2016 - 11,519,970 common shares), representing 32.3% of the issued and outstanding common shares of Cartier (2016 - 34%) and 6,176,470 warrants entitling the Company to purchase one common share of Cartier for \$0.22 which expired on April 17, 2016 with no financial impact on the Company.

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:

- 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").

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- 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.

12. Long-term advance to Sept-Îles Port Authority ("Port")

On July 13, 2012, the Company signed an agreement ("Agreement") with the Sept-Îles Port Authority ("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 termination was made under the Renunciation provision of the Quebec Civil Code. The Renunciation provision allows cancellation of a contract if one party cannot perform under the contract. The Company terminated under this provision given that the Port could not provide access as contemplated in the Agreement at the time the payments were due. The Port subsequently issued the Company a notice of default with respect to the Company missing the payment due in July 2013.

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.

On May 9, 2016, the Port delivered a notice that they consider the port facilities have been delivered and are operational and in accordance with the Agreement and that the Company must pay take-or-pay payments as an advance on the Company's future shipping, wharfage and equipment fees. The Port has advised that take-or-pay payments were \$3,701,400 at March 31, 2017.

The Port is disputing the Company's entitlement to terminate the Agreement and on June 21, 2016, the Port sent the Company a notice of arbitration to have the dispute between the Company and Port referred to arbitration pursuant to the terms of the Agreement. As part of this arbitration, it is expected that the Port will be seeking an order forcing the payment of the unpaid advances of \$19,581,000 plus interest, while the Company will contest this claim and ask for the reimbursement of the Advances paid plus interest.

The arbitration process is involved and will take some months to complete. The actual hearing is not scheduled to take place until August/September 2017 and it will not be until then that the outcome of the process will be known. The arbitration process is at an early stage and it is not possible now to make any realistic prediction about the outcome of the arbitration proceedings. The outcome will be influenced by various things which may include matters or issues identified during the arbitration process of which the parties to the arbitration are unaware at this stage. Accordingly, no amount has been recorded as a liability in these consolidated financial statements.

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13. Property, plant and equipment

	Mobile equipment and parts \$	Rail \$	Railcars	Mine \$	Mineral rights \$	Housing \$	Other \$	Total \$
Cost								
March 31, 2016	–	–	–	–	–	–	114,065	114,065
Additions	26,573,000	750,000	40,701,987	1,500,000	1,500,000	4,000,000	351,787	75,376,774
Disposals	(3,000,000)	–	–	–	–	–	–	(3,000,000)
March 31, 2017	23,573,000	750,000	40,701,987	1,500,000	1,500,000	4,000,000	465,852	72,490,839
Accumulated depreciation								
March 31, 2016	–	–	–	–	–	–	92,999	92,999
Depreciation	2,297,579	29,948	73,734	–	–	159,722	26,067	2,586,049
Disposals	(37,500)	–	–	–	–	–	(3,366)	(40,866)
March 31, 2017	2,259,079	29,948	73,734	–	–	159,722	115,700	2,638,182
Net book value, March 31, 2017	21,313,921	720,052	40,628,253	1,500,000	1,500,000	3,840,278	350,152	69,852,656

Acquisition of railcars

On March 10, 2017, the Company, through its wholly-owned subsidiary, Lac Bloom Railcars Corporation Inc. (“Lac Bloom Railcars”), entered into a Railcar Instalment Sale Agreement to acquire 735 specialized iron ore railcars for consideration of \$40,700,968 (US\$30,077,570) plus Goods and Services Tax (“GST”) of \$2,035,099 (US\$1,503,879) and Quebec Sales Tax (“QST”) of \$4,060,023 (US\$3,000,238). The Company made a down payment of \$2,460,315 (US\$1,818,100) with the balance of the consideration, including GST and QST being financed by a note owing to the vendor.

Loan balances at March 31, 2017:

	US\$	\$
Current		
GST loan	1,503,879	2,001,661
QST loan	3,000,238	3,993,316
	4,504,117	5,994,977
Long-term		
Consideration loan	28,259,470	37,613,355

The loans have the following terms and conditions:

- Maturity dates:** Consideration loan: March 10, 2019; however, between October 1, 2018 and December 31, 2018, in the event that the Company has not yet begun to ship iron ore from Bloom Lake and provided that no event of default has occurred and is continuing, the Company may provide written notice and make a payment of US\$1,986,525 (less all rental payments received by the Company) to extend the maturity date to March 10, 2020. In the event that the vendor consents to the lease of railcars by the Company, all rental payments received by the Company will be paid to the vendor. The Company has the right to repay the loan at any time without penalty or other cost.
GST loan and QST loan: the earlier of 2 business days after the Company receives the input tax credit claimed to recover the GST and QST paid and August 31, 2017.
- Interest rate:** LIBOR plus 1.75% compounded monthly and payable monthly.
- Security:** \$60,000,000 hypothec covering all the present and future moveable property of Lac Bloom Railcars.

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Dispositions

During the year, the Company received proceeds of \$3,395,538 on the disposition of mobile equipment and parts.

14. Exploration and evaluation assets

	March 31, 2016 \$	Acquisition costs (other) \$	Exploration \$	Mining tax credits \$	Impairment \$	March 31, 2017 \$
Fermont						
Consolidated Fire Lake North	54,199,922	13,624	849,798	(339,142)	–	54,724,202
Harvey-Tuttle	6,584,301	3,871	11,474	–	–	6,599,646
Moire Lake	2,930,272	1,378	–	–	–	2,931,650
O’Keefe Purdy	3,217,816	4,562	–	–	–	3,222,378
Other	1,276,060	6,234	–	–	–	1,282,294
Quinto	–	863,671	–	–	–	863,671
	68,208,371	893,340	861,272	(339,142)	–	69,623,841

	March 31, 2015 \$	Acquisition costs (other) \$	Exploration \$	Mining tax credits \$	Impairment \$	March 31, 2016 \$
Fermont						
Consolidated Fire Lake North	53,904,908	141,310	682,348	(528,644)	–	54,199,922
Harvey-Tuttle	6,574,186	8,192	1,923	–	–	6,584,301
Moire Lake	2,930,272	–	–	–	–	2,930,272
O’Keefe Purdy	3,204,922	12,544	350	–	–	3,217,816
Other	3,230,831	(49,465)	1,500	–	(1,906,806)	1,276,060
	69,845,118	112,582	686,120	(528,664)	(1,906,806)	68,208,370

Exploration and evaluation is reported net of option payments and mining tax credits received.

Fermont

The Company owns a 100% interest in Fermont consisting of 7 mineral concessions covering an area of 700 square kilometres situated in northeastern Quebec (“Fermont”), subject to a net smelter return royalty of 1.5% (1.5% NSR). For reporting purposes, Fire Lake North, Oil Can, Bellechasse and Midway properties were consolidated into one property known as Consolidated Fire Lake North. Other properties include Audrey-Ernie, Black Dan, Jeannine Lake and Penguin properties.

As at March 31, 2017, the Company assessed its remaining properties for indicators of impairment and none were noted.

Grant of option for Cluster 3 Properties to Cartier Iron Corporation

On September 28, 2012, the Company granted an option to Cartier Iron Corporation (“Cartier”) to acquire a 65% interest in Aubertin-Tougaard, Audrey-Ernie, Black Dan, Jeannine Lake, Penguin Lake, Silicate-Brutus and Three Big Lakes (“Cluster 3 Properties”).

As at March 31, 2016, the Company determined that indicators of impairment existed on Aubertin-Tougaard, Cassé Lake, Claire Lake, Hope Lake, Silicate-Brutus and Three Big Lake properties based on the fact that no exploration or evaluation expenditures were planned in the near future. In conjunction with Cartier, the Company decided to abandon the properties. As such, for the year ended March 31, 2016, the Company recorded an impairment loss of \$1,906,806 to write off those properties.

At March 31, 2016, the Company and Cartier were in discussions with respect to the unpaid option payment of \$200,000 that was due on December 10, 2015. The Company did not record a receivable for the option payment.

On May 17, 2016, the Company and Cartier amended the option for the Cluster 3 Properties. In order to earn a 55% interest (reduced from a 65% interest), Cartier must:

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c) make option payments, issue common shares and incur exploration expenditures, as follows:

	Option	Common shares		Exploration
	payments	Number	Fair value	expenditures
	\$		\$	\$
Upon execution of agreement (received)	–	1,000,000	250,000	–
Upon conditional approval from a stock exchange for the listing of the common shares of Cartier (received)	100,000	–	–	–
December 10, 2013 (paid, issued and incurred)	150,000	500,000	80,000	500,000
December 10, 2014 (issued and incurred)	–	500,000	80,000	750,000
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)	250,000	–	–	–
December 10, 2015 (paid and issued)	50,000 (Note 1)	500,000	12,500	–
December 10, 2016 (incurred)	–	–	–	1,800,000 (note 3)
December 31, 2017 (extended from December 10, 2016)	450,000 (Note 2)	–	–	–
	1,000,000	2,500,000	422,500	3,050,000 (note 4)

Note 1: reduced to \$50,000 from \$250,000.

Note 2: increased from \$250,000 to \$450,000.

Note 3: reduced from \$4,750,000 to \$1,800,000.

Note 4: reduced from \$6,000,000 to \$3,050,000.

d) repay the Term Loan.

Upon Cartier earning its 55% 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.

15. Property taxes payable

The Company and the Town of Fermont have agreed that the Company will make monthly instalments payments of \$150,000 on the account of property taxes for Bloom Lake and the arrears of property taxes shall bear interest at the rate of 12%. Upon recommencement of commercial operations of Bloom Lake and provided that the price of 62% Fe iron ore minus an agreed upon transportation cost is greater than US\$75 per metric tonne for a period of 90 consecutive days, the Company will pay the arrears in 24 monthly installments, subject to the condition that the arrears shall be paid in full by December 11, 2025.

Property taxes payable as at March 31, 2017 of \$7,713,000 includes property taxes of \$7,245,000 and accrued interest of \$468,000.

Property taxes for Bloom Lake of \$8,990,930 are reflected in Care and Maintenance Expenses of Bloom Lake within the consolidated statement of loss and comprehensive loss.

16. Royalty payable

Fermont is encumbered by a 1.5% net smelter royalty ('NSR') with no option to reduce the royalty.

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On March 31, 2014, the Company recorded an estimate of the fair value of the 3% NSR as an acquisition cost of exploration and evaluation and an offsetting royalty payable. On June 25, 2015, the Company completed an arrangement to reduce the 3% NSR to 1.5% NSR by paying \$50,000 on closing and \$250,000 on October 25, 2015 ("Arrangement"). The Arrangement remains the best indicator of the fair value of the 1.5% NSR, and therefore, as at March 31, 2017, the fair value of the 1.5% NSR has been estimated to be \$300,000 (2016 - \$300,000).

17. Rehabilitation obligation

	\$
Balance, March 31, 2016	–
Obligation arising on acquisition of Bloom Lake (note 4)	24,523,000
Accretion of rehabilitation obligation	632,500
Balance, March 31, 2017	25,155,500

The accretion in rehabilitation obligation arises from the unwinding of the discount rate used to record the liability as if the liability were incurred in the current period.

18. Capital stock

The Company is authorized to issue ordinary shares, performance shares, exchangeable shares and special voting shares.

Each Exchangeable Share will be exchangeable into an ordinary share at no cost to the holder from January 1, 2015 or earlier on the occurrence of certain specified events. Upon conversion, application for the quotation of these ordinary shares will be made. All exchangeable shares in existence on March 31, 2017 will be automatically converted into ordinary shares on that date.

The Company has issued 1 special voting share ("SVS") to a trustee which will hold the SVS on behalf of all holders of exchangeable shares in order that holders of exchangeable shares will be able to vote at the Company's shareholder meetings. The SVS will carry as many votes at shareholder meetings of the Company as there are exchangeable shares on issue at the voting eligibility cut-off time of the meeting. The SVS is not transferable, will not be listed and will cease to have any voting rights at meetings of the Company's shareholders once all exchangeable shares have been converted to ordinary shares.

Issued

	Number of shares	\$
Ordinary shares		
Balance, March 31, 2015	196,657,989	171,420,382
Conversion of exchangeable shares	1,661,795	–
Fair value of warrants expired	–	3,089,520
Balance, March 31, 2016	198,319,784	174,509,902
Private placement (note 4)	187,500,000	30,000,000
Fair value of compensation warrants granted (note 4)	–	(2,520,000)
Conversion of exchangeable shares	114,555	–
Balance, March 31, 2017	385,934,339	201,989,902

All issued ordinary shares are fully paid and have no par value. The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share. All shares rank equally with regard to the Company's residual assets in the event of a wind-up.

	Number of shares
Exchangeable shares of the Company	
Balance, March 31, 2015	1,776,350
Conversion to ordinary shares	(1,661,795)
Balance, March 31, 2016	114,555
Conversion to ordinary shares	(114,555)
Balance, March 31, 2017	–

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Warrants

A summary of the Company's warrants is presented below:

	Number of warrants	Weighted- average exercise price \$	Amount \$
Balance, March 31, 2015	16,133,333	1.5341	3,089,520
Expired	(16,133,333)	1.5341	(3,089,520)
Balance, March 31, 2016 and 2017	—	—	—

Stock options

	Number of stock options	Weighted- average exercise price \$
Balance, March 31, 2015	29,223,499	0.46
Granted	1,000,000	0.30
Expired	(19,223,333)	0.36
Balance, March 31, 2016	11,000,166	0.60
Granted	29,000,000	0.24
Expired	(2,550,166)	1.28
Balance, March 31, 2017	37,450,000	0.27

A summary of the Company's outstanding and exercisable stock options at March 31, 2017 is presented below:

Exercise price	Expiry date	Number of stock options	
		Outstanding	Exercisable
A\$0.50	April 8, 2017 (exercised subsequent to March 31, 2017)	1,000,000	1,000,000
A\$0.50	June 18, 2017 (exercised subsequent to March 31, 2017)	150,000	150,000
A\$0.30	October 31, 2017	1,000,000	660,000
A\$0.30	December 11, 2017	2,000,000	2,000,000
A\$0.30	August 20, 2018	1,000,000	330,000
\$0.45	September 1, 2018	1,000,000	1,000,000
A\$0.50	November 29, 2018	2,300,000	1,550,000
A\$0.30	November 4, 2019	500,000	500,000
\$0.25	February 1, 2020 (Note 3)	21,000,000	21,000,000
A\$0.20	April 11, 2020 (Note 3)	7,500,000	7,500,000
		37,450,000	35,690,000

The exercise price of outstanding stock options ranges from A\$0.20 to A\$0.50 and the weighted-average remaining contractual life of outstanding stock options is 2.46 years.

A summary of the stock options and compensation options granted and the assumptions for the calculation of the fair value of those stock options using the Black-Scholes option pricing model is presented below:

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Date of grant	August 20, 2015	April 11, 2016	April 11, 2016	April 12, 2016	November 4, 2016
Expiry date	August 20, 2018	February 1, 2020	February 1, 2020	April 12, 2020	November 4, 2019
Options granted	1,000,000	15,000,000	6,000,000	7,500,000	500,000
Exercise price	A\$0.30	\$0.25	\$0.25	A\$0.20	A\$0.30
Share price	A\$0.15	\$0.21	\$0.21	A\$0.22	A\$0.23
Risk-free interest rate	2.5%	2.5%	2.5%	2.5%	2.5%
Expected volatility based on historical volatility	80%	80%	80%		80%
Expected life of stock options	3 years	4 years	4 years	4 years	3 years
Expected dividend yield	0%	0%	0%	0%	0%
Forfeiture rate	0%	0%	0%	0%	0%
Vesting		On date of grant	On date of grant	On date of grant	On date of grant
Fair value		\$1,800,000	\$720,000	\$1,050,000	\$55,000
Fair value per stock option		April 11, 2016	April 11, 2016	\$0.14	\$0.11

Upon receipt of shareholder approval on August 7, 2015, the Company granted 1,000,000 stock options entitling the holder to purchase one ordinary share for A\$0.30 until August 20, 2018. These options will vest in annual instalments over 3 years, subject to holder's continued service with the Company, the satisfactory progression towards the completion of a bankable feasibility study for Consolidated Fire Lake North by August 20, 2018 and the satisfactory completion of a bankable feasibility study by August 20, 2018.

19. Care and maintenance of Bloom Lake

Care and maintenance costs of Bloom Lake of \$26,669,074 (2016 - \$nil) represent the costs incurred at Bloom Lake since its acquisition on April 11, 2016. Costs include property taxes (note 15), salaries and wages, housing costs, utilities and water management and environmental costs.

20. Income taxes

The Company's effective income tax rate differs from the amount that would be computed by applying the federal and provincial statutory rate of 26.9% (2016 – 26.5%) to the loss for the year. The reasons for the difference are as follows:

	2017 \$	2016 \$
Income tax recovery based on combined statutory rate	(9,393,619)	(1,882,967)
Share-based compensation and other non-deductible items	27,892	902,129
Effect of changes in rate on temporary items	(4,183)	–
Tax losses not recognized	9,417,328	930,838
	–	–

Deferred income tax assets and liabilities

The Company's deferred income tax assets and liabilities are as follows:

	As at March 31,	
	2017	2016
Deferred tax asset		
Non-capital loss carry-forward and share issue costs	19,193,727	10,006,188
Investments	482,586	(1,723,907)
Deferred income taxes not recognized	(12,244,649)	(1,757,294)
	7,431,664	6,524,987
Liability		
Exploration and evaluation assets	(7,431,664)	(6,524,987)
	–	–

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Losses carried forward

At March 31, 2017, the Company had non-capital loss carryforwards which expire as follows:

	\$
2027	153,000
2028	406,000
2029	1,089,000
2030	1,812,000
2031	4,291,000
2032	5,789,000
2033	5,644,000
2034	9,181,000
2035	4,469,000
2036	3,701,000
2037	34,817,000
	<hr/> 71,352,000

Resource deductions

At March 31, 2017, the Company has cumulative Canadian exploration expenses of \$32,208,540 (2016 - \$31,959,974) and cumulative Canadian development expenses of \$6,512,801 (2016 - \$6,420,632) which may be carried forward indefinitely to reduce taxable income in future years.

21. Loss per share

Loss per share amounts are calculated by dividing the net loss attributable to shareholders for the year by the weighted-average number of shares outstanding during the year.

	2017	2016
	\$	\$
Net loss attributable to equity holders of the parent	(23,232,212)	(7,298,651)
Basic and diluted weighted-average number of shares	<u>380,212,024</u>	<u>197,904,607</u>
Basic and diluted loss per share attributable to equity holders of the parent	<u>(0.06)</u>	<u>(0.04)</u>

All options and warrants that are anti-dilutive have been excluded from the diluted weighted-average number of common shares.

22. 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, receivables, due from Cartier, due from SNFQ and accounts payable and accrued liabilities

The fair values of cash and cash equivalents, short-term investments, receivables, due from Cartier, due from SFNQ 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, Lam  e and Eoro are measured at the bid market price on the measurement date.

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Note payable

The note payable is evaluated by the Company based on parameters such as interest rates and the risk characteristics of the financed assets. As at March 31, 2017, the carrying amount of the note payable was not materially different from its calculated fair value.

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 and fair values

As at March 31, 2017

	Fair value through profit and loss \$	Cash, loans and receivables \$	Other liabilities \$	Total carrying amount \$	Total fair value \$
Assets					
Current					
Cash and cash equivalents	–	1,863,387	–	1,863,387	1,863,387
Short-term investments	–	11,465,697	–	11,465,697	11,465,697
Receivables	–	6,541,921	–	6,541,921	6,541,921
Due from Cartier	–	348,003	–	348,003	348,003
Due from SFNQ	–	102,166	–	102,166	102,166
Non-current					
Receivables	–	3,351,692	–	3,351,692	3,351,692
Investments	2,794,000	–	–	2,794,000	2,794,000
	<u>2,794,000</u>	<u>23,672,866</u>	<u>–</u>	<u>26,466,866</u>	<u>26,466,866</u>
Liabilities					
Current					
Accounts payable and accrued liabilities	–	–	1,667,504	1,667,504	1,667,504
Note payable	–	–	5,994,977	5,994,977	5,994,977
Non-current					
Note payable	–	–	37,613,355	37,613,355	37,613,355
Royalty payable	–	–	300,000	300,000	300,000
	<u>–</u>	<u>–</u>	<u>45,757,836</u>	<u>45,757,836</u>	<u>45,757,836</u>

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As at March 31, 2016

	Fair value through profit and loss \$	Cash, loans and receivables \$	Other liabilities \$	Total carrying amount \$	Total fair value \$
Assets					
Current					
Cash and cash equivalents	–	293,714	–	293,714	293,714
Short-term investments	–	1,377,302	–	1,377,302	1,377,302
Receivables	–	277,822	–	277,822	277,822
Due from Cartier	–	–	–	–	–
Due from SFNQ	–	125,050	–	125,050	125,050
Non-current					
Receivables	–	4,883,659	–	4,883,659	4,883,659
Due from Cartier	–	1,325,504	–	1,325,504	1,325,504
Investments	944,500	–	–	944,500	944,500
	944,500	8,283,051	–	9,227,551	9,227,551
Liabilities					
Current					
Accounts payable and accrued liabilities	–	–	878,777	878,777	878,777
Non-current					
Royalty payable	–	–	300,000	300,000	300,000
	–	–	1,178,777	1,178,777	1,178,777

Fair value measurements recognized in the consolidated statement of loss and comprehensive loss

Subsequent to initial recognition, the Company measures financial instruments at fair value grouped into the following levels based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at March 31, 2017

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial asset at fair value through profit and loss				
Cash and cash equivalents and short-term investments	13,329,084	–	–	13,329,084
Investments				
Common shares	2,794,000	–	–	2,794,000
Financial liability				
Note payable	–	43,608,332	–	43,608,332

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As at March 31, 2016

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial asset at fair value through profit and loss				
Cash and cash equivalents and short-term investments	1,671,016	–	–	1,671,016
Investments				
Common shares	944,500	–	–	944,500

23. 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 investments as at March 31, 2017 had changed by 10%, with all other variables held constant, the loss would have decreased or increased by approximately \$279,400.

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.

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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.

24. Related party transactions

	Years ended March 31,		Outstanding at March 31,	
	2017	2016	2017	2016
	\$	\$	\$	\$
General and administrative				
Paid on market terms for rent to a company controlled by a director	54,540	54,540	–	–

See notes 7, 9, 11 and 14 for other related party transactions with Cartier and note 8 for other related party transactions with SFNQ.

Compensation of key management personnel

The Company considers its directors and officers to be key management personnel. Transactions with key management personnel are set out as follows:

	Years ended March 31,	
	2017	2016
	\$	\$
Salaries	746,141	674,880
Consulting fees	686,250	642,000
Bonus	175,000	–
Non-monetary benefits	144,084	24,240
Post-employment benefits	42,725	41,823
Termination payments	90,000	–
Share-based payments, representing share-based compensation	1,232,920	139,652
	<u>3,117,120</u>	<u>1,522,595</u>

25. Commitments and contingencies

At March 31, 2017, contingent liabilities consist of letters of credit \$212,000 provided to secure obligations under a lease agreement for office premises and letters of credit for \$1,077,302 provided by QIO to third parties.

Commitments for annual basic premises rent are as follows:

	As at March 31,	
	2017	2016
	\$	\$
Less than 1 year	202,860	91,010
1-5 years	819,878	–
More than 5 years	1,188,990	–
	<u>2,211,728</u>	<u>91,010</u>

See note 12 for information regarding the Company's contingent liabilities.

26. Parent entity information

Information relating to Champion Iron Limited:

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	As at March 31,	
	2017	2016
	\$	\$
Current assets	7,183,616	393,629
Non-current assets	45,032,863	17,602,231
Total assets	52,216,479	17,995,860
Current liabilities	258,320	307,897
Due to QIO	6,000,000	–
Total liabilities	6,258,320	307,897
Net assets	45,958,159	17,687,963
Issued capital	55,634,352	28,259,111
Reserves	5,152,823	3,678,556
Accumulated losses	(15,218,474)	(14,249,704)
Total equity	45,958,159	17,687,963
	Years ended March 31,	
	2017	2016
	\$	\$
Loss of parent entity	3,064,812	1,876,042
Total comprehensive loss of the parent entity	3,064,812	1,876,042

27. Auditors remuneration

Total of all remuneration received or due and receivable by the auditors in connection with:

	Years ended March 31,	
	2017	2016
	\$	\$
<i>Ernst & Young Australian firm</i>		
Audit of the financial report	88,000	80,000
Review of interim financial statements	46,000	42,000
Remuneration consulting services	15,000	–
<i>Ernst & Young Canadian firm</i>		
Audit of the financial statements of QIO	25,000	–
Transaction advisory services	89,626	89,424
Preparation of income tax returns	10,000	10,830
	273,626	222,254

28. Segment information

The Company operates in one business segment being iron ore exploration in Canada. As the Company is focused on exploration, the Board monitors the Company based on actual versus budgeted exploration expenditure incurred by project. The internal reporting framework is the most relevant to assist the Board with making decisions regarding this Company and its ongoing exploration activities, while also taking into consideration the results of exploration work that has been performed to date.

29. Subsequent events

Other than those noted below, no matter or circumstance has arisen since March 31, 2017 that has significantly affected, or may significantly affect:

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- The Company's operations in the future financial years, or
- The results of those operations in future financial years, or
- The Company's state of affairs in future financial years.

Impact and Benefits Agreement

The Company, through QIO, and the band council, Innu of Takuaikan Uashat mak Mani-utenam have entered into an Impact and Benefits Agreement (the "IBA") with respect to future operations at the Bloom Lake.

The IBA is a life-of-mine agreement and provides for real participation in Bloom Lake for the Uashaunnuat in the form of training, jobs and contract opportunities, and ensures that the Innu of Takuaikan Uashat mak Mani-utenam will receive fair and equitable financial and socio-economic benefits. The IBA also contains provisions which recognize and support the culture, traditions and values of the Innu of Takuaikan Uashat mak Mani-utenam, including recognition of their bond with the natural environment.

Off-take agreement

On May 1, 2017, the Company has signed a Framework Off-Take Agreement (the "Agreement") with Sojitz Corporation ("Sojitz"), [a major trading company based in Tokyo, Japan], pursuant to which Sojitz would purchase up to 3,000,000 DMT per annum from QIO after the re-commencement of commercial operations at the Bloom Lake Iron Mine ("Bloom Lake") pursuant to the Agreement, Sojitz will purchase up to 3,000,000 DMT per annum from QIO, upon re-commencement of commercial operations at Bloom Lake. The Agreement is for an initial five-year term from the date that commercial operations commence at Bloom Lake and shall automatically extend for successive terms of five-years.

\$40,000,000 bridge financing

On May 17, 2017, to finance required upgrades to the tailings management system, other process plant upgrades and long-lead items in connection with the recommencement of operations at Bloom Lake, the Company arranged, on behalf of QIO, a \$40,000,000 bridge financing, comprised of debt of \$26,000,000 and equity of \$14,000,000. The debt component consists of a one-year term loan secured against the Bloom Lake fixed assets and large-scale mining equipment. The equity component consists of a proportionate contribution of \$8,800,000 and \$5,200,000 from the shareholders of QIO, the Company and the Government of Québec, respectively.

In connection with its \$8,800,000 equity contribution into QIO, the Company completed the sale of a \$10,000,000 unsecured convertible debenture bearing interest at the rate of 8% payable quarterly and maturing on June 1, 2018 ("Debenture"). The Debenture is convertible at the option of the holder at any time into ordinary shares of the Company ("Shares") at a conversion price of \$1.00 per Share. Should the Company not complete a master financing of a minimum of \$212,000,000 ("Master Financing") by November 30, 2017, the conversion price will be adjusted to the lesser of \$1.00 or the 5-day weighted average trading price of Shares on the TSX determined as of the date of conversion. The maximum number of Shares that may be issued upon conversion of the Debenture is 50,000,000 Shares, with the balance of the unconverted principal amount of the Debenture to be repaid in cash or converted into a proportion of the Royalty (as defined hereinafter) at the option of the Company. If the principal amount is not repaid in full on or before June 1, 2019, the holder will have the right to convert the entire outstanding principal amount into a 0.21% gross overriding royalty on Bloom Lake (the "Royalty").

Following completion of the Master Financing, the principal amount of the Debenture may be prepaid in whole or in part by the Company subject to a minimum payment representing 6 months of interest.

Financial assistance

On June 5, 2017, the Company announced that QIO has been granted financial assistance of \$3,085,089 and \$2,131,656 from the Government of Québec's Green Fund in connection with two energy conversion projects at Bloom Lake.

Grant of stock options and share rights

On May 25, 2017, the Company granted 1,650,000 stock options to employees entitling the holder to purchase one ordinary share for A\$1.00 until May 25, 2020. The stock options vest, as follows: 650,000 on May 25, 2017, 150,000 on May 25, 2018, 150,000 on May 25, 2019 and 700,000 on satisfaction of vesting conditions set by the Board.

On May 25, 2017, the Company granted 1,250,000 share rights convertible into ordinary shares. The share rights vest on the satisfaction of vesting conditions set by the Board.

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Rail transportation contract

On June 19, 2017, the Company entered into a transportation agreement with the Quebec North Shore & Labrador Railway Company Inc. ("QNS&L") for the transportation of iron ore from Bloom Lake by way of the QNS&L railway for approximately 400 kilometres from the Wabush Lake Junction in Labrador City, Newfoundland & Labrador to the Sept-Îles Junction in Sept-Îles, Québec.

STOCK EXCHANGE INFORMATION

The additional information set out below relates to shares and options as at June 7, 2017

DISTRIBUTION OF EQUITY SECURITY HOLDERS

Size of Holding	Number of ordinary shares
1 to 1,000	31,589
1,001 to 5,000	424,612
5,001 to 10,000	626,894
10,001 to 100,000	7,696,188
100,000 and over	378,155,056
	386,934,339

54 shareholders held less than a marketable parcel of ordinary shares at June 7, 2017.

ORDINARY SHARES

SUBSTANTIAL SHAREHOLDERS

Name of shareholder	Number of ordinary shares	% of issued capital
WC Strategic Opportunity LP	62,500,000	16.15%
Resource Capital Fund VI LP	40,331,250	10.42%
Ressources Quebec Inc.	37,500,000	9.69%
Michael O'Keeffe (and associates)	33,536,930	8.67%

VOTING RIGHTS

All ordinary shares issued by the Company carry one vote per share without restriction.

TWENTY LARGEST SHAREHOLDERS

Name of shareholder	Number of ordinary shares	% of issued capital
1 WC Strategic Opportunity LP	62,500,000	16.15%
2 Resource Capital Fund VI LP	40,331,250	10.42%
3 Ressources Quebec Inc	37,500,000	9.69%
4 Prospect AG Trading PL	30,036,930	7.76%
5 Fancamp Exploration Ltd	11,018,333	2.85%
6 Baotou Chen Hua	11,000,000	2.84%
7 GAB Super Fund PL	8,936,030	2.31%
8 Zero Nom P/L	7,850,021	2.03%
9 JP Morgan nominees	5,758,852	1.49%
10 Metech Super PL	4,950,000	1.28%
11 Jen Group LLC	4,375,000	1.13%
12 Gavin John Argyle	4,032,364	1.04%
13 Citicorp Nom PL	3,530,898	0.91%
14 Eastbourne DP PL	3,500,000	0.90%
15 Vision PL	3,157,500	0.82%
16 HSBC Custody Nominee Audt Ltd	2,317,585	0.60%
17 Marc Dorion	2,273,296	0.59%
18 Flue Holdings PL	1,694,708	0.44%
19 Rowe Angela Maree	1,620,000	0.42%
20 Fareast Enterprises PL	1,556,668	0.40%

SCHEDULE OF TENEMENTS

The Company's wholly owned subsidiary, Champion Iron Mines Limited, owns a 100% interest in the following properties :

Property-Québec	SNRC	Claims	Hectares
Consolidated Fire Lake North	23B06; 23B11; 23B12	569	28,774.11
Harvey-Tuttle	23B12; 23B05	191	10,010.36
Moire Lake	23B14	36	1,665.55
O'Keefe-Purdy	23B11; 23B12	203	10,623.15
Jeannine Lake (<i>Note 1</i>)	22N16	21	1,117.40
Round Lake (<i>Notes 1 and 2</i>)	23B04; 23C01; 23N16	318	16,826.93
Silicate-Brutus (<i>Note 1</i>)	22O13	19	1,009.25
Peppler	23B05	118	6,207.75
Lamelee	23B05; 23B06; 23B11; 23B12	236	12,374.67
Hobdad	23B05; 23B06	93	4,893.74
Property-Newfoundland	Licences		
Powderhorn	11346M, 11367M, 15136M, 15137M, 18969M, 19227M	101	2,525.00
Gullbridge	11956M, 11960M, 16260M, 16261M	212	5,300.00

Note 1. Currently under option to Cartier Iron Corporation.

Note 2. Round Lake includes Aubrey-Ernie, Black Dan, Penguin Lake and Round Lake claims.

The Company's 63.2% owned subsidiary, Québec Iron Ore Inc., owns a 100% interest in the following properties:

Property-Québec	SNRC	Claims	Hectares
Bloom Lake Mining Lease	23B14	1	6,857.63
Bloom Lake claims	23B14	64	3,224.20

MINERAL RESOURCE AND ORE RESERVES STATEMENT

Fermont Iron Ore District

The Company owns interest in 14 iron ore deposits located in the Fermont Iron Ore District of northeastern Québec, some 300 km north of the City of Sept-Îles, and ranging from 6 to 80 kilometers west and southwest of Fermont. Table 1 lists the various projects with their status, surface area, NSR and other such information. The 14 deposits may be grouped into larger “clusters”. All claims and leases are in good standing.

Cluster / Project	Deposit	Nb claims	Area (km sq.)	Champion interest	Co-owner	NSR
	Bloom Lake Mine	71*	100.8*	63.2%	Ressources Québec	
Consolidated Fire Lake North	Fire Lake North	569	287.7	100%		1.5%
	Don Lake					
	Bellechasse					
	Oil Can					
	Moiré Lake	36	16.7	100%		1.5%
Quinto Claims	Peppler Lake	447	234.7	100%		
	Lamêlée Lake					
	Hobdad Hill					
	Harvey-Tuttle	191	100.1	100%		1.5%
	O'Keefe-Purdy	203	106.2	100%		1.5%
Cluster 3	Penguin Lake	341	189.5	45%**	Cartier Iron Corporation	1.5%
	Lac Jeannine					
	Black Dan					

* Includes a 68.7 sq. km mining lease

** Pending required expenditures and loan repayment before December 31, 2017.

Bloom Lake Mine

The idled Bloom Lake Mine was acquired from Cliffs Natural Resources in April of 2016. A Feasibility Study was completed by Ausenco Canada Inc. in order to identify areas for improvement or correction prior to the re-start. The associated costs estimates were used to develop a financial model and therefore mineral resources and ore reserves were recalculated. The JORC and Canadian National Instrument NI 43-101 compliant Measured and Indicated resources adds to a total of 911 Mt while there is an additional 80 Mt of Inferred resources (table 2). The Bloom Lake Mine holds 411 Mt of ore reserves at 30.0% Fe and a dilution factor of 4.3%.

Table 2: March 2017 Bloom Lake Mineral Resource Estimate at Cut-off 15% Fe					
Category	Dry Tonnage (Mt)	Fe (%)	CaO (%)	MgO (%)	Al₂O₃ (%)
Measured	439.7	31.0	0.6	0.7	0.3
Indicated	471.9	28.5	2.5	2.3	0.4
M+I Total	911.6	29.7	1.6	1.5	0.4
Inferred	80.4	25.6	1.9	1.7	0.3

Includes ore reserves

Table 3: March 2017 Bloom Lake Ore Reserves Estimate at Cut-off 15% Fe					
Category	Dry Tonnage (Mt)	Fe (%)	CaO (%)	MgO (%)	Al₂O₃ (%)
Proven	264.2	30.7	0.5	0.6	0.3
Probable	147.6	28.7	2.8	2.7	0.4
Total	411.7	30.0	1.3	1.3	0.4

Consolidated Fire Lake North

The Consolidated Fire Lake North (CFLN) project includes four deposits, the Fire Lake North, Don Lake, Bellechasse and Oil Can deposits. All deposits are located north of ArcelorMittal's Fire Lake mine. No work was done on the CFLN asset following the 2014 drilling and Joint Ore Reserves Committee (JORC) Resources and Reserves Statement of October 27th 2014 for the Fire Lake North (FLN) deposit. The JORC compliant resources of over 1.2 Bt have been estimated for FLN (table 4) while the reserves are estimated at 464 Mt (table 5).

Table 4: October 2014 Fire Lake North Mineral Resource Estimate at Cut-off 15% Fe					
Category	Dry Tonnage (Mt)	Fe (%)	SiO₂ (%)	Al₂O₃ (%)	P (%)
Measured	40.3	34.2	48.3	1.28	0.015
Indicated	715.0	31.4	51.4	1.56	0.020
M+I Total	755.3	31.6	51.2	1.55	0.019
Inferred	461.0	31.8	49.6	2.22	0.032

Table 5: 2013 Fire Lake North Ore Reserves Estimate at Cut-off 15% Fe***				
Category	Dry Tonnage (Mt)	Fe (%)	CaO (%)	Weight Recovery (%)
Proven	23.7	36.0	0.5	45.0
Probable	440.9	32.2	2.8	39.6
Total	464.6	32.4	1.3	39.9

*** Estimate from the 2013 prefeasibility study. New ore reserves estimation following the new resources calculation was not made.

Resources estimates (NI 43-101 compliant) were done for the Oil Can and Bellechasse deposits, both part of the CFLN property. The estimates include only inferred resources (table 6). No NI 43-101 resources estimate is available for the Don Lake deposit.

Table 6: Inferred Resources for other CFLN deposits at Cut-off 15% Fe			
Deposit	NI 43-101 release	Dry Tonnage (Mt)	Fe (%)
Bellechasse	2009	215.1	28.7
Oil Can (oxides)	2012	972	33.2
Oil Can (mixed)****	2012	924	24.1

**** Mix of iron oxides and iron silicates

Moiré Lake

Moiré Lake is a stand-alone deposit located approximately 6 km west from the city of Fermont. It is the far extension of ArcelorMittal's Mont-Wright Mine. While ArcelorMittal's ore is hematite-rich, the Moiré Lake deposit is a mix of hematite and magnetite. A NI 43-101 resources estimate published in 2012 has total resources of 581 Mt with a grade of 29.7% Fe (table 7).

Table 7: 2012 Moiré Lake Resources Estimate at Cut-off 15% Fe		
Category	Dry Tonnage (Mt)	Fe (%)
Measured	-	-
Indicated	163.9	30.5
M+I total	163.9	30.5
Inferred	416.7	29.4
Total M+I+I	580.6	29.7

Quinto Claims Property

The Quinto Claims were acquired in the Bloom Lake transaction. The holding has 447 claims and holds several iron ore deposits and occurrences. The property is adjacent to the CFLN project. All the deposits have more magnetite than hematite. They also have small amount of iron silicates.

There are no NI 43-101 compliant resources estimates for the Quinto claims.

The Quinto Claims include Hobdad Hill which was partially drilled in 2012. The deposits hold oxide iron formation, but resources were not estimated. Other occurrences, Faber and Lac Jean, were drilled in 2007 but results indicate a silicates-dominated iron formation and therefore no further work was done.

Harvey-Tuttle

The Harvey-Tuttle property is located northwest of the Quinto Claims. It holds several small deposits, although one of them, Turtleback Mountain, holds significant resources. The project was drilled in 2010 and a NI 43-101 resources estimate was published in 2011. As a whole, the Harvey-Tuttle property has 947 Mt of inferred resources at 23.2% FeT.

O'Keefe-Purdy

There are no NI 43-101 compliant resources estimates for the O'Keefe-Purdy deposits.

Cluster 3

A series of 358 claims located near the closed Lac Jeannine Mine, identified as Cluster 3 was optioned to Cartier Iron Corporation. Upon completion of work and financial requirements, Champion Iron Mines Limited would still hold 45% of the property. The main asset in Cluster 3 is the Penguin Lake deposits. A 2014 NI 43-101 reports 534.8 Mt of inferred resources at 33.1% Fe with a cut-off at 15%Fe. Cluster 3 also holds a series of small deposits near Round Lake (NW of Penguin). Finally, tailings for the Lac Jeannine have been considered as a source of iron ore as they are fairly coarse and have an average grade of 13% Fe. However, no tonnage has been evaluated.

Powderhorn / Gullbridge

Besides its iron ore assets in Québec, Champion Iron Mines Limited also owns 100% right to 7 exploration licenses (63 km sq.) in the vicinity of the closed Gullbridge mine in North central Newfoundland (NTS map sheet 12H01). It is located approximately 25 km south of the town of Springdale. The licenses are in good standing and exploration work is expected for summer of 2017.

The Powderhorn/Gullbridge project targets base metal deposits (Cu-Zn) as either extension of the Gullbridge copper mine or other zones related to the same mineralization system. Several Cu or Zn showings are spread out on the licenses and geophysical survey suggest several target at 200 meters depth. No mineral resources or ore reserves estimate are available as the project enters its second phase of exploration with the drilling of the aforementioned geophysical targets.

The Powderhorn/Gullbridge property has a 2.85% NSR to the previous owner (Copper Hill Resources and 3 individual prospectors).

CORPORATE GOVERNANCE STATEMENT

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Champion have adhered to the principles of corporate governance. A description of the main corporate governance practices is set out below. Unless otherwise stated, the practices were in place for the entire year.

Board of Directors

The Board of Directors of the Company is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of shareholders by whom they are elected and to whom they are accountable.

As the Board acts on behalf of shareholders, it seeks to identify the expectations of shareholders, as well as other ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks.

The primary responsibilities of the Board include:

- formulation and approval of strategic direction, objectives and goals of the Company;
- monitoring the financial performance of the Company, including approval of the Company's financial statements;
- ensuring that adequate internal control systems and procedures exist and that compliance with these systems and procedures is maintained;
- the identification of significant business risk and ensuring that such risks are adequately managed;
- the review of performance and remuneration of Executive Directors; and
- the establishment and maintenance of appropriate ethical standards.

The Company's operational performance is assessed on an ongoing basis by the Board, to ensure that the operation and administration of the Company are being performed in alignment with expectations and risks identified by the Board.

Independent Directors

In accordance to ASX Guidelines it is considered that all of the non-executive Directors of the Company during the year ended 31 March 2017 meet the criteria of an Independent Director. All appointments of non-executive Directors are considered to be Independent Directors. On 1 November 2016, Mr. Wayne Wouters was appointed as non-executive Director to Board.

Communication to Market & Shareholders

The Board aims to ensure that shareholders, on behalf of whom they act, are informed of all information necessary to assess the performance of the Directors and the Company. Information is communicated to shareholders and the market through:

- the Annual Report which is distributed to all shareholders;
- the periodic reports which are lodged with ASX and TSX are available for shareholder scrutiny;
- other announcements made in accordance with ASX and TSX Listing Rules;
- special purpose information memoranda issued to shareholders as appropriate; and
- the Annual General Meeting ("AGM") and other meetings called to obtain approval for Board action as appropriate.

Board Composition

When the need for a new Director is identified, selection is based on the skills and experience of prospective Directors, having regard to the present and future needs of the Company. Any Director so appointed must then stand for election at the next Annual General Meeting of the Company.

Terms of Appointment as a Director

The constitution of the Company provides that a Director must retire each year and is eligible for re-election. All the Directors retire at each Annual General Meeting.

Workplace Diversity Policy

Diversity includes, but is not limited to, gender, age, ethnicity and cultural background. The Company is committed to diversity and recognises the benefits arising from employee and board diversity and the importance of benefiting from all available talent. Accordingly, the Company has established a diversity policy which is available on the Company's website.

The Board has a commitment to promoting a corporate culture that is supportive of diversity and encourages the transparency of Board processes, review and appointment of Directors. The Board is responsible for developing policies in relation to the achievement of measurable diversity objectives and the extent to which they will be linked to the Key Performance Indicators for the Board and senior executives.

The Company's strategies may include:

- recruiting from a diverse range of candidates for all positions, including senior executive roles and Board positions;
- reviewing pre-existing succession plans to ensure that there is a focus on diversity;
- encourage female participation across a range of roles across the Company;
- review and report on the relative proportion of women and men in the workforce at all levels of the Company;
- articulate a corporate culture which supports workplace diversity and in particular, recognizes that employees at all levels of the Company may have domestic responsibilities;
- develop programs to encourage a broader pool of skilled and experienced senior management and Board candidates, including, workplace development programs, mentoring programs and targeted training and development; and
- any other strategies that the Board or the Nomination Committee develops from time to time.

Board Committee

During the period, in view of the size of the Company and the nature of its activities, the audit, nomination and remuneration committees comprised all members of the Board as constituted during the period.

The Company has formed an Audit Committee which comprises of Mr Andrew Love (Chairman) and Mr Gary Lawler who are non-executive Directors. Ms Michelle Cormier acted as an observer on the audit committee. The Company has also formed a Remuneration & Nomination Committee which comprised of Mr Gary Lawler (Chairman), Mr Michael O'Keefe and Mr Andrew Love. On 27 April 2017, Mr Michael O'Keefe retired from the Committee and Ms Michelle Cormier was appointed to the Committee. With the appointment of the Committees, all audit matters, the nomination of new Directors and the setting, or review, of remuneration levels of Directors and senior executives are reviewed by the relevant Committee and approved by resolution of the Board (with abstentions for relevant Directors where there is a conflict of interest). Where the Board considers that particular expertise or information is required, which is not available from within the Board, appropriate external advice may be taken and received prior to a final decision being made by the Board.

Remuneration

The Constitution of the Company provides that the non-executive Directors may collectively be paid as remuneration for their services a fixed sum not exceeding the aggregate maximum sum per annum from time to time determined by the Company in general meeting. The current aggregate maximum is \$500,000. A Director may be paid fees or other amounts as the Directors may determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a director. A Director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

Independent Professional Advice

Directors have the right, in connection with their duties and responsibilities as Directors, to seek independent professional advice at the Company's expense. Prior approval of the Chairman is required, which will not be unreasonably withheld.

Share Trading

The Board has adopted a Securities Trading Policy, which complies with the requirements of Listing Rule 12.12, which regulates dealings by Directors, officers and employees in securities issued by the Company.

The policy, which is available on the Company's website, includes the Company's closed periods, restrictions on trading that apply to the Company's key management personal, trading that is not subject to the policy, exceptional circumstances in which key management personnel may be permitted to trade during a prohibited period with prior written clearance and the procedure for obtaining written clearance. The policy provides that employees, directors and officers must not enter into transactions or arrangements, which operate to limit the economic risk of their security holding in the Company without first seeking and obtaining written acknowledgement from the Board.

Code of Conduct

The Board has adopted a Code of Conduct policy to guide executives, management and employees in carrying out their duties and responsibilities. The policy is available on the Company's website.

CORPORATE GOVERNANCE STATEMENT

In fulfilling its obligations and responsibilities to its various stakeholders, the Board of Champion Iron Limited (“Company”) is a strong advocate of corporate governance. The Board has adopted corporate governance policies and practices consistent with the ASX Corporate Governance Council’s “Corporate Governance Principles and Recommendations 3rd edition” (Recommendations) where considered appropriate for a company of the Company’s size and nature. The Company’s website may be accessed at www.championiron.com

Principle Number	Recommendation	Compliance	Reason for Non-compliance
1. <u>Lay solid foundation for management and oversight</u>			
1.1	Establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	The Board has adopted a formal board charter setting out the responsibilities of the Board. This charter can be accessed at the Company’s website.	Not applicable
1.2	Undertake appropriate checks before appointing a person or putting forward a person for election as a director and provide all material information to security holders.	The Company has a Remuneration & Nomination Committee which assists the Board in identifying and selecting directors. The Committee undertakes appropriate checks before putting forward a person for election. All material information is provided to security holders when appointing directors.	Not applicable
1.3	Each director and senior executive should have a written agreement setting out the terms of their appointment.	All directors and senior executives have a written agreement with the Company which sets out the terms of their appointment.	Not applicable
1.4	The company secretary should be accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board.	The Company has two company secretaries, one for each of Australia & Canada. The company secretaries are accountable to the Board and their roles and responsibilities are outlined in the board charter.	Not applicable

Principle Number	Recommendation	Compliance	Reason for Non-compliance
1.5	<p>Establish a policy concerning diversity and disclose the policy or a summary of that policy.</p> <p>Disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.</p> <p>Companies should disclose in each annual report the proportion of women employees in the whole organization, women in senior executive positions and women on the Board.</p>	<p>The Company has adopted a Diversity Policy, which can be accessed at the Company's website.</p>	<p>Due to the current size, nature and scale of the Company's activities the Board has not yet developed objectives regarding gender diversity. As the size and scale of the company grows the Board will set and aim to achieve gender diversity objectives as director and senior executive positions become vacant and appropriately qualified candidates become available.</p> <p>At the date of this report the Company has 6 male executives, 5% of employees are women and 1 woman is currently represented on the Board.</p>
1.6	<p>Disclose the process for evaluating the performance of the Board, its committees and individual directors and disclose in relation to each reporting period whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>The Board has adopted a Board performance evaluation policy which can be accessed at the Company's website. A review of Board performance was undertaken in respect of the 31 March 2017 financial year by the Remuneration & Nomination Committee in accordance with Company's performance evaluation policy and approved by the Board.</p>	<p>Not applicable</p>
1.7	<p>Disclose the process for evaluating the performance of the senior executives and disclose in relation to each reporting period whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>The Board will meet annually to review the performance of executives. The senior executives' performance is assessed against the performance of the Company as a whole.</p> <p>A review of Board performance was undertaken in respect of the 31 March 2017 financial year by the Remuneration & Nomination Committee in accordance with Company's performance evaluation policy an approved by the Board.</p>	<p>Not applicable</p>

Principle Number	Recommendation	Compliance	Reason for Non-compliance
2. Structure the Board to add value			
2.1	The Board should establish a nomination committee and disclose the charter of the committee, members of the committee and as at the end of each reporting period, the number of times the committee met throughout the year and individual attendances of the members of the committee.	The Company has a Remuneration and Nomination Committee. The Remuneration and Nomination Committee charter can be assessed at the Company's website. Details of attendance at committee meetings is disclosed in the annual report.	Not applicable
2.2	The Company should have and disclose a Board skills matrix and diversity that the Board currently has or is looking to achieve.	The Company does not have a skill matrix.	Due to the size and current level of activity the Company has not developed a skill matrix. This will be prepared as the business develops.
2.3	The names of directors considered to be independent and the length of service of each director should be disclosed. If a director has an interest, position, association or relationship as described in Box 2.3 of guidance to Principle 2, an explanation of why the Board is of the opinion that it does not compromise the independence of the director.	The names of independent directors and their length of service is disclosed in the annual report. Mr. Michael O'Keeffe is a substantial shareholder and may not be considered to be independent.	The Board is of the opinion that the interests of Mr. Michael O'Keeffe are aligned and his shareholding does not compromise those interests.
2.4	A majority of the Board should be independent Directors.	The Board has considered the guidance to Principle 2: <i>Structure the Board to Add Value</i> and in particular, Box 2.3, which contains a list of "relationships affecting independent status". The Board comprises of 5 Directors, 4 of who are considered to be Independent in accordance to the relevant ASX Guidelines.	Not applicable
2.5	The chair should be an independent Director and should not be the same person as the CEO	The Company's current Chairman Mr. Michael O'Keeffe is not considered to be an Independent Director. The roles of Company Chairman and Chief Executive Officer have been exercised by Mr. Michael O'Keeffe.	Mr. O'Keeffe has significant experience and knowledge of the mining industry, corporate and operating matters of the Company. Given the size and development of the Company at the present time, the Board believes it is acceptable to have Mr. O'Keeffe filling the dual roles.

Principle Number	Recommendation	Compliance	Reason for Non-compliance
2.6	Have a program for inducting directors and provide appropriate professional development opportunities for directors to perform their role as directors effectively	The remuneration and nomination committee has oversight for the induction of directors. All directors are encouraged to undergo continual professional development.	Not applicable
3. <u>Act ethically and responsibly</u>			
3.1	Establish a code of conduct for directors, senior executives and employees and disclose the code or a summary of the code.	The Company has adopted a Code of Conduct, which can be accessed at the Company's website.	Not applicable
4. <u>Safeguard integrity in corporate reporting</u>			
4.1	<p>The Board should establish an audit committee. The audit committee should be structured so that it has at least 3 members</p> <ul style="list-style-type: none"> • consists only of Non-Executive Directors; • consists of a majority of independent Directors; • is chaired by an independent chair, who is not chair of the Board; <p>The charter of the committee, the qualifications and experience of the members and in relation to the reporting period, the number of times the committee met throughout the period and the individual attendances of members during the period should be disclosed.</p>	<p>The Board has established an audit committee consisting of 2 independent directors and one director acting observer.</p> <p>The formal charter can be accessed at the Company's website.</p> <p>The number of meetings during the year and attendances by members is disclosed in the annual report.</p>	Not applicable
4.2	Before approving the financial statements for a financial period, the Board should receive from the Chief Executive Officer and the Chief Financial Officer a declaration that, in their opinion, the financial records have been properly maintained and that the financial statements comply with appropriate accounting standards and give a true and fair view of the financial position and performance of the company and that the opinion has been formed on the basis a sound system of risk management and internal control which is operating effectively.	The Board has received appropriate declarations from the Executive Chairman and the Chief Financial Officer in accordance with section 295A of the Corporations Act.	Not applicable

Principle Number	Recommendation	Compliance	Reason for Non-compliance
4.3	The Company should ensure that the external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	The Company auditor attends the AGM and is available to answer questions from security holders.	Not applicable
5. <u>Make timely and balanced disclosure</u>			
5.1	Establish written policy to comply with continuous disclosure obligations under the ASX Listing Rules and disclose those policies or a summary of those policies.	The Company has adopted a Continuous Disclosure Policy which can be accessed at the Company's website.	Not applicable
6. <u>Respect the rights of security holders</u>			
6.1	Provide information about itself and its governance to investors via its website	This information can be accessed at the Company's website.	Not applicable
6.2	Design and implement an investor relations program to facilitate effective two-way communication with investors	The company has adopted a Shareholder Communications Policy which can be accessed at the Company's website.	Not applicable
6.3	Disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	The company has adopted a Shareholder Communications Policy which can be accessed at the Company website.	Not applicable
6.4	Security holders should have the option to receive communications from, and send communications to, the company and its security registry electronically	Security holders have the option to receive and send communications electronically.	Not applicable
7. <u>Recognise and manage risk</u>			
7.1	The Board should have a committee (s) to oversee risk and each committee should have at least three members, a majority of whom are independent directors and is chaired by an independent director.	Due to the size and level of operations, the Company does not have a committee to oversee risk.	The Board is responsible for the oversight of risk management and control framework. Responsibility for control and risk management is delegated to the appropriate level of management within the Company with the Executive Director having ultimate responsibility to the Board.

Principle Number	Recommendation	Compliance	Reason for Non-compliance
7.2	The Board or a committee should review the risk management framework at least annually to satisfy itself that it continues to be sound and disclose in each reporting period whether such a review has taken place.	The Company's risk management policies set the guidelines for management who have responsibility for implementation and monitoring compliance with risk management policies. The Board undertakes continuous review of risk management.	Not applicable
7.3	Disclose whether or not the Company has an internal audit function and if not, the processes employed for evaluating and continually improving effectiveness of its risk management and internal control.	Due to the size of the operations, the Company does not have an internal audit function.	The Board and management have responsibility for continuous evaluation of risk management and internal control within the framework of the Company's Risk Management Policy.
7.4	The company should disclose whether it has any material exposure to economic, environmental and social sustainability risks and if it does, how it manages or intends to manage those risks.	Disclosure is made in the annual report of any material exposure to risk.	Not applicable
8. Remunerate fairly and responsibly			
8.1	<p>The Board should establish a remuneration committee which should be structured so that it has at least three members,</p> <ul style="list-style-type: none"> • consists of a majority of independent directors; and • is chaired by an independent director; <p>and disclose:</p> <ul style="list-style-type: none"> • the charter of the committee • the members of the committee and at the end of the reporting period, the number of times the committee met throughout the period and individual attendance by members at those meetings. 	<p>The Company has established a remuneration and nomination committee which meets these criteria.</p> <p>The charter for the committee can be accessed via the Company's website and attendance at meetings of the committee is disclosed in the annual report..</p>	Not applicable.
8.2	Companies should separately disclose its policies and practices regarding the remuneration of Non-Executive Directors' and that of Executive Directors and senior executives.	The structure of non-executive Directors' remuneration is clearly distinguished from that of Executive Directors and senior executives, as described in the Directors' Report which forms part of the Company's Annual Report.	Not applicable

Principle Number	Recommendation	Compliance	Reason for Non-compliance
8.3	A company which has an equity based remuneration scheme should have a policy on whether participants are permitted to enter into transactions which limit the economic risk of participating in the scheme and disclose the policy or a summary of the policy.	The company has a share trading policy which includes a prohibition on entering into transactions or arrangements which operate to limit the economic risk of their security holding in the company. The share trading policy can be accessed on the company's website.	Not applicable

COMPANY DIRECTORY

DIRECTORS	Michael O’Keeffe (Executive Chairman and Chief Executive Officer) Gary Lawler (Non-Executive Director) Andrew Love (Non-Executive Director) Michelle Cormier (Non-Executive Director) Wayne Wouters (Non-Executive Director)
COMPANY SECRETARIES	Jorge Estepa and Pradip Devalia
REGISTERED & PRINCIPAL OFFICE	Level 1, 91 Evans Street Rozelle NSW 2039 Telephone: +61 2 9810 7816 Facsimile: +61 2 8065 5017 Website: http://www.championiron.com ACN 119 770 142
AUDITORS	Ernst & Young 200 George Street Sydney 2000 NSW
SHARE REGISTRIES	Security Transfer Registrars Pty Ltd Suite 1, Alexandria House 770 Canning Highway Applecross WA 6153 Telephone: +61 8 9315 2333 Facsimile: +61 8 9315 2233 TSX Trust Company 200 University Avenue, Suite 300 Toronto, ON, Canada M5H 4H1 Telephone: (416) 361-0930 Facsimile: (416) 361-0470
STOCK EXCHANGES	The Company’s shares are listed on the Australian Stock Exchange (ASX) and Toronto Stock Exchange (TSX)
ASX CODE AND TSX SYMBOL	CIA (Fully Paid Ordinary Shares)

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