# *Champion Iron Mines Limited*
## *(formerly Champion Minerals Inc.)*

# *Management's Discussion and Analysis*

This Management's Discussion and Analysis ("MD&A") provides discussion and analysis of the financial condition and results of operations of Champion Iron Mines Limited (formerly Champion Minerals Inc.) ("Champion" or the "Company") for the year ended March 31, 2013 and should be read in conjunction with the audited financial statements and the accompanying notes. The MD&A is the responsibility of management and is dated as of July 2, 2013.

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

**Forward-Looking Statements**

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

**The Company**

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

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

**Overall Performance**

***Fermont Property Holdings***

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

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

On May 17, 2012, the Company acquired the remaining 17.5% non-controlling interest in the Fermont Holdings joint venture from Fancamp Exploration Ltd. ("Fancamp"). As a result of the acquisition, the Company now owns a 100% interest in the Fermont Holdings and the joint venture between the Company and Fancamp has been terminated. The Company continues to retain its right of refusal over Fancamp's interest in the Lamellee Property and Fancamp continues to retain its 50% interest in the 3% Royalty. The Company retains the right of first refusal on the sale of the Royalty and the option to purchase 0.5% of the Royalty for $1,500,000 from the holder of the 50% interest in the Royalty not owned by Fancamp.

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

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

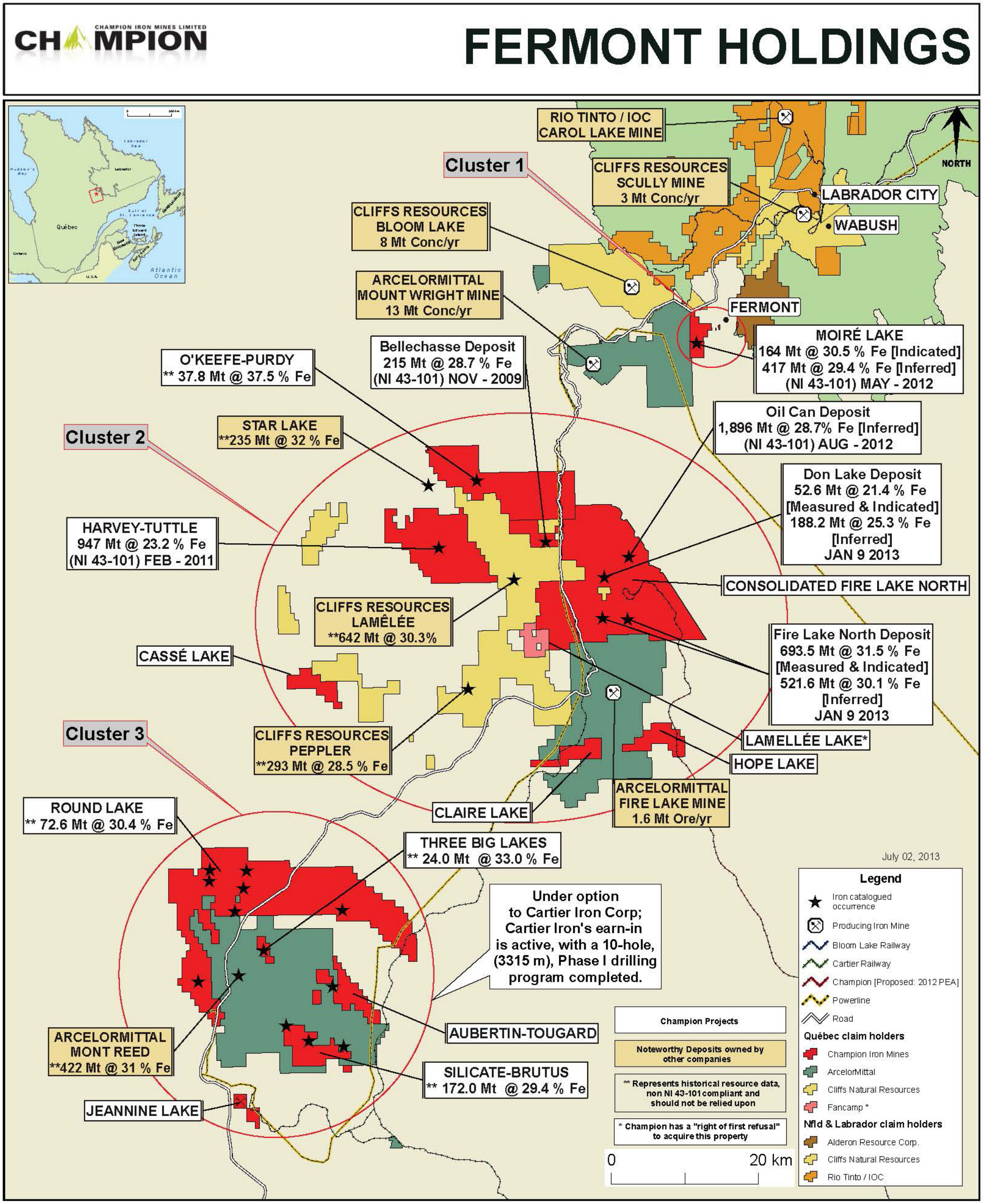
In the event that Fancamp is not able to obtain shareholder approval for a change in control in the event that the Company exercises the Fancamp Warrants, Fancamp has agreed that it will only exercise Champion Warrants equal to the number of Fancamp Warrants exercisable by the Company divided by 5.

b) On May 17, 2012, the Company granted a waiver to Fancamp of the Company's option to purchase 0.5% of Fancamp's 50% interest in the Royalty. As consideration for the waiver, Fancamp made a payment of $2,000,000 to the Company, which the Company used to acquire 8,000,000 common shares of Fancamp for $0.25 per share.

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

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

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




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

The following table sets out the current NI 43-101 compliant Measured, Indicated and Inferred Mineral Resources for the Fermont Holdings by Property[1]:

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

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

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

***Cluster 1***

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

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

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

Significantly, results of the In-Pit Optimization demonstrate that nearly 100% of the Moire Lake Mineral Resources might be potentially economically exploited. The global Mineral Resource Estimate and In-pit Optimized Mineral Resource Estimate presented above, respectively, include Mineral Resources only within the limits of the Moire Lake property. The

Optimized Pit Shell that was generated, however, extends beyond the current western Moire Lake property boundary and includes only overburden and waste rock in this extension.

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

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

The Company expects to follow-up the Mineral Resource Estimate with a Preliminary Economic Assessment (“PEA”) study.

***Cluster 2***

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

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

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

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

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

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

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

- Rail costs increased from $275.4 million to $1.334 billion, reflecting the estimate for a rail system from the CFLN Project to Point Noire at the Port of Sept-Îles as contained in the 2012 Feasibility Study prepared for Champion by Rail Cantech. However, $200 million of upfront costs in this rail scenario are attributed to Champion and $1.134 billion is financed via construction financing and repaid from project cash flows over a 12-year period.

- Concentrator and site infrastructure cost was increased by $145.9 million to support an increased concentrate production capacity to 10 Mtpa and a dual voltage substation.
- Pointe Noire port facilities cost was increased by $109.8 million after consideration to a more suitable storage location which could be expanded at minimal cost.
- Environmental cost increased by $83.4 million due to a cost underestimation in the PEA.
- All mining equipment is capitalized ($55.4 million) compared to the PEA where the mining equipment was leased.

The addition of these significant cost components clarify the project scope with regards to the project schedule and estimated budget. The financial model illustrates the robust economics of the West and East iron ore deposits on their own merit. With the adjacent resources within the CFLN project boundaries, the mid-term and long-term growth profile of this project are promising.

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

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

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

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

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

Table 2 below details the pre-production capital costs:

**Table 2: Pre-production Capital Costs**

| | **C$ million** |
|---|---:|
| Mine equipment and pre-stripping | 133.8 |
| Site infrastructure | 192.0 |
| Concentrator including load out facilities | 410.7 |
| Environmental and Tailings Management | 85.0 |
| Other Pre-production Costs (rail rolling stock lease) | 13.4 |
| Port Facilities: Car dumper, stacker/reclaimer, stockyard | 158.3 |
| Railway (Owner's cost for 310 km distance including turnaround loop and sidings) | 200.0 |
| Sub Total | 1,193.2 |
| Indirect Costs (including Owner's Costs) | 300.2 |
| Contingency (10%) | 114.6 |
| Grand Total (100% of the project) | 1,607.8 |

Operating costs are outlined in Table 3:

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

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

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

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

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

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

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

*Oil Can Property*

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

**Table 1: Inferred Mineral Resource Estimate[1]**

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

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

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

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

**Table 2: In-Pit Optimization Sensitivity Estimate**

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

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

*Bellechasse and Midway Properties*

As the Bellechasse and Midway properties are contiguous with the Fire Lake North and the Oil Can properties, there exists an increased prospect for exploiting the Bellechasse resource from potential common infrastructure to be developed to serve Fire Lake North and Oil Can. Accordingly, the Bellechasse and Midway properties were consolidated with Fire Lake North and Oil Can to form part of a Consolidated Fire Lake North Property. The Bellechasse Property contains an Inferred Mineral Resource of 215 million tonnes grading 27.8% Total Iron while the Midway Property does not contain any NI 43-101 compliant or historic resource.

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

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

The Company has deferred the second phase of diamond drilling at Harvey-Tuttle when 12,500m of drilling originally budgeted for Harvey-Tuttle was redirected to the Fire Lake North Project to meet additional higher priority drilling requirements. Further drilling and the initiation of a PEA at Harvey Tuttle have been deferred in order to better allocate available capital resources on the Company's higher priority projects in both Clusters 1 and 2.

***O'Keefe-Purdy***

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

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

***Acquisition of Hope Lake Extension and Oil Can Extension***

On July 26, 2012, the Company acquired a 100% interest in the Hope Lake Extension consisting of 632.45 hectares and the Oil Can Extension consisting of 40.97 hectares. In order to acquire its interest, the Company issued 25,000 common shares with a fair value of $22,850.

*Quality Assurance and Quality Control*

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

***Cluster 3***

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

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

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

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

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

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

On December 10, 2012, the Company acquired 2,000,000 common shares of Cartier for $0.25 per common share for cash of $500,000 and accepted 568,000 common shares of Cartier with a fair value of $142,000 in settlement of amount due from Cartier.

The Company owns 3,568,000 common shares of Cartier, representing approximately 18.5% of its issued and outstanding shares.

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

On April 25, 2013, Cartier reported assay results its inaugural ten-hole Phase I diamond-drilling programme completed on the Penguin Lake Project. The ten NQ-diameter drill-holes, totaling 3,315 m, were designed to intersect magnetite/hematite-rich iron formation, coincident with a strong magnetic-response anomaly in the area of the catalogued "Lac Pingouin Zone 1" Occurrence (http://sigeom.mrnf.gouv.qc.ca/ Cogite # 23C/01-0004), which has an historic mineral resource[1] of 46.7 Million tonnes grading 30% FeT, estimated from the results of nine historic diamond-drill holes.

The Phase I drilling campaign intersected a total of 1600 metres of iron formation with an average grade of 29.5% FeT. Selected "best" intervals include: 242 m grading 25.2% FeT from hole PL13-04; 129 m grading 34.4% FeT in hole PL13-05; 112 m of 29.4% FeT encountered in hole PL13-07 and 300 m grading 33% FeT in hole PL13-10. A list of composite assay results from the drill programme can be found in Cartier's press release dated April 25, 2013, which is available on its corporate website at www.cartieriron.com and it is also posted under Cartier's filings at www.sedar.com.

Cartier further reported that it has commissioned MRB & Associates of Val-d'Or, Québec to complete a NI 43-101 compliant Mineral Resource Estimate for the Penguin Lake Project with results expected by early Q3 2013.

Two directors and one officer of the Company are directors of Cartier.

[1] *All historical Mineral Resource estimates outlined in this disclosure are non-compliant to NI 43-101 Mineral Resources and Mineral Reserves standards, and should therefore not be relied upon. A Qualified Person has not done sufficient work to upgrade or classify these Historical Mineral Resources as current NI 43-101 compliant Mineral resources.*

### Agreement with Canadian National Railway Company

On August 24, 2012, the Company signed an agreement with Canadian National Railway Company ("CN") to participate in a feasibility study of a proposed new multi-user railway that would connect mining projects in the Labrador Trough to the deep water port in Sept-Îles.

On February 12, 2013, CN announced that it was suspending the feasibility study for the construction of the proposed new multi-user railway and the terminal handling facility. CN cited its view that current market realities have resulted in anticipated delays with mine development projects in and around the Labrador Trough and that mine construction schedules and diverging needs for each specific individual project would make it difficult to obtain the critical volumes of iron ore necessary to support the building of new rail and terminal infrastructure by CN.

Pursuant to the agreement with CN, the Company had agreed to contribute $1,000,000 towards the completion of the feasibility study; however, following the February 12, 2013 CN announcement the Company has subsequently had all of its funds contributed towards the feasibility study refunded.

The Company remains committed to formulating and finalizing a suitable rail solution for its Fermont Holdings projects.

### Agreement with Sept-Îles Port Authority

The Sept-Îles Port Authority ("Port") has committed to complete a planned multi-user port facility with annual loading capacity of 50 million metric tons of iron ore at an estimated cost of $220 million by March 31, 2014.

On July 13, 2012, the Company signed an agreement ("Agreement") with the Port to reserve annual loading capacity of 10 million metric tons of iron ore ("Annual Reserved Capacity") for an initial term of 20 years with options to renew for 4 additional 5-year terms.

The Port required the Company and other end-users to fund a portion of the costs through a "Buy-in Payment", which constituted an advance on the Company's future shipping, wharfage and equipment fees. The Company's Buy-in Payment was $25,581,000, which could have been paid in 2 instalments ($12,790,000 payable on signing of the Agreement and $12,791,000 payable on July 1, 2013) or guaranteed by providing irrevocable guarantees of equivalent value.

With respect to the Buy-in Payment, the Company paid $1,000,000 on signing of the Agreement and provided the Port with irrevocable guarantees of equivalent value in the form of a deed of hypothec regarding its mining rights, title and interest over Moire Lake and Don Lake. As at March 31, 2013, the Company has paid $6,000,000 and the Company committed to pay the remaining amount of $19,581,000 in instalments on May 1, 2013, June 1, 2013 and July 1, 2013. The Company has not made the instalments due on May 1, 2013 and June 1, 2013.

On June 28, 2013, the Company provided notice to the Port terminating the Agreement and requested the repayment of the long-term advance of $6,000,000.

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

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

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

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

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

In connection with CN's announcement on August 10, 2012 that together with a group of five mining companies it committed to work on a feasibility study into the construction of a proposed rail line and terminal handling facility to serve the Quebec/Labrador iron ore range, ITUM issued a press release on September 27, 2012 indicating that without their consent, they opposed the construction of CN's proposed new multi-user railway on their territory. Subsequently, on February 12, 2013, CN announced that it was suspending the feasibility study for the construction of the proposed new multi-user railway.

***Attikamagen (Taconite-bearing Sokoman Iron Formation)***

The Company holds a 44% (previously 100%) interest in 946 claims comprising 310 square kilometres extending over a 56 kilometre strike length in Labrador and Quebec ("Attikamagen"), including approximately 52 claims comprising the original Attikamagen Lake Iron Property in western Labrador which are subject to an aggregate royalty of $1.50 per tonne of iron content in any and all iron ore, pellets or other products produced. The royalty can be purchased for $2,500,000.

On May 12, 2008, the Company granted an option to Labec Century Iron Ore Inc. ("Labec"), now a subsidiary of Century Iron Mines Corporation ("Century Iron"), for Labec to earn up to a 60% interest in Attikamagen. In order to earn its interest, Labec must fund exploration expenditures as follows:

| | Exploration expenditures $ |
|---|---|
| **To earn 51% interest** | |
| March 26, 2009 (funded) | 2,500,000 |
| March 26, 2011 (funded) | 2,500,000 |
| March 26, 2012 (funded) | 2,500,000 |
| | 7,500,000 |
| **To increase to 56% interest** | |
| March 26, 2013 (funded) | 2,500,000 |
| **To increase to 60% interest** | |
| March 26, 2014 | 3,000,000 |
| | 13,000,000 |

Labec is solely responsible for funding the exploration program at Attikamagen until such time that it elects to complete its option to earn a 56% or 60% interest, at which time the Company and Labec will be responsible for funding their respective proportionate shares of future exploration and developments costs. If either party does not fund its share of costs, its joint venture interest will be diluted. On or about February 7, 2012, Labec earned a 51% interest in Attikamagen and on or about May 15, 2012, Labec earned an additional 5% interest in Attikamagen, increasing its interest in Attikamagen to 56%. Labec has continued exploration activities on the project. Labec subsequently gave notice that it had earned an additional 4% interest to increase its holdings to 60% and to further increase its interest (and dilute the Company's interest) pursuant to ongoing exploration programs that Labec has been funding without contribution from the Company. The Company is undertaking its due diligence verification and accounting of those claims.

On September 25, 2012, Century Iron announced an initial mineral resource statement for the Hayot Lake Iron Deposit ("Hayot Lake") located on the Attikamagan project. As reported by Century Iron, Hayot Lake is estimated to contain an Inferred Mineral Resource of 1.723 billion tonnes grading an average of 31.25% Total Iron at a cut-off grade of 20% Total Iron. Century Iron reported that the initial mineral resource statement has been prepared by SRK Consulting (Canada) Inc. ("SRK") in accordance with Canadian Securities Administrators' National Instrument 43-101 "Standards of Disclosure for Mineral Projects" ("NI"43-101"). Hayot Lake is approximately 18.5km northeast of Schefferville, Quebec.

A summary of the Hayot Lake Mineral Resource Statement and resource estimation methodology can be found in Century Iron's press release dated September 25, 2012, which is available on their corporate website at www.centuryiron.com and is also posted under Century Iron's filings at www.sedar.com. SRK's Hayot Lake Mineral resource Technical Report was posted on November 9, 2012 and is also available under Century Iron's filings at www.sedar.com.

On March 8, 2013, Century Iron announced an initial Mineral Resource Estimate for the Joyce Lake “direct shipping ore” (“DSO[2]”) deposit (“Joyce Lake Project”), located at Attikamagen. Century Iron reported that the Joyce Lake Project is estimated to contain Measured and Indicated Mineral Resources of 10.0 million tonnes grading 59.45% Total Iron plus an additional 5.6 million tonnes of Inferred Mineral Resources grading 55.78% Total Iron, at a cut-off grade of 50% Total Iron. Century Iron stated that this initial Mineral Resource Estimate has been prepared by SGS Canada Inc. - SGS Geostat Group (“SGS”) of Blainville, Québec and that the mineral resources were estimated in conformity with generally accepted CIM Estimation of Mineral Resource and Mineral Reserve Best Practices Guidelines; however, no independent qualified person engaged by the Company has done sufficient work to analyze, interpret, classify or verify Century's statements to determine the accuracy of the technical information or the mineral resource estimates announced by Century Iron. Accordingly, readers are cautioned against attributing those statements to the Company.

On May 10, 2013, Century Iron announced the filing on SEDAR of a PEA for the Joyce Lake Project, the findings of which reconciled with those which were previously announced on March 25, 2013, The PEA reported a NPV of $90.4 million (pre-tax) and $51.8 million (after-tax) at an 8% discount rate, an IRR of 37% (pre-tax) and 27.1% (after-tax), with a Pre-Tax Payback estimated at 2.5 years (and 2.6 years after-tax) from production start-up. A copy of the PEA, dated May 8, 2013, is available under Century's Iron's SEDAR profile at www.sedar.com and is also be available on Century Iron's website at www.centuryiron.com. No independent qualified person engaged by the Company has done sufficient work to analyze, interpret, classify or verify Century Iron's statements regarding the PEA to determine the accuracy of the technical information announced by Century Iron. Accordingly, readers are cautioned against attributing those statements to the Company. Considering the Company's focus on its CFLN Project, the Company does not consider the Joyce Lake Project or the Attikamagen Project to be a property material to the Company within the meaning of NI 43-101.

***Powderhorn and Gullbridge (Base Metals)***

*Powderhorn*

The Company owns a 70% interest in the Powderhorn Lake Project (“Powderhorn”), a base metals project which consists of 115 claims covering an area of 29 square kilometres situated in the Buchans-Robert's Arm Belt in Central Newfoundland. Powderhorn is 40 km northeast of, and on strike with, the Buchans Mine Volcanogenic Massive Sulphide deposits which produced 16.2 million tonnes from 5 ore bodies with average mill head grades of 14.5% Zn, 7.6% Pb, 1.3% Cu, 126 g/t Ag and 1.4 g/t Au (source: J.G. Thurlow, 1990). The Company's 70% interest is subject to a joint venture agreement with the vendor which holds the remaining 30% interest.

Powderhorn is encumbered with a 2.85% net smelter royalty (“NSR”), of which 1.85% can be purchased by the joint venture participants for $2,300,000 to reduce the NSR to 1.0%.

*Gullbridge*

The Company owns a 51% interest in the Gullbridge Property in the Buchans Mining Camp, Newfoundland, adjacent and to the southeast of Powderhorn.

The Company has the option to increase its ownership up to an 85% interest in Gullbridge. In order to increase its interest in Gullbridge, the Company must issue common shares and incur exploration expenditures as follows:

| | Common shares | Exploration expenditures $ |
|---|---|---|
| **To increase to 75% interest** | | |
| May 1, 2014 | 150,000 | 700,000 |
| **To increase to 85% interest** | − | All necessary expenditures up to the completion of a positive bankable feasibility study |

[2] The DSO term was used by previous operators in the Schefferville mining district to designate “oxidized iron ore” with iron grades in excess of 55%, and is only used here for historical reference and is not intended to imply that a positive economic study has been completed on the Attikamagen Property.

In 2011, Fugro Airborne Surveys completed 778 line-kilometres of FugroHelitem deep penetrating airborne electromagnetic and magnetic surveying over the Powderhorn and Gullbridge properties. In addition, Quantec Geoscience Ltd. completed seven lines of Titan-24 DC-IP deep-penetrating geophysical ground surveying totaling 23.4 line-kilometres to further investigate 5 prospective target areas identified from 2010 gravity surveys. In November 2011, Abitibi Geophysics (Val D'Or, QC) completed a compilation of all geophysical data acquired for the Powderhorn and Gullbridge projects.

The Titan IP survey detected chargeability and low-resistivity anomalies over Gravity Targets 1 and 4 with depth to top estimated at 400 metres. EM features were also detected over both targets, but appear to be more related to relatively shallow features.

The follow-up work has further indicated prospectivity for blind VMS deposits below the sediment-covered basin between the Powderhorn prospect and the historic Gullbridge mine.

Drilling of Gravity Targets 1 and 4 and deepening an existing hole at Gravity Target 3 have been recommended. The program would involve between 3,000 and 5,000 metres of diamond drilling.

**Risks and Uncertainties**

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

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

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

**Results of Operations**

| | **3 months ended March 31,** | | **Years ended March 31,** | |
|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** |
| | **$** | **$** | **$** | **$** |
| **Revenue** | | | | |
| Interest | 18,498 | 35,337 | 250,281 | 284,556 |
| Other income | 54,928 | - | 113,328 | 163,425 |
| | 73,426 | 35,337 | 363,609 | 447,981 |
| **Expenses** | | | | |
| Professional fees | 376,044 | 174,287 | 627,394 | 372,006 |
| Consulting fees | 300,500 | 1,413,228 | 1,326,792 | 2,021,381 |
| Stock-based compensation | - | - | - | 4,314,000 |
| General and administrative | 270,645 | 406,824 | 1,111,789 | 944,562 |
| Investor relations | 412,375 | 317,442 | 1,421,215 | 1,121,455 |
| Travel | 81,667 | 124,293 | 333,842 | 524,930 |
| Unrealized loss on investment | 802,296 | - | 3,446,910 | - |
| | 2,243,526 | 2,436,074 | 8,267,942 | 9,298,334 |
| Loss and comprehensive loss | (2,170,101) | (2,400,737) | (7,904,333) | (8,850,353) |

***3 months ended March 31***

Decrease in loss compared to the comparative period primarily reflects the following:

a) reduction in consulting fees as no bonuses were declared for management, directors and consultants,
b) reduction in stock-based compensation as there were no stock-options granted in the current year, and

c) unrealized loss on investment in Fancamp and Cartier.

***Years ended March 31***

Decrease in loss compared to the comparative year primarily reflects the following:

a) reduction in consulting fees as no bonuses were declared for management, directors and consultants,
b) reduction in stock-based compensation as there were no stock-options granted in the current year, and
c) unrealized loss on investment in Fancamp and Cartier.

**Summary of Quarterly Results**

| | Q1<br>2012<br>$ | Q2<br>2012<br>$ | Q3<br>2012<br>$ | Q4<br>2012<br>$ | Q1<br>2013<br>$ | Q2<br>2013<br>$ | Q3<br>2013<br>$ | Q4<br>2013<br>$ |
|---|---|---|---|---|---|---|---|---|
| Revenue | 134,109 | 64,339 | 214,196 | 35,337 | 152,832 | 100,308 | 37,043 | 73,426 |
| Loss | | | | | | | | |
| - Total | 843,197 | 3,425,233 | 2,181,183 | 2,400,740 | 2,464,989 | 1,578,350 | 1,690,893 | 2,170,101 |
| - Per share | 0.01 | 0.04 | 0.02 | 0.02 | 0.02 | 0.01 | 0.01 | 0.02 |

Variations in total loss from quarter to quarter for 2012 are primarily a result of stock-based compensation. Loss for Q1 2013 includes an unrealized loss on investment of $1,464,000, adjusted to $475,614 in Q2 2013 and then increased to $2,644,614 in Q3 2013.

**Liquidity and Capital Resources**

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

The Company's monthly "burn rate" (excluding discretionary investor relations and travel expenses) is approximately $400,000.

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

**Related Party Transactions**

| | Year ended<br>March 31, 2013<br>$ | Outstanding<br>as at<br>March 31, 2013<br>$ |
|---|---|---|
| **Exploration and evaluation, geological consulting services** | | |
| Alex Horvath, Executive Vice President, Exploration and a director, and A.S. Horvath Engineering Inc., a company controlled by him | 227,500 | 16,950 |
| MRB & Associates, a company controlled by Martin Bourgoin, Executive Vice President, Operations | 3,124,605 | 122,278 |
| Jeff Hussey & Associates Inc., a company controlled by Jeff Hussey, Vice President, Development | 240,000 | 24,496 |
| **Transaction costs on acquisition of non-controlling interest** | | |
| Sheldon Huxtable Professional Corporation, a law firm controlled by Donald A. Sheldon, a director | 205,725 | - |
| **Consulting fees** | | |
| 847785 Ontario Ltd., a company controlled by Thomas G. Larsen, for his services as President and Chief Executive Officer | 300,000 | - |
| Marlborough Management Limited, a company controlled by Miles Nagamatsu, for his services as Chief Financial Officer | 180,000 | - |
| J. Estepa Consulting Inc., a company controlled by Jorge Estepa, for his services as Vice President and Corporate Secretary | 180,000 | - |

| | Year ended March 31, 2013 $ | Outstanding as at March 31, 2013 $ |
|---|---|---|
| MRI Advisory AG, a company controlled by Ashwath Mehra, a director who resigned on April 2, 2013 | 43,333 | 20,000 |
| Decamine Inc., a company controlled by Jean Depatie, a director who resigned on April 2, 2013 | 40,000 | 20,000 |
| Vanctor Investments Limited, a company controlled by William Harding, a director | 47,500 | – |
| NCP Investment Management Inc. and Serge Depatie, a close family member of a director who resigned on April 2, 2013 | 152,450 | – |
| **Legal fees** | | |
| Sheldon Huxtable Professional Corporation, a law firm controlled by Donald A. Sheldon, a director | 438,715 | 212,212 |

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

## Changes in Accounting Policies including Initial Adoption

### *New standards and interpretations not yet adopted*

The following new standards, amendments to standards and interpretations are effective for periods beginning on or after January 1, 2013:

*IFRS 11, Joint Arrangements ("IFRS 11")*
IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities—Non-monetary Contributions by Venturers.

*IFRS 13, Fair Value Measurement ("IFRS 13")*
IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement.

Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

*Amendments to other standards*
In addition, there have been amendments to existing standards, including IAS 27, Separate Financial Statements (IAS 27), and IAS 28, Investments in Associates and Joint Ventures (IAS 28). IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10-13.

The following new standards, amendments to standards and interpretations are effective for periods beginning on or after January 1, 2014:

*IFRS 10, Consolidation ("IFRS 10")*
IFRS 10 requires an entity to consolidate an investee when the entity 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. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 Consolidation—Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements.

*IFRS 12, Disclosure of Interests in Other Entities ("IFRS 12")*
IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off-balance sheet vehicles. The standard carries forward existing disclosures and also introduces

significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

*Amendments to other standards*
In addition, there have been amendments to existing standards, including IAS 27, Separate Financial Statements (IAS 27), and IAS 28, Investments in Associates and Joint Ventures (IAS 28). IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10-13.

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

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

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

*Effect of new standards*
IFRS 9, IFRS 10, IFRS 11 and IFRS 12 are expected to have an effect on the financial statements of the Company. The Company has not determined the extent of the impact of these standards and does not plan to early adopt these new standards.

## Critical Accounting Estimates

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

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

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

*Management's assessment of no going concern uncertainties*
The current working capital position of the Company is not sufficient to sustain minimum spending requirements and commitments over the next twelve months. The Company applied judgment with respect to funds to be available over the next twelve months from the current working capital position, the anticipated receipt of unrecognized Quebec income tax credits and the termination of the Agreement with the Port. As a result, management does not believe that there are material uncertainties that cast significant doubt upon the Company's ability to continue as a going concern.

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

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

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

*Deferred income taxes*
Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates at the reporting date in effect for the period in which the temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized as part of the provision for income taxes in the period that includes the enactment date. The recognition of deferred income tax assets is based on the assumption that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

**Financial instruments and risk management**

***Determination of fair values***

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

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

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

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

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

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

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

*As at March 31, 2013*

| | **Level 1**<br>**$** | **Level 2**<br>**$** | **Level 3**<br>**$** | **Total**<br>**$** |
|---|---|---|---|---|
| **Financial asset at fair value through profit and loss** | | | | |
| Cash and cash equivalents and short-term investments | 4,601,089 | – | – | 4,601,089 |
| Investment in Fancamp | | | | |
| Common shares | 1,798,890 | – | – | 1,798,890 |
| Common share purchase warrants | – | 111,000 | – | 111,000 |
| Investment in Cartier | | | | |
| Common shares | 535,200 | – | – | 535,200 |

*As at March 31, 2012*

| | Level 1<br>$ | Level 2<br>$ | Level 3<br>$ | Total<br>$ |
|---|---|---|---|---|
| **Financial asset at fair value through profit and loss** | | | | |
| Cash and cash equivalents and short-term investments | 41,467,828 | – | – | 41,467,828 |

**Financial risk management**

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

The following note presents information about the Company's exposure to each of the identified 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 the 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 receivables related to amounts due from joint venture partner of $nil (March 31, 2012 - $823,547) included in receivables. The maximum exposure to credit risk is equal to the balances of cash and cash equivalents and short-term investments and amounts due from joint venture partner.

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 a high credit quality Canadian chartered banks.

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

*Market risk*
Market risk is the risk that changes in market prices, such as equity prices, foreign exchange rates and interest rates will affect the Company’s income or the value of its financial instruments. The Company is exposed to equity price risk with respect to investments. The Company estimates that if the fair value of its investment as at March 31, 2013 had changed by 10%, with all other variables held constant, the loss would have decreased or increased by approximately $289,000.

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

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

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

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

**Controls and Procedures**

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

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

**Shares Outstanding at July 2, 2013**

***Shares***

Authorized: Unlimited number of common shares.

Outstanding: 119,901,465 common shares.

***Warrants***

Outstanding:

| **Common share warrant exercise price** | **Expiry date** | **Warrants outstanding** |
|---|---|---|
| $1.20 until October 7, 2012, and thereafter, $1.50 | October 7, 2013 | 2,222,222 |
| $3.00 | May 17, 2015 | 7,000,000 |
| | | 9,222,222 |

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

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

***Stock options***

Authorized:

The Company has a fixed stock option plan under which the Company may grant up to 15,000,000 stock options. On August 10, 2012, the shareholders of the Company approved an amendment to replenish the number of shares reserved for issuance under the stock option plan. Subject to regulatory approval, the Company may grant up to 15,000,000 stock options, of which 9,280,000 stock options have been granted and 5,720,000 stock options are currently available to be granted.

Outstanding:

| **Exercise price** | **Expiry date** | **Options outstanding and exercisable** |
|---|---|---|
| $0.30 | September 16, 2014 | 1,145,000 |
| $0.33 | September 24, 2014 | 152,500 |
| $0.405 | November 9, 2014 | 50,000 |
| $0.80 | January 14, 2015 | 1,375,000 |
| $0.85 | February 2, 2015 | 300,000 |
| $1.00 | March 2, 2015 | 350,000 |
| $1.15 | October 1, 2015 | 70,000 |
| $1.00 | October 3, 2015 | 2,150,000 |
| $1.00 | October 4, 2015 | 250,000 |
| $1.50 | October 4, 2015 | 500,000 |
| $1.00 | October 24, 2015 | 100,000 |
| $1.10 | November 5, 2015 | 50,000 |
| $2.17 | January 10, 2016 | 150,000 |
| $1.50 | September 9, 2016 | 1,125,000 |
| $1.30 | December 23, 2016 | 922,500 |
| | | 8,690,000 |