



**ANNUAL REPORT**  
**31 March 2016**

## REVIEW OF OPERATIONS

Champion Iron Limited (the "Company") is pleased to provide its review of operations for the financial year ending March 31, 2016.

### Acquisition and Financing

At an Extraordinary General Meeting of the Company's shareholders held on March 31, 2016, resolutions were passed to approve the following transactions which were completed on April 11, 2016:

#### Acquisition of Bloom Lake and related rail assets

On April 11, 2016, the Company, through its wholly-owned 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 preliminary purchase price equation for the acquisition of Bloom Lake:

	\$
<b>Consideration</b>	
Cash	9,750,000
<hr/>	
<b>Fair value recognized on acquisition</b>	
<i>Assets</i>	
Property, plant and equipment	34,273,000
<hr/>	
<i>Liabilities</i>	
Asset retirement obligation	24,523,000
Total identifiable net assets at fair value	9,750,000

#### Acquisition of Quinto Claims

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, which encompass the Peppler Property (264 claims) and the Lamelee Property (194 claims), are located 50 km southwest of the Bloom Lake mine and 10 km from each other.

The Quinto Claims were acquired for cash consideration of \$776,818.

### Financings

#### *Private placement by the Company*

In order to fund the acquisition purchase price of Bloom Lake and to provide working capital, on April 11, 2016, 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:

<b>Subscriber</b>	<b>Subscription \$</b>
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 are 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, following which, the Company’s interest in QIO was reduced from 100% to 63.2%.

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.

**Consolidated Fire Lake North**

The Company holds 100% of Consolidated Fire Lake North (“CFLN”), which 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](http://www.sedar.com).

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

The Company is planning on completing a full feasibility study (“Feasibility Study”) for the development of a long-life, low-cost operation at CLFN yielding 9.3Mtpa of concentrate at 66% Fe. The Company continued work on reviewing and preparing the 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. The Company 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 CFLN.

The Company expended \$682,348 on exploration activity on CFLN during the year ended March 31, 2016. Following the completion of the exploration phase of the CFLN, the exploration camp at the Fire Lake North site has been dismantled in order to minimize costs.

In connection with working towards a rail solution, 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.

On June 25, 2015 the Company completed an arrangement to reduce the NSR on the Fermont Holdings, including CFLN, from 3% to 1.5% by paying \$50,000 on closing and \$250,000 on October 25, 2015.

### Cluster 3 Properties

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”). 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 \$
		Number	Fair value \$	
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 (partially paid and issued)	250,000	500,000	12,500	–
December 10, 2016	250,000	–	–	4,750,000
	1,000,000	2,500,000	422,500	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.

During the year ended March 31, 2016, in conjunction with Cartier, the Company decided to abandon Aubertin-Tougaard, Silicate-Brutus and Three Big Lake properties within Cluster 3 and the Cassé Lake, Claire Lake and Hope Lake properties within Cluster 2 and recorded an impairment loss of \$1,906,806 to write off those properties.

With respect to the option payment and common shares due on December 10, 2015, the Company received a partial option payment of \$50,000 and 500,000 common shares of Cartier with a fair value of \$15,000. At March 31, 2016, the Company and Cartier were in discussions with respect to the remaining option payment of \$200,000 that remains unpaid.

See “Matters Subsequent to the End of the Financial Year” in the section “Directors’ Report” for amendments of the option to acquire a 65% interest in Cluster 3 Properties.

### Snelgrove Lake

At March 31, 2016, the Company had an option to acquire a 100% interest in 4 licenses covering 106 square kilometres located approximately 55 kilometres southeast of Schefferville, Newfoundland. Snelgrove Lake is encumbered with a 3% gross sales royalty. In order to earn its interest, the Company must issue Performance Shares, grant options, make option payments and incur exploration expenditures, as follows:

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

Up to March 31, 2016, the Company had incurred exploration expenditures of approximately \$6,400,000.

During the year ended March 31, 2014, as the Company had not budgeted nor planned any substantive expenditure on further exploration for and evaluation of mineral resources for Snelgrove Lake, the Company recorded an impairment loss to write off Snelgrove Lake.

See “Matters Subsequent to the End of the Financial Year” in the section “Directors’ Report” for termination of the option to acquire Snelgrove Lake.

### Powderhorn and Gullbridge

The Company owns a 100% interest in:

- (a) Powderhorn, which consists of 148 claims covering an area of 37 square kilometres situated in the Buchans-Robert's Arm Belt in Central Newfoundland. Powderhorn is encumbered with a 2.85% net smelter royalty (“NSR”), of which, 1.85% can be purchased by the participants for \$2,300,000 to reduce the NSR to 1%.
- (b) Gullbridge, which consists of 179 claims covering 45 square kilometres situated in the Buchans-Robert's Arm Belt in Central Newfoundland. Gullbridge is encumbered with a 1% net smelter royalty, which can be purchased for \$1,000,000 or the issue of 1,000,000 common shares of Champion Iron Mines Limited, the Company’s wholly-owned subsidiary.

During the year ended March 31, 2015, as the Company had not budgeted nor planned any substantive expenditure on further exploration for and evaluation of mineral resources for Powderhorn and Gullbridge, the Company recorded an impairment loss to write off Powderhorn and Gullbridge.

### Due from Cartier Iron Corporation

The principal amount of \$1,284,716 due from Cartier is a demand loan, which is unsecured, bears interest at the rate of LIBOR plus 2% and is due 6 months after the Company demands repayment (the “Demand Loan”). The Company has 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.

See “Matters Subsequent to the End of the Financial Year” in the section “Directors’ Report” for amendments to the Demand Loan.

### Investment in Cartier

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 Cartier was written down to nil.

At March 31, 2016, the Company held 11,519,970 common shares of Cartier, representing 34% of the issued and outstanding common shares of Cartier and 6,176,470 warrants entitling the Company to purchase one common share of Cartier for \$0.22 until April 17, 2016. If the average closing price of common shares of Cartier is greater than \$0.40 for 20 consecutive business days, the warrants must be exercised within 10 calendar days of Cartier providing written notice (or such longer period as Cartier may provide), or they will be cancelled. The warrants expired on April 17, 2016 and there was 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:

- a) Cartier shall take all commercially reasonable steps to have a nominee of the Company elected as a director ("Nominee") the board of directors of the Company ("Board").
- b) The Company shall not vote against any shareholder resolution recommended by the Board, except in the event that the Nominee dissented when the Board approved a shareholder resolution that proposes to: (i) reduce the voting or dividend rights of the common shares; (ii) issue shares which carry a number of votes proportionately greater than the capital to be represented thereby or which carry dividend rights at a rate which would substantially impair the dividends ordinarily payable on the common shares; and (iii) approve a transaction with an arm's length third party, which must be passed by at least two-thirds of the votes cast and in respect of which a shareholder has dissent rights.
- c) The Company shall not vote in favour of the election of nominees to the Board who are not proposed by the then Board.
- d) The Company shall not (i) participate in a take-over bid for any securities of Cartier; (ii) solicit proxies from any shareholder or attempt to influence the voting by any shareholders other than in support of initiatives recommended by the Board or (iii) seek to influence or control the management, Board or the policies or affairs of Cartier; or (iv) make any public or private announcement or disclosure with respect to the foregoing.

## 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, 2016.

### 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

Qualifications and experience of Directors' are disclosed on page 13.

### 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, 2016, the Company recorded a consolidated loss and comprehensive loss of \$7,298,651 (2015: \$12,269,208). Details of the operations of the Company are set out in the review of operations on page 1.

### FINANCIAL POSITION

At March 31, 2016, the Company had net assets totaling \$84,315,526 (2015: \$91,342,524) and cash and cash equivalents and short-term investments \$1,671,016 (2015: \$2,646,685).

### DIVIDENDS

No dividends were paid or recommended for the year ended March 31, 2016 (2015: 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, 2016 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.

### Acquisition of Bloom Lake and related rail assets

See "Acquisition of Bloom Lake Mine and Rail Assets" in the Review of Operations on page 1.

### Due from Cartier Iron Corporation

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.

### Amendment of option for Cluster 3 Properties to Cartier

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. 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		Exploration expenditures \$
		Number	Fair value \$	
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 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.

#### Grant of stock options

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

#### Expiry of warrants

At March 31, 2016, the Company held 6,176,470 warrants entitling the Company to purchase one common share of Cartier for \$0.22 until April 17, 2016. The warrants expired on April 17, 2016 and there was no financial impact on the Company.

#### Snelgrove Lake

On May 17, 2017, the Company terminated the option to acquire Snelgrove Lake.

#### 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	10	10	–	–	2	2
Gary Lawler	10	10	7	7	2	2
Andrew Love	10	9	7	5	2	2
Paul Ankcorn	10	10	7	7	–	–

#### AUDIT COMMITTEE

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



## 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, 2016 are disclosed in note 14 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

- (a) The policy of the Company is to pay remuneration of KMP in cash and in amounts in line with employment market conditions relevant in the mining industry.
- (b) The Company’s performance, and hence that of its KMP, is measured in terms of a combination of Company share price growth, cash raised, exploration carried out and farm in expenditure attracted.

### 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, 2016.

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	Appointed as Chief Executive Officer on October 3, 2014
Gary Lawler	Non-executive Director	Appointed on April 9, 2014
Andrew Love	Non-executive Director	Appointed on April 9, 2014
Paul Ankorn	Non-executive Director	Resigned on June 15, 2016
Alexander Horvath	Chief Operating Officer	
David Cataford	Vice President, Engineering	Appointed on October 16, 2014
Miles Nagamatsu	Chief Financial Officer	
Jorge Estepa	Vice President, Corporate Secretary, Canada	
Pradip Devalia	Company Secretary, Australia	Appointed on June 18, 2014
Beat Frei	Head of Finance	

### Remuneration of directors and key management personnel

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						
Michael O’Keeffe	156,876	–	–	–	–	(e) 14,904	106,316	278,096	–	38.2%
Gary Lawler	75,000	–	–	–	–	(e) 7,128	–	82,128	–	–
Andrew Love	75,000	–	–	–	–	(e) 7,128	–	82,128	–	–
Paul Ankorn	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	–	6.5%
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	–	–	–	–	16,668	256,668	–	–
	674,880	642,000	–	24,240	–	41,823	139,652	1,522,595		

## 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.

Year ended March 31, 2015	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	142,657	—	—	—	—	(l) 14,293	96,250	253,200	—	38.0%
Gary Lawler (a)	75,000	—	—	—	—	(l) 7,671	130,000	212,671	—	61.0%
Andrew Love (a)	75,000	—	—	—	—	(l) 7,671	130,000	212,671	—	61.1%
Paul Ankcorn	48,000	—	—	—	—	(m) 2,376	—	50,376	—	—
Alexander Horvath (b)	—	240,000	—	—	—	—	5,972	245,972	—	2.4%
David Cataford (c)	110,000	—	—	—	—	(m) 2,691	—	112,691	—	—
Miles Nagamatsu (d)	—	157,500	—	10,659	90,000	—	—	258,159	—	—
Jorge Estepa (e)	—	153,000	—	10,659	150,000	—	—	313,659	—	—
Pradip Devalia (f)	57,500	—	—	—	—	(l) 6,735	25,500	89,735	—	28.4%
Beat Frei (g)	—	240,000	—	—	—	—	5,972	245,972	—	2.4%
Richard Wright (h)	—	—	—	—	—	—	—	—	—	—
Niall Lenahan (i)	15,000	—	—	—	—	(l) 1,387	1,356	17,743	—	7.6%
Thomas Larsen (j)	—	125,000	—	6,978	300,000	—	120,000	551,978	—	21.7%
Donald Sheldon (k)	—	—	—	—	—	—	—	—	—	—
James Wang (k)	—	—	—	—	—	—	—	—	—	—
	523,157	915,500	—	28,296	540,000	42,824	515,050	2,564,827		

## Notes:

- (a) Appointed as director on April 9, 2014.  
 (b) Paid to A.S. Horvath Engineering Inc., a company controlled by Alexander Horvath.  
 (c) Appointed as Vice President, Engineering on October 16, 2014.  
 (d) Paid to Marlborough Management Limited, a company controlled by Miles Nagamatsu.  
 (e) Paid to J. Estepa Consulting Inc., a company controlled by Jorge Estepa.  
 (f) Appointed as Corporate Secretary on June 18, 2014.  
 (g) Paid to Comforta GmbH, a company controlled by Beat Frei.  
 (h) Left as director on April 9, 2014.  
 (i) Resigned as director on April 9, 2014; resigned as Company Secretary on June 18, 2014.  
 (j) Paid to Gambier Holdings Corp., a company controlled by Thomas Larsen. Term as director ended on August 29, 2014; resigned as Chief Executive Officer on August 29, 2014.  
 (k) Term as director ended on August 29, 2014.  
 (l) Amount relates to superannuation.  
 (m) Amount relates to employer portion of contributions to the Canada Pension Plan.

## 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, 2016 are set out below.

### Michael O'Keeffe – Director and Executive Chairman

- Base salary and superannuation of A\$109,250 per year up to June 30, 2014, and thereafter, A\$171,780 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

- Fees of A\$75,000 per year until termination.

### Andrew Love – Non-executive Director

- Fees of A\$75,000 per year until termination.

### Paul Ankcorn- Non-Executive Director

- Fees of \$48,000 per year until termination.

*Alexander Horvath – Chief Operating Officer*

- Fees of \$180,000 up to March 31, 2014, and thereafter, \$240,000 per year payable to A.S. Horvath Engineering Inc. until December 31, 2016 pursuant to a professional services agreement.
- Payment of termination benefit equal to fees for 1 year.

*David Cataford – Vice President, Engineering*

- Salary of \$240,000 per year pursuant to an employment agreement which continues for an indefinite period subject to termination for cause or without cause.
- Payment of termination benefit equal to salary for 6 months or salary for 1 year on a change of control event.

*Miles Nagamatsu – Chief Financial Officer*

- Up to December 31, 2014, fees of \$180,000 per year payable to Marlborough Management Limited, a company controlled by Miles Nagamatsu, pursuant to a professional services agreement which, unless terminated, renews automatically on November 30.
- Effective January 1, 2015, a one-time fee of \$90,000 was paid to reduce fees to \$90,000 per year payable to Marlborough Management Limited, pursuant to an amended professional services agreement, which unless terminated, renews automatically on November 30.
- Payment of termination benefit equal to fees for 6 months.

*Jorge Estepa – Vice President and Corporate Secretary, Canada*

- Up to December 31, 2014, fees of \$180,000 per year payable to J. Estepa Consulting Inc., a company controlled by Jorge Estepa, pursuant to a professional services agreement, which unless terminated, renews automatically on November 30.
- Effective January 1, 2015, a one-time fee of \$150,000 was paid to terminate the professional services agreement and reduce fees to \$72,000 per year 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*

- Up to November 30, 2014, salary of A\$50,000 per year pursuant to an employment agreement until termination on 3 months written notice.
- Effective December 1, 2014, salary of A\$80,000 per year 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*

- Fees of \$240,000 per year payable to Comforta GmbH, a company controlled by Beat Frei, pursuant to a professional services agreement, which, unless terminated, renews automatically on September 30.
- Payment of termination benefit equal to fees for 12 months.

**Movement in key management personnel equity holdings**

**Ordinary shares**

	<b>Holding at March 31, 2015</b>	<b>Acquired</b>	<b>Sold</b>	<b>Other changes</b>	<b>Holding at March 31, 2016</b>
Michael O’Keeffe	11,401,930	–	–	–	11,401,930
Gary Lawler	833,889	–	–	–	833,889
Andrew Love	720,000	–	–	–	720,000
Paul Ankcorn	163,533	–	–	–	163,533
Alexander Horvath	559,208	–	–	–	559,208
David Cataford	625,698	–	–	–	625,698
Miles Nagamatsu	1,211,916	–	–	–	1,211,916
Jorge Estepa	1,133,083	–	–	–	1,133,083
Pradip Devalia	–	–	–	–	–
Beat Frei	1,145,208	805,156	–	–	1,950,364

## Stock options

	Holding at March 31, 2015	Granted	Forfeited	Expired	Other changes	Holding at March 31, 2016	Exercisable at March 31, 2016
Michael O’Keeffe	1,000,000	1,000,000	–	–	–	2,000,000	–
Gary Lawler	500,000	–	–	–	–	500,000	500,000
Andrew Love	500,000	–	–	–	–	500,000	500,000
Paul Ankcorn	110,000	–	–	(36,667)	–	73,333	73,333
Alexander Horvath	701,667	–	–	(91,667)	–	610,000	276,667
David Cataford	–	–	–	–	–	–	–
Miles Nagamatsu	165,000	–	–	(91,667)	–	73,333	73,333
Jorge Estepa	183,333	–	–	(110,000)	–	73,333	73,333
Pradip Devalia	150,000	–	–	–	–	150,000	150,000
Beat Frei	866,667	–	–	–	–	866,667	533,334

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

## Option compensation granted and vested during the year

Year ended March 31, 2016	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\$0.30	1,000,000	August 20, 2015	–	0.05	50,000	August 20, 2018

Upon receipt of shareholder approval on August 7, 2015, the Company granted 1,000,000 stock options to Michael O’Keeffe, entitling him 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.

There were no options forfeited during the year ended March 31, 2016 (2015: 1,000,000).

## 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.

## 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 22 of the consolidated financial statements.

## AUDITOR’S INDEPENDENCE DECLARATION

The lead auditor’s independence declaration for the year ended March 31, 2016 has been received, as set out on page 15, 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 27, 2016

## 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 2013 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 Hydro-Quebec, Dorel Industries Inc. and Uni-Select Inc.

## 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, 2016 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, 2016 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, 2016.
- 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 27, 2016

# **Champion Iron Limited**

(ACN: 119 770 142)

**Consolidated Financial Statements**  
**March 31, 2016 and 2015**  
**(expressed in Canadian dollars)**

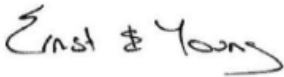


## **Auditor's Independence Declaration to the Directors of Champion Iron Limited**

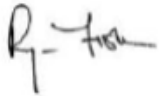
As lead auditor for the audit of Champion Iron Limited for the year ended 31 March 2016, I declare to the best of my knowledge and belief, there have been:

- 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 in it controlled during the financial period.



Ernst & Young



Ryan Fisk  
Partner  
Sydney  
28 June 2016

## Independent auditor's report to the members of Champion Iron Limited

### *Report on the financial report*

We have audited the accompanying financial report of Champion Iron Limited, which comprises the consolidated statement of financial position as at 31 March 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

### *Directors' responsibility 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 controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

### *Independence*

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

## Opinion

In our opinion:

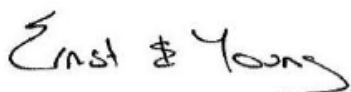
- a. the financial report of Champion Iron Limited is in accordance with the *Corporations Act 2001*, including:
  - i giving a true and fair view of the consolidated entity's financial position as at 31 March 2016 and of its performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

### ***Report on the remuneration report***

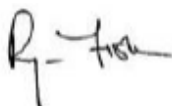
We have audited the Remuneration Report included in pages 8 to 11 of the directors' report for the year ended 31 March 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## Opinion

In our opinion, the Remuneration Report of Champion Iron Limited for the year ended 31 March 2016, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



Ryan Fisk  
Partner  
Sydney  
28 June 2016



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Sydney NSW 2000 Australia  
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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, 2016, and the consolidated statement of operations, comprehensive income (loss), changes in equity and cash flows for the year ended March 31, 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, 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, 2016

# Champion Iron Limited

## Consolidated Statements of Financial Position

(expressed in Canadian dollars)

	Notes	As at March 31,	
		2016	2015
		\$	\$
<b>Assets</b>			
Current			
Cash and cash equivalents		293,714	1,346,685
Short-term investments	4	1,377,302	1,300,000
Receivables	5	277,822	5,303,658
Due from SFNQ	10	125,050	124,533
Prepaid expenses		436,456	188,034
Deposits	6	1,600,000	1,000,000
		4,110,344	9,262,910
Non-current			
Receivables	5	4,883,659	4,355,082
Due from Cartier Iron Corporation	7	1,325,504	1,063,036
Investments	8	944,500	1,628,300
Investment in associate	9	-	1,162,903
Investment in SFNQ	10	-	100
Long-term advance	11	6,000,000	6,000,000
Property and equipment		21,926	46,665
Exploration and evaluation	12	68,208,370	69,845,118
		85,494,303	93,364,114
<b>Liabilities</b>			
Current			
Accounts payable and accrued liabilities		878,777	1,421,590
Non-current			
Royalty payable	13	300,000	600,000
		1,178,777	2,021,590
<b>Shareholders' equity</b>			
Capital stock	14	174,509,902	171,420,382
Warrants	14	-	3,089,520
Contributed surplus		16,268,574	15,996,920
Foreign currency translation reserve		41,189	(429,098)
Accumulated deficit		(106,504,139)	(98,735,201)
		84,315,526	91,342,524
		85,494,303	93,364,114

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, 2016 \$	2015 \$
<b>Other income</b>			
Interest		123,163	75,751
Other	10	602,444	240,953
		<u>725,607</u>	<u>316,704</u>
<b>Expenses</b>			
Professional fees		223,811	560,986
Salaries		438,457	987,870
Consulting fees		347,761	1,499,282
Share-based compensation		271,654	714,751
General and administrative		574,585	1,467,375
Investor relations		48,149	448,775
Travel		197,158	568,983
Exploration		25,875	23,988
Foreign exchange loss (gain)		477,498	(443,523)
Unrealized loss (gain) on investments	8	683,800	2,521,212
Impairment of investment in associate	9	512,000	794,000
Impairment on exploration and evaluation	12	1,906,806	2,933,664
Transaction costs	20	2,123,588	-
		<u>7,831,142</u>	<u>12,077,363</u>
<b>Loss before share of net loss of an associate</b>		(7,105,535)	(11,760,659)
Share of net loss of associate accounted for using the equity method	9	(663,403)	(79,450)
		<u>(7,768,938)</u>	<u>(11,840,109)</u>
<b>Loss</b>			
<b>Item that may be reclassified in future periods to the statement of loss</b>			
Net movement in foreign currency		470,287	(429,098)
<b>Total comprehensive loss</b>		<u>(7,298,651)</u>	<u>(12,269,208)</u>
<b>Loss per share - basic and diluted</b>		(0.039)	(0.060)
<b>Weighted average number of shares outstanding - basic and diluted</b>		197,904,607	196,599,004

# Champion Iron Limited

## Consolidated Statements of Changes in Equity

(expressed in Canadian dollars)

	Capital stock \$	Warrants \$	Contributed surplus \$	Foreign currency translation reserve \$	Deficit \$	Total \$
<b>Balance, March 31, 2015</b>	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 warrants expired	3,089,520	(3,089,520)	-	-	-	-
<b>Balance, March 31, 2016</b>	174,509,902	-	16,268,574	41,189	(106,504,139)	84,315,526
<b>Balance, March 31, 2014</b>	171,420,382	3,089,520	15,282,169	-	(86,895,091)	102,896,980
Loss	-	-	-	-	(11,840,109)	(11,840,109)
Other comprehensive loss	-	-	-	(429,098)	-	(429,098)
Total comprehensive loss	-	-	-	(429,098)	(11,840,109)	(12,269,207)
Share-based compensation	-	-	714,751	-	-	714,751
<b>Balance, March 31, 2015</b>	171,420,382	3,089,520	15,996,920	(429,098)	(98,735,200)	91,342,525

# Champion Iron Limited

## Consolidated Statements of Cash Flows

(expressed in Canadian dollars)

		Years ended March 31,	
		2016	2015
	Notes	\$	\$
<b>Cash provided by (used in)</b>			
<b>Operating activities</b>			
Loss		(7,768,938)	(11,840,109)
Non-operating transaction costs		2,123,588	-
Items not affecting cash			
Interest not received		(27,752)	-
Share-based compensation		271,654	714,751
Depreciation		24,740	40,754
Unrealized loss on investments	8	683,800	2,521,212
Impairment of investment in associate	9	512,000	794,000
Impairment of exploration and evaluation	12	1,906,806	2,933,664
Share of net loss of associate accounted for using the equity method	9	663,403	79,450
		(1,610,699)	(4,756,278)
Changes in non-cash operating working capital			
Receivables		(374,418)	(389,534)
Due from SFNQ		(517)	(124,533)
Prepaid expenses		(248,422)	(36,775)
Deposit		(600,000)	-
Accounts payable and accrued liabilities		(1,001,812)	(128,531)
		(3,835,868)	(5,435,651)
<b>Investing activities</b>			
Receipt of refundable tax credit on exploration	5	1,135,539	1,649,157
Receipt of credit on duties refundable	5	3,736,138	1,325,433
Investment in term deposits	3	(77,302)	(1,234,000)
Deposit		-	(1,000,000)
Advances to Cartier Iron Corporation		(234,716)	(26,987)
Investment in joint venture		-	(100)
Purchase of property and equipment		-	(1,864)
Option payment from Cartier	12	50,000	150,000
Exploration and evaluation		(332,458)	(5,499,206)
Acquisition of royalty	13	(300,000)	-
Transaction costs		(1,664,592)	(4,372,818)
		2,312,609	(9,010,385)
<b>Net decrease in cash and cash equivalents</b>		(1,523,259)	(14,446,036)
<b>Cash and cash equivalents, beginning of period</b>		1,346,685	16,221,821
<b>Effects of exchange rate changes</b>		470,287	(429,098)
<b>Cash and cash equivalents, end of period</b>		293,713	1,346,685
<b>Non-cash transactions</b>			
Receipt of Cartier common shares			



# Champion Iron Limited

## Notes to Consolidated Financial Statements

### March 31, 2016 and 2015

(expressed in Canadian dollars)

#### 1. Basis of preparation

The financial report is a general purpose financial report, which has been prepared 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, 2016 were approved and authorized for issue by the Board of Directors on June 28, 2016.

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.	100.0%	Canada	Canadian dollars
Mambas Minerais Limitada	97.5%	Mozambique	Australian dollars
CIP Magnetite Pty Limited	100.0%	Australia	Australian dollars
CIP Magnetite Limited	100.0%	Canada	Canadian dollars

During the year ended March 31, 2014, Mambas Minerais Limitada was placed into liquidation.

Intercompany balances and any unrealized gains and losses or income and expenses arising from intercompany transactions are eliminated on consolidation.

#### 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.

# Champion Iron Limited

## Notes to Consolidated Financial Statements

### March 31, 2016 and 2015

(expressed in Canadian dollars)

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.

#### **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.

# **Champion Iron Limited**

## **Notes to Consolidated Financial Statements**

### **March 31, 2016 and 2015**

**(expressed in Canadian dollars)**

#### **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 and equipment**

Property and equipment is recorded at cost less accumulated amortization and provisions for impairment. Cost consists of expenditures directly attributable to the acquisition of the asset. Amortization is provided for on a straight-line basis over the estimated useful lives of the assets at the rate of 20% to 40%. Residual values, useful lives and methods of amortization are reviewed at each year end and adjusted prospectively.

#### **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.

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

# Champion Iron Limited

## Notes to Consolidated Financial Statements

### March 31, 2016 and 2015

(expressed in Canadian dollars)

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.

#### **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.

#### **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.

# Champion Iron Limited

## Notes to Consolidated Financial Statements

### March 31, 2016 and 2015

(expressed in Canadian dollars)

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.

#### **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, 2016 and March 31, 2015, outstanding stock options and warrants are anti-dilutive.

#### **Changes in accounting standards**

On April 1, 2015, 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, 2016. 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.

# Champion Iron Limited

## Notes to Consolidated Financial Statements

### March 31, 2016 and 2015

(expressed in Canadian dollars)

#### *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.

As at March 31, 2015, the Company determined that indicators of impairment existed on Powderhorn and Gullbridge based on the fact that, in both cases, no exploration or evaluation expenditures were planned in the near future. As such, the Company performed impairment assessments on both mining properties and in each case estimated the recoverable amount of the exploration and evaluation assets at nil due to the fact that no commercially viable deposits have been discovered. As such, for the year ended March 31, 2015, the Company recorded impairment losses in respect of Powderhorn and Gullbridge amounting to \$1,645,065 and \$1,286,599 respectively. See note 12.

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 and the Company decided to abandon the properties. As such, the Company recorded an impairment loss of \$1,906,806 to write off those properties. See note 12.

#### *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 13.

#### *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 14.

#### **4. Short-term investments**

<b>Maturity</b>	<b>Interest rate</b>	<b>\$</b>
May 31, 2016	Prime-1.8%	200,000
October 13, 2016	1.1%	100,000
March 30, 2017	1.0%	500,000
March 30, 2017	1.0%	577,302
		<u>1,377,302</u>

A short-term investment of \$500,000 has been pledged as security for a letter of credit of \$500,000.

#### **5. 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").

**Champion Iron Limited**  
**Notes to Consolidated Financial Statements**  
**March 31, 2016 and 2015**  
(expressed in Canadian dollars)

	Claims for years ended March 31,				Receivable as at March 31,	
	2016	2015	2014	2013	2016	2015
<b>Refundable Tax Credits</b>						
As filed (2016-to be filed)	238,821	1,697,062	1,410,115	7,555,705		
Receivable						
Current	–	–	101,568	–	101,568	3,837,705
Non-current	191,000	1,357,650	226,609	3,108,400	4,883,659	4,355,082
	191,000	1,357,650	328,177	3,108,400	4,985,227	8,192,787
<b>Credit on Duties</b>						
As filed	–	329,731	209,515	1,122,562		
Receivable						
Current	–	–	–	–	–	1,135,539
<b>Harmonized and Quebec sales taxes and other</b>						
Receivable						
Current					176,255	330,414
<b>Total</b>					5,161,481	9,658,740
Current					277,822	5,303,658
Non-current					4,883,659	4,355,082
					5,161,481	9,658,740

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 \$1,135,539 in respect of its claim for Credit on Duties related to the year ended March 31, 2013, an interim payment of \$2,936,222 in respect of its claim for Refundable Tax Credit related to the year ended March 31, 2013 and an interim payment of \$799,916 in respect of its claim for Refundable Tax Credit 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.

## 6. Deposits

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

The Government of Québec, through Investissement Québec, will invest \$68,000,000 in a limited partnership with other industry partners ("Limited Partnership") to acquire, hold and operate land, equipment and rights related to railway operations, warehousing, pelletizing and transshipment owned by Wabush Mines Joint Venture and Cliffs Quebec Iron Mining located in the Pointe-Noire sector in Sept-Îles.

The Company has expressed its interest in participating in the Limited Partnership and made a deposit of \$1,000,000, representing its contribution to the capital of the Limited Partnership.

### Acquisition of Bloom Lake and related rail assets

The Company also made a deposit of \$600,000 in respect of acquisitions completed subsequent to March 31, 2016.

See note 20 for additional information regarding the completion of the acquisition subsequent to year-end.

# Champion Iron Limited

## Notes to Consolidated Financial Statements

### March 31, 2016 and 2015

(expressed in Canadian dollars)

#### 7. Due from Cartier Iron Corporation

As at March 31, 2014, the amount due from Cartier Iron Corporation (“Cartier”) was \$2,100,000, of which, \$100,000 was unsecured, earned interest at the rate of LIBOR plus 2% and was due on September 13, 2014.

On October 17, 2014, Cartier completed a private placement of \$500,000, and as agreed, the Company converted \$1,050,000 of the amount due from Cartier into 6,176,470 units of Cartier, with each unit consisting of one common share and one warrant entitling the Company to purchase one common share of Cartier for \$0.22 until April 17, 2016. If the average closing price of Cartier’s common shares is greater than \$0.40 for 20 consecutive business days, the warrants must be exercised within 10 calendar days of Cartier providing written notice (or such longer period as Cartier may provide), or they will be cancelled. The warrants expired on April 17, 2016 and there was no financial impact on the Company.

The remaining \$1,050,000 due from Cartier was converted to a demand loan, which is unsecured, bears interest at the rate of LIBOR plus 2% and is due 6 months after the Company demands repayment (the “Demand Loan”). On December 31, 2015, the principal amount of the Demand Loan was increase from \$1,050,000 to \$1,284,716. The Company has 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.

Interest revenue includes interest of \$27,481 (2015 - \$13,036) related to the Demand Loan.

One director of the Company is a director of Cartier.

See note 20 for subsequent event.

#### 8. Investments

The fair values of the Company’s investments are as follows:

	As at March 31,	
	2016	2015
	\$	\$
Fancamp Exploration Ltd. (“Fancamp”)		
Common shares	506,000	880,000
Century Global Commodities Corporation (formerly Century Iron Mines Corporation) (“Century”)		
Common shares	418,500	567,300
Warrants	–	18,000
Lamêlée Iron Ore Ltd. (“Lamêlée”)		
Common shares	20,000	160,000
Warrants	–	3,000
	944,500	1,628,300

Investments in common shares are classified as financial assets at fair value through profit or loss and investment in warrants are classified as derivative financial assets at fair value through profit or loss.

For the year ended March 31, 2016, the decrease in the fair value of investments of \$683,800, comprised of \$662,800 for investment in common shares and \$21,000 for investments in warrants, has been recorded as an unrealized loss 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.



# Champion Iron Limited

## Notes to Consolidated Financial Statements

### March 31, 2016 and 2015

(expressed in Canadian dollars)

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

The Company holds 1,860,000 common shares of Century. The Century common shares were subject to a hold period which ended on November 29, 2015, after which, in the event that the Company seeks to sell Century common shares, Century will have a right of first refusal to arrange sales.

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

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

#### Lamêlée

The Company holds 4,000,000 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.

#### 9. Investment in associate

As at June 30, 2014, the Company held a 19.9% interest in the outstanding common shares of Cartier. A director of the Company was appointed to the board of directors of Cartier on June 30, 2014 and the Company determined that it obtained significant influence over Cartier as of July 1, 2014. Accordingly, from that date onward, the investment in Cartier has been accounted for as an associate using the equity method of accounting.

	\$
Fair value as at July 1, 2014	826,353
Fair value of Cartier common shares received	
Conversion of receivable due from Cartier (note 9)	1,050,000
Option payments (note 12)	160,000
Share of net loss	(79,450)
Impairment	(794,000)
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)
Balance at March 31, 2016	—

At March 31, 2015, the Company compared the carrying value of investment in Cartier to the fair value less costs to sell of 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 \$794,000.

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.

# Champion Iron Limited

## Notes to Consolidated Financial Statements

### March 31, 2016 and 2015

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At March 31, 2016, the Company held 11,519,970 common shares of Cartier (March 31, 2015 - 11,519,970 common shares), representing 34% of the issued and outstanding common shares of Cartier (March 31, 2015 - 33%) and 6,176,470 warrants entitling the Company to purchase one common share of Cartier for \$0.22 until April 17, 2016. If the average closing price of common shares of Cartier is greater than \$0.40 for 20 consecutive business days, the warrants must be exercised within 10 calendar days of Cartier providing written notice (or such longer period as Cartier may provide), or they will be cancelled. The warrants expired on April 17, 2016 and there was 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:

- a) Cartier shall take all commercially reasonable steps to have a nominee of the Company elected as a director ("Nominee") the board of directors of the Company ("Board").
- b) The Company shall not vote against any shareholder resolution recommended by the Board, except in the event that the Nominee dissented when the Board approved a shareholder resolution that proposes to: (i) reduce the voting or dividend rights of the common shares; (ii) issue shares which carry a number of votes proportionately greater than the capital to be represented thereby or which carry dividend rights at a rate which would substantially impair the dividends ordinarily payable on the common shares; and (iii) approve a transaction with an arm's length third party, which must be passed by at least two-thirds of the votes cast and in respect of which a shareholder has dissent rights.
- c) The Company shall not vote in favour of the election of nominees to the Board who are not proposed by the then Board.
- d) The Company shall not (i) participate in a take-over bid for any securities of Cartier; (ii) solicit proxies from any shareholder or attempt to influence the voting by any shareholders other than in support of initiatives recommended by the Board or (iii) seek to influence or control the management, Board or the policies or affairs of Cartier; or (iv) make any public or private announcement or disclosure with respect to the foregoing.

#### 10. Investment in 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.

The Company has accounted for previously incurred costs of \$5,576,823, investment in SFNQ of \$100 and future advances to SFNQ as expenditures on exploration and evaluation.

Other income includes \$484,000 (2015 - \$264,953) for management services provided by the Company in its capacity of general partner of SFNQ. As at March 31, 2016, \$125,050 (2015 - \$124,533) was due from SFNQ.

#### 11. 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.

# Champion Iron Limited

## Notes to Consolidated Financial Statements

### March 31, 2016 and 2015

(expressed in Canadian dollars)

On June 28, 2013, the Company sent to the Port a notice of termination of the Agreement and requested the repayment of the \$6,000,000 that had already been advanced (“Advances”). The Port registered a notice of hypothecary recourse dated August 22, 2013 (“Notice”) that requested the Company to surrender the Mining Rights and advised of its intention to have the Mining Rights sold under judicial authority. The Notice alleges that the Company is in default of a payment of \$19,581,000, accrued interest of \$4,522,182 up to August 22, 2013, and thereafter, *per diem* interest of \$10,729. Since then and up to March 31, 2016, the Port has taken no further legal action.

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.

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

#### 12. Exploration and evaluation assets

	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
	March 31, 2014	Acquisition costs (other)	Exploration	Mining tax credits	Impairment	March 31, 2015
	\$	\$	\$	\$	\$	\$
Fermont						
Consolidated Fire Lake North	68,438,585	(18,400,000)	6,677,607	(2,811,284)	–	53,904,908
Harvey-Tuttle	6,573,514	–	12,297	(11,625)	–	6,574,186
Moire Lake	3,045,597	–	1,710	(117,035)	–	2,930,272
O’Keefe Purdy	3,319,458	–	4,349	(118,885)	–	3,204,922
Other	3,755,817	(560,000)	56,522	(21,508)	–	3,230,831
	85,132,971	(18,960,000)	6,752,485	(3,080,337)	–	69,845,118
Powderhorn	1,630,771	–	14,294	–	(1,645,065)	–
Gullbridge	1,286,098	–	500	–	(1,286,599)	–
	88,049,840	(18,960,000)	6,767,279	(3,080,337)	(2,931,664)	69,845,118

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 11 mineral concessions covering an area of 787 square kilometres situated in northeastern Quebec (“Fermont”), subject to a net smelter return royalty of 1.5% (1.5% NSR”) (March 31, 2015 - 3% (“3% 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 Aubertin-Tougaard, Audrey-Ernie, Big Three Lake, Black Dan, Casse Lake, Claire Lake, Hope Lake, Jeannine Lake, Penguin, Silicate-Brutus Lakes properties.

# Champion Iron Limited

## Notes to Consolidated Financial Statements

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#### **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”). In order to earn its interest, Cartier must 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 (partially paid and issued)	250,000	500,000	12,500	–
December 10, 2016	250,000	–	–	4,750,000
	1,000,000	2,500,000	422,500	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.

During the year ended March 31, 2016, in conjunction with Cartier, the Company decided to abandon Aubertin-Tougaard, Silicate-Brutus and Three Big Lake properties within Cluster 3 and the Cassé Lake, Claire Lake and Hope Lake properties within Cluster 2 and recorded an impairment loss of \$1,906,806 to write off those properties.

With respect to the option payment and common shares due on December 10, 2015, the Company received a partial option payment of \$50,000 and 500,000 common shares of Cartier with a fair value of \$15,000. The Company and Cartier are currently in discussions with respect to the remaining option payment of \$200,000 that remains unpaid.

See note 20 for subsequent event.

#### **Powderhorn and Gullbridge**

The Company owns a 100% interest in:

- (a) Powderhorn Lake Project (“Powderhorn”), which consists of 148 claims covering an area of 37 square kilometres situated in the Buchans-Robert’s Arm Belt in Central Newfoundland. Powderhorn is encumbered with a 2.85% net smelter royalty (“NSR”), of which, 1.85% can be purchased for \$2,300,000 to reduce the NSR to 1%.
- (b) Gullbridge Property, which consists of 179 claims covering 45 square kilometres situated in the Buchans Robert’s Arm Belt in Central Newfoundland. Gullbridge is encumbered with a 1% net smelter royalty, which can be purchased for \$1,000,000 or the issue of 1,000,000 common shares of Champion Iron Mines Limited, the Company’s wholly-owned subsidiary.

The Company has not budgeted nor planned any substantive expenditure on further exploration for and evaluation of mineral resources for Powderhorn and Gullbridge. Accordingly, for the year ended March 31, 2015, the Company recorded impairment losses of \$1,645,065 and \$1,286,599 to write off Powderhorn and Gullbridge, respectively. 35

# Champion Iron Limited

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#### Snelgrove Lake

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

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

Up to March 31, 2016, the Company has incurred exploration expenditures of approximately \$6,400,000.

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

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

#### 13. Royalty payable

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

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"), and therefore, the fair value of the 3% NSR was estimated to be \$600,000 as at March 31, 2015. The Arrangement remains the best indicator of the fair value of the 1.5% NSR, and therefore, the fair value of the remaining 1.5% NSR has been estimated to be \$300,000 as at March 31, 2016.

On September 24, 2015, the Company made a payment of \$100,000 to eliminate the requirement to pay a 1.5% NSR on other concessions acquired by the Company within 10 kilometres of Fermont.

#### 14. 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.

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**Issued**

	Number of shares	\$
<b>Ordinary shares</b>		
Balance, March 31, 2014	196,493,153	171,420,382
Cancelled	(13)	-
Conversion of exchangeable shares	164,849	-
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

**Exchangeable shares of the Company**

Balance, March 31, 2014	1,941,199
Conversion to ordinary shares	(164,849)
Balance, March 31, 2015	1,776,350
Conversion to ordinary shares	(1,661,795)
Balance, March 31, 2016	114,555

**Warrants**

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

	Number of warrants	Weighted-average exercise price \$	Amount \$
Balance, March 31, 2014 and 2015	16,133,333	1.5341	3,089,520
Expired	(16,133,333)	1.5341	(3,089,520)
Balance, March 31, 2016	-	-	-

**Stock options**

	Number of stock options	Weighted-average exercise price \$
Balance, March 31, 2014	27,744,667	0.53
Granted	5,150,000	0.37
Expired	(2,289,834)	0.83
Cancelled	(1,381,334)	0.92
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

A summary of the Company's outstanding and exercisable stock options at March 21, 2016 is presented below:

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Exercise price	Expiry date	Number of stock options	
		Outstanding	Exercisable
\$2.0455	September 9, 2016	715,000	715,000
\$0.5455	December 20, 2016	1,173,333	1,173,333
\$1.7728	December 23, 2016	661,833	661,833
A\$0.50	April 8, 2017	1,000,000	1,000,000
A\$0.50	June 18, 2017	150,000	150,000
A\$0.30	October 31, 2017	1,000,000	333,333
A\$0.30	December 11, 2017	2,000,000	2,000,000
A\$0.30	August 20, 2018	1,000,000	—
\$0.45	September 1, 2018	1,000,000	1,000,000
A\$0.50	November 29, 2018	2,300,000	800,000
		11,000,166	7,833,499

A summary of the stock 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:

Date of grant	April 8, 2014	June 18, 2014	September 25, 2014	October 30, 2014	December 11, 2014	August 20, 2015
Expiry date	April 8, 2017	June 18, 2017	September 1, 2018	October 30, 2017	December 11, 2017	August 20, 2018
Options granted	1,000,000	150,000	1,000,000	1,000,000	2,000,000	1,000,000
Exercise price	A\$0.50	A\$0.50	\$0.45	A\$0.30	A\$0.30	A\$0.30
Share price	A\$0.50	A\$0.37	\$0.46	A\$0.20	A\$0.14	A\$0.15
Risk-free interest rate	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Expected volatility based on historical volatility	80%	80%	80%	80%	80%	80%
Expected life of stock options	3 years	3 years	4 years	3 years	3 years	3 years
Expected dividend yield	0%	0%	0%	0%	0%	0%
Forfeiture rate	0%	0%	0%	0%	0%	0%
Vesting	On date of grant	On date of grant	On date of grant	3 years	On date of grant	3 years
Fair value	\$260,000	\$25,500	\$120,000	\$100,000	\$100,000	\$50,000
Fair value per stock option	\$0.26	\$0.17	\$0.12	\$0.10	\$0.05	\$0.05

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.

**15. 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 26.5% (2015 – 26.5%) to the loss for the year. The reasons for the difference are as follows:

	2016 \$	2015 \$
Income tax recovery based on combined statutory rate	(1,882,967)	(3,116,575)
Share-based compensation and other non-deductible items	902,129	189,409
Effect of changes in rate on temporary items	—	—
Tax losses not recognized	930,838	2,927,166
	—	—

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**Deferred income tax assets and liabilities**

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

	<b>As at March 31,</b>	
	<b>2016</b>	<b>2015</b>
<b>Deferred tax asset</b>		
Non-capital loss carry-forward and share issue costs	10,006,188	8,030,812
Investments	(1,723,907)	(1,234,531)
Deferred income taxes not recognized	(1,757,294)	(5,514,615)
	<u>6,524,987</u>	<u>1,281,666</u>
<b>Liability</b>		
Exploration and evaluation assets	(6,524,987)	(1,281,666)
	<u>—</u>	<u>—</u>

**Losses carried forward**

At March 31, 2016, the Company had non-capital loss carryforwards which expire as follows:

	<b>\$</b>
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
	<u>36,535,000</u>

**Resource deductions**

At March 31, 2016, the Company has cumulative Canadian exploration expenses of \$31,959,974 (2015 - \$31,024,954) and cumulative Canadian development expenses of \$6,420,632 (2015 - \$6,408,050) which may be carried forward indefinitely to reduce taxable income in future years.

**16. 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 Fancamp, Century and Lamêlée are measured at the bid market price on the measurement date.

The fair value of the investment in warrants of Century 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).



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#### Stock options

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

#### Classification of fair value of financial instruments

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

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

#### As at March 31, 2016

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

#### As at March 31, 2015

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Financial asset at fair value through profit and loss</b>				
Cash and cash equivalents and short-term investments	2,651,832	–	–	2,651,832
Investments				
Common shares	1,607,300	–	–	1,607,300
Warrants	–	21,000	–	21,000

#### 17. 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.

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#### **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, 2016 had changed by 10%, with all other variables held constant, the loss would have decreased or increased by approximately \$94,450.

#### **Capital management**

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

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

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

#### **18. Related party transactions**

	Years ended	March 31,	Outstanding at March 31,	
	2016	2015	2016	2015
<b>Exploration and evaluation</b>				
Paid or payable to 2 companies controlled by former officers	–	381,930	–	–
<b>Professional fees</b>				
Paid for legal fees to a firm, of which, a director was a partner	–	22,700	–	–
<b>General and administrative</b>				
Paid for rent to a company controlled by a director	54,540	54,540	–	–

See notes 7, 9 and 12 for related party transactions with Cartier and note 10 for 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:

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	<b>Years ended March 31,</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Salaries	674,880	523,157
Consulting fees	642,000	915,500
Bonus	—	—
Non-monetary benefits	24,240	28,296
Post-employment benefits	41,823	42,824
Termination benefits	—	540,000
Share-based payments, representing share-based compensation	139,652	515,050
	1,522,595	2,564,827

**19. Commitments and contingencies**

At March 31, 2016, contingent liabilities consist of a letter of credit of \$500,000 provided by QIO to a third party.

Commitments for annual basic premises rent are as follows:

	<b>As at March 31,</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Less than 1 year	91,010	190,642
1-5 years	—	—
More than 5 years	—	—
	91,010	190,642

See note 11 for information regarding the Company's contingent liabilities.

**20. Subsequent events**

Other than those noted below, no matter or circumstance has arisen since March 31, 2016 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.

**Acquisition of Bloom Lake and related rail assets**

On April 11, 2016, the Company, through its wholly-owned 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 preliminary purchase price equation for the acquisition of Bloom Lake:

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		\$
<b>Consideration</b>		
Cash	9,750,000	
<hr/>		
<b>Fair value recognized on acquisition</b>		
<i>Assets</i>		
Property, plant and equipment	37,273,000	
<i>Liabilities</i>		
Asset retirement obligation	24,523,000	
<b>Total identifiable net assets at fair value</b>	<b>9,750,000</b>	

At March 31, 2016, the Company had made a deposit of \$572,500 and incurred transaction costs of \$2,123,588 in connection with the acquisition.

**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, which encompass the Pepler Property (264 claims) and the Lamelee Property (194 claims), are located 50 km southwest of the Bloom Lake mine and 10 km from each other.

The Quinto Claims were acquired for cash consideration of \$776,818.

In connection with the acquisition, the Company made a deposit of \$37,500 which was outstanding at March 31, 2016.

**Financings**

*Private placement by the Company*

In order to fund the acquisition purchase price of Bloom Lake and to provide working capital, on April 11, 2016, 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.

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) 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;
- 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.

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#### 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, following which, the Company's interest in QIO was reduced from 100% to 63.2%.

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.

#### Due from Cartier Iron Corporation

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.

#### Amendment of option for Cluster 3 Properties to Cartier

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. 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		Exploration expenditures \$
		Number	Fair value \$	
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 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.

#### Grant of stock options

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

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

**Champion Iron Limited**  
**Notes to Consolidated Financial Statements**  
**March 31, 2016 and 2015**  
(expressed in Canadian dollars)

Date of grant	April 12, 2016
Expiry date	April 12, 2020
Options granted	7,500,000
Exercise price	A\$0.20
Share price	A\$0.22
Risk-free interest rate	2.5%
Expected volatility based on historical volatility	80%
Expected life of stock options	4 years
Expected dividend yield	0%
Forfeiture rate	0%
Vesting	On date of grant
Fair value	\$1,050,000
Fair value per stock option	\$0.14

**21. Parent entity information**

Information relating to Champion Iron Limited:

	<b>As at March 31,</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Current assets	393,629	730,139
Non-current assets	17,602,231	17,932,402
<b>Total assets</b>	<b>17,995,860</b>	<b>18,662,541</b>
Current liabilities	307,897	87,882
<b>Total liabilities</b>	<b>307,897</b>	<b>87,882</b>
<b>Net assets</b>	<b>17,687,963</b>	<b>18,574,659</b>
Issued capital	28,259,111	28,259,111
Reserves	3,678,556	2,689,210
Accumulated losses	(14,249,704)	(12,373,662)
<b>Total equity</b>	<b>17,687,963</b>	<b>18,574,659</b>

	<b>Years ended March 31,</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Loss of parent entity	1,876,042	1,734,804
Total comprehensive loss of the parent entity	1,876,042	1,734,804

**22. Auditors remuneration**

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

	<b>Years ended March 31,</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<i>Ernst &amp; Young Australian firm</i>		
Audit of the financial report	80,000	67,500
Review of interim financial statements	42,000	42,000
<i>Ernst &amp; Young Canadian firm</i>		
Transaction advisory services	89,424	—
Preparation of income tax returns	10,830	—
	<b>222,254</b>	<b>109,500</b>

**Champion Iron Limited**  
**Notes to Consolidated Financial Statements**  
**March 31, 2016 and 2015**  
**(expressed in Canadian dollars)**

**23. 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.

## STOCK EXCHANGE INFORMATION

The additional information set out below relates to shares and options as at June 6, 2016

### DISTRIBUTION OF EQUITY SECURITY HOLDERS

Size of Holding	Number of ordinary shares
1 to 1,000	21,731
1,001 to 5,000	411,715
5,001 to 10,000	621,404
10,001 to 100,000	6,534,856
100,000 and over	378,230,224
	385,819,930

117 shareholders held less than a marketable parcel of ordinary shares at June 6, 2016

### ORDINARY SHARES

#### SUBSTANTIAL SHAREHOLDERS

Name of shareholder	Number of ordinary shares	% of issued capital
WC Strategic Opportunity LP	62,500,000	16.20
Resource Capital Fund VI LP	40,331,250	10.45
Ressources Quebec Inc	37,500,000	9.72
William Michael O'Keeffe	33,276,930	8.62

#### 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	16.20
2 Resource Capital Fund VI LP	40,331,250	10.45
3 Ressources Québec Inc	37,500,000	9.72
4 Prospect AG Trading P/L	29,376,930	7.61
5 Fancamp Exploration Ltd	11,018,333	2.86
6 Baotou Chen Hua	11,000,000	2.85
7 JP Morgan nominees	9,918,128	2.57
8 Roytor & Co.	9,301,094	2.41
9 UBS Wealth Management Aust Nom	7,764,895	2.01
10 Zero Nom P/L	7,598,771	1.97
11 Jen Group LLC	4,375,000	1.13
12 Argyle Gavin John	4,032,364	1.05
13 GAB Super Fund P/L	3,861,157	0.63
14 Metech Super P/L	3,700,000	0.96
15 Eastbourne DP P/L	3,500,000	0.91
16 Citicorp Nom P/L	3,180,018	0.82
17 Nathanson Hilton Darren	2,288,890	0.59
18 Marc Dorion	2,273,286	0.59
19 Ogoula Trading Limited	2,187,500	0.56
20 Flue Holdings P/L	1,954,708	0.51



## SCHEDULE OF TENEMENTS

The Company owns a 100% interest in the following properties:

<b>Property-Québec</b>	<b>SNRC</b>	<b>Claims</b>	<b>Hectares</b>
Consolidated Fire Lake North (Note 3)	23B06; 23B11; 23B12	569	28,773.51
Harvey-Tuttle	23B12; 23B05	189	9,905.65
Moire Lake	23B14	36	1,665.56
O'Keefe-Purdy	23B11; 23B12	201	10,518.46
Cassé Lake	23B05; 23C08	100	5,261.40
Claire Lake	23B06	33	1,739.67
Hope Lake	23B06	20	1,054.12
Aubertin Tougard (Note 3)	22O13; 23B04	10	530.29
Jeannine Lake (Note 1)	22N16	21	1,117.40
Round Lake (Notes 1, 2 & 3)	23B04; 23C01; 23N16	326	17,250.36
Silicate-Brutus (Note 1)	22O13	16	849.87
<b>Property-Newfoundland</b>	<b>Licences</b>		
Powderhorn	11346M, 11367M, 15136M, 15137M, 18969M, 19227M	148	3,700
Gullbridge	11956M, 11960M, 16260M, 16261M	179	4,475

Note 1. Currently under option to Cartier Iron Corporation.

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

Note 3. On March 31, 2016, the Company acquired from ArcelorMittal 100% interest in 10 claims added to the CFLN Property and 9 claims added to Round Lake in exchange for the Company transferring to ArcelorMittal 100% interest in 9 claims from Three Big Lakes, 7 claims from the Aubertin-Tougard and 13 claims from Round Lake. The transaction is reflected in the schedule of tenements shown above.

The Company has an option to purchase the following property:

<b>Property-Labrador</b>	<b>Leases</b>	<b>Holder</b>	<b>Claims</b>	<b>Hectares</b>
Snelgrove Lake	017901M, 018333M, 018334M, 022461M	CIP Magnetite Limited	424	10,600

Note 1. On May 17, 2016, the Company terminated the option to acquire Snelgrove Lake.

## MINERAL RESOURCE AND ORE RESERVES STATEMENT

### Fermont Holdings

The Company owns a 100% interest in 11 properties covering 786.7 square kilometres (collectively, the “Fermont Holdings”) located in the Fermont Iron Ore District of northeastern Quebec, some 300 km north of the St. Lawrence River port town of Sept-Iles, and ranging from 6 to 80 kilometres southwest of the Town of Fermont. The Consolidated Fire Lake North Property (“CFLN”) is the Company’s flagship project.

All claims in the Fermont Holdings acquired prior to September 24, 2015 are subject to a 1.5% royalty.

The Fermont Holdings are grouped into three clusters from north to south, termed Clusters 1, 2 and 3. 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.

Following completion of a prefeasibility study in February 2013 in respect of CFLN, work commenced to complete a full feasibility study on the project. The Company completed a Joint Ore Reserves Committee (JORC) Resource and Reserve Statement which was announced on 27 October 2014.

A JORC compliant resource of over 1.2 billion tonnes (Bt), including 755 million tonnes (Mt) of Measured and Indicated metallurgically coarse grained hematite mineralisation for CFLN has been estimated. The successful spring 2014 drilling campaign data was combined with data from the previous resource estimate reported under the Canadian National Instrument 43-101 (“NI 43-101”) to produce the JORC estimate.

<b>Table 1: October 2014 Fire Lake North Deposit Mineral Resource Estimate at Cut-off 15% Fe</b>						
<b>Category</b>	<b>Tonnage (Mt)</b>	<b>Fe (%)</b>	<b>SiO<sub>2</sub> (%)</b>	<b>Al<sub>2</sub>O<sub>3</sub> (%)</b>	<b>P (%)</b>	<b>LOI (%)</b>
<b>Measured</b>	<b>40.3</b>	<b>34.19</b>	<b>48.31</b>	<b>1.28</b>	<b>0.015</b>	<b>0.21</b>
<b>Indicated</b>	<b>715.0</b>	<b>31.42</b>	<b>51.38</b>	<b>1.56</b>	<b>0.020</b>	<b>0.31</b>
<b>M+I Total</b>	<b>755.3</b>	<b>31.57</b>	<b>51.22</b>	<b>1.55</b>	<b>0.019</b>	<b>0.30</b>
<b>Inferred</b>	<b>461.0</b>	<b>31.83</b>	<b>49.64</b>	<b>2.22</b>	<b>0.032</b>	<b>0.37</b>

Further to the Resource Statement, the Company also announced the first Reserve Statement for the Consolidated Fire Lake North Project to comply with JORC. The JORC Reserve estimate totals approximately 464Mt of reserves with an estimated 23Mt, in the Proved category.

<b>Table 2: 2013 Fire Lake North Deposit Mineral Reserve Estimate at Cut-off 15% Fe</b>			
<b>(These Ore Reserves were estimated from the Mineral Resources as reported in the January 25, 2013 PFS. New Ore Reserves will be estimated during the Feasibility Study, based on the October 2014 Mineral Resource Estimate as presented above)</b>			
<b>Category</b>	<b>Tonnage (Mt)</b>	<b>Fe (%)</b>	<b>Weight Recovery (%)</b>
<b>Proved</b>	<b>23.7</b>	<b>35.96</b>	<b>45.00</b>
<b>Probable</b>	<b>440.9</b>	<b>32.17</b>	<b>39.58</b>
<b>Total</b>	<b>464.6</b>	<b>32.37</b>	<b>39.86</b>

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

*The current Mineral Resource Estimate was calculated by P&E Mining Consultants Ltd. ("P&E") of Brampton, Ontario using the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) Standards on Mineral Resources and Reserves and 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. In addition, the quantity and grade of estimated Inferred Resources reported herein are uncertain and there has been insufficient exploration to categorize them as an Indicated or Measured Resource. Furthermore, it is uncertain whether further exploration will result in reclassification of Inferred Mineral Resources to the Indicated or Measured resource categories. The tonnage numbers are rounded according to NI 43-101 standards.*

### **The Snelgrove Lake Project**

The Snelgrove Lake Project is located in western Labrador and is approximately 55 kilometres south east of the community of Schefferville, Quebec and approximately 200 kilometres north of Labrador City, Labrador. The project consists of four contiguous map-staked licences totaling 424 mineral claims of 10,600 hectares. All the claims are located on NTS map sheets 23J08, 23J09, 23I05 and 23I/12 and overlap UTM zones 19 and 20. The claims are in good standing to January 2018 with the majority valid up to 2023-2024 where more assessment work needs to be filed. Three licences require payment of Renewal Fees January 2016.

The Company's wholly-owned Canadian subsidiary, CIP Magnetite Ltd., has an option with Altius Minerals Inc. to acquire 100% of the Snelgrove Project for expenditures of \$6.5 million within three years after the initiation of the Option Agreement on May 2012 with a 3% gross revenue royalty afterwards. In July 2013, the Issuer and Altius agreed to a modification of the Option Agreement that extends the final date two years to May 2017. As at March 31, 2016, the Company has incurred expenditure of \$6.4 million.

The Snelgrove Project does not have any mineral resource or ore reserves and is at an early stage of exploration and development. Hence, no material work was conducted on the project during the year as company efforts were directed towards the development of the more advanced flagship Fire Lake North Project.

On May 17, 2017, the Company terminated the option to acquire Snelgrove Lake.

## 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 2016 meet the criteria of an Independent Director. All appointments of non-executive Directors are considered to be Independent Directors.

### 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), Mr Gary Lawler and Mrs Michelle Cormier, all of who are non-executive Directors. The Company has also formed a Remuneration & Nomination Committee which comprises of Mr Gary Lawler (Chairman), Mr Michael O'Keefe and Mr Andrew Love. 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](http://www.championiron.com)

Principle Number	Recommendation	Compliance	Reason for Non-compliance
<b>1. <u>Lay solid foundation for management and oversight</u></b>			
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
1.5	Establish a policy concerning diversity and disclose the policy or a summary of that policy.  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.  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.	The Company has adopted a Diversity Policy, which can be accessed at the Company’s website.	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.  At the date of this report the Company has 7 male executives, 2% of employees are women and 1 woman is currently represented on the Board.

Principle Number	Recommendation	Compliance	Reason for Non-compliance
1.6	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.	The Board has adopted a Board performance evaluation policy which can be accessed at the Company's website.	Due to size and nature of the Company's business and the level of activity, no performance evaluation was carried out during the year.
1.7	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.	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.	Not applicable
<b>2. Structure the Board to add value</b>			
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 and those of other security holders are aligned and his shareholding does not compromise those interests.

Principle Number	Recommendation	Compliance	Reason for Non-compliance
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.
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
<b><u>3. Act ethically and responsibly</u></b>			
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
<b><u>4. Safeguard integrity in corporate reporting</u></b>			
4.1	The Board should establish an audit committee. The audit committee should be structured so that it has at least 3 members <ul style="list-style-type: none"> <li>• consists only of Non-Executive Directors;</li> <li>• consists of a majority of independent Directors;</li> <li>• is chaired by an independent chair, who is not chair of the Board;</li> </ul> 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.	The Board has established an audit committee which meets these criteria.. The formal charter can be accessed at the Company’s website. The number of meetings during the year and attendances by members is disclosed in the annual report.	Not applicable



<b>Principle Number</b>	<b>Recommendation</b>	<b>Compliance</b>	<b>Reason for Non-compliance</b>
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
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
<b>5. <u>Make timely and balanced disclosure</u></b>			
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
<b>6. <u>Respect the rights of security holders</u></b>			
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's 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

Principle Number	Recommendation	Compliance	Reason for Non-compliance
<b>7. <u>Recognise and manage risk</u></b>			
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.	Not applicable
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

<b>8. Remunerate fairly and responsibly</b>			
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"> <li>• consists of a majority of independent directors; and</li> <li>• is chaired by an independent director;</li> </ul> <p>and disclose:</p> <ul style="list-style-type: none"> <li>• the charter of the committee</li> <li>• 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.</li> </ul>	<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	<p>Companies should separately disclose its policies and practices regarding the remuneration of Non-Executive Directors' and that of Executive Directors and senior executives.</p>	<p>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.</p>	Not applicable
8.3	<p>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.</p>	<p>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.</p>	Not applicable

## COMPANY DIRECTORY

<b>DIRECTORS</b>	Michael O’Keeffe (Executive Chairman and Chief Executive Officer) Gary Lawler (Non-Executive Director) Andrew Love (Non-Executive Director) Michelle Cormier (Non-Executive Director)
<b>COMPANY SECRETARIES</b>	Jorge Estepa and Pradip Devalia
<b>REGISTERED &amp; PRINCIPAL OFFICE</b>	Level 1, 91 Evans Street Rozelle NSW 2039 Telephone: +61 2 9810 7816 Facsimile: +61 2 8065 5017 Website: <a href="http://www.championiron.com">http://www.championiron.com</a> ACN 119 770 142
<b>AUDITORS</b>	Ernst & Young 680 George Street Sydney 2000 NSW
<b>SHARE REGISTRIES</b>	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  TMX Equity Transfer Services 200 University Avenue, Suite 300 Toronto, ON, Canada M5H 4H1 Telephone: (416) 361-0930 Facsimile: (416) 361-0470
<b>STOCK EXCHANGES</b>	The Company’s shares are listed on the Australian Stock Exchange (ASX) and Toronto Stock Exchange (TSX)
<b>ASX CODE AND TSX SYMBOL</b>	CIA (Fully Paid Ordinary Shares)