



ABN 34 119 770 142

FINANCIAL REPORT
For the half year ended
30 September 2014

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COMPANY DIRECTORY

DIRECTORS

Michael O'Keeffe (Executive Chairman & CEO)
Andrew Love (Non-Executive Director)
Gary Lawler (Non-Executive Director)
Paul Ankcorn (Non-Executive Director)

COMPANY SECRETARIES

Pradip Devalia - Australia
Jorge Estepa - Canada

REGISTERED OFFICE

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ACN 119 770 142

AUDITORS

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Sydney 2000 NSW

SHARE REGISTRIES

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Suite 1, Alexandria House
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Telephone: (08) 9315 2333
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200 University Avenue, Suite 400
Toronto, ON M5H 4H1, Canada
Telephone: (416) 361 0930
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STOCK EXCHANGES

The Company's shares are listed on the Australian Stock Exchange (ASX) and Toronto Stock Exchange (TSX)

ASX CODE/TSX SYMBOL

CIA (Fully Paid Ordinary Shares)

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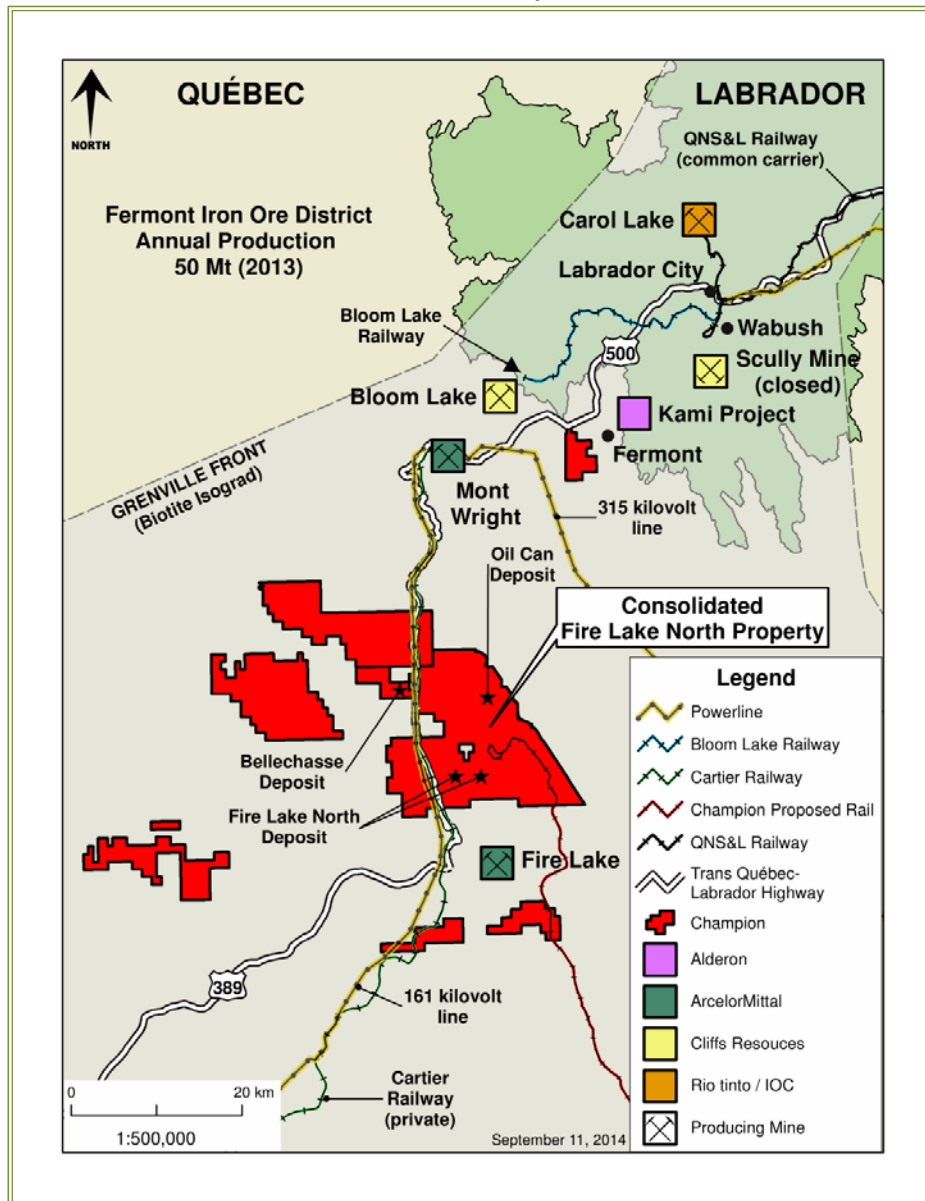
DIRECTORS' REPORT

The Directors of Champion Iron Limited, (the "Company" or "Champion") and its controlled entities (the "Group") submit herewith the financial report for the six months ended 30 September 2014 ("Half Year").

CONSOLIDATED FIRE LAKE NORTH PROJECT ("CFLN")

The Company continued exploration activity on the CFLN Project and spent \$5.149 million in the 6 months ended 30 September 2014.

Consolidated Fire Lake North Project, Quebec, Canada



During the past quarter, the Company completed the remainder of 34 backhoe dug test pits and drilled the remaining holes of the 24 hole geotechnical campaign initiated during the previous quarter. The project database was up-dated to include logging and analytical results from the 2014 drilling campaigns. The database was also updated with re-logging of drill intersections to acquire data related to hardness of samples. The QAQC results were evaluated and the database was subject to internal and external audits.

Interpretations of drill sections were up-dated and the 3D geological models were regenerated for each of the West and East deposits. A new block model mineral resource estimate was generated internally by the Company.

The Company contracted the services of P&E Mining Consultants to complete an independent audit of the CFLN project database and produce an updated Mineral Resource Estimate in compliance with JORC and Canadian National Instrument 43-101 ("NI 43-101") guidelines.

The Company continued work on preparing a JORC Resource & Reserve Statement. The successful spring 2014 drilling campaign data has been combined with data from the previous resource estimate reported under the NI43-101 to prepare a JORC estimate. The Company reported a JORC Resource & Reserve Statement on 27 October 2014. 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.

OTHER PROJECTS

The Company completed prospecting magnetic anomalies on each of the Casse Lake and Claire Lake properties within the Cluster 2 Fermont Holdings.

The Company added 6 claims to the Moire Lake Project located in within the Cluster 1 Holdings and added 11 claims to the Casse Lake Project located within the Cluster 2 Holdings.

There were minimal activities at the Company's other projects.

QUÉBEC GOVERNMENT COMMITS UP TO \$20M FOR RAIL FEASIBILITY STUDY

Following the announcement by the Québec Finance Minister in tabling the Budget 2014-2015, the government has set aside a maximum of \$20 million from its Northern Plan Fund to contribute to a study to determine the optimum rail option for iron ore miners in the Labrador Trough region to reach ports to service international markets competitively.

The Government passed the required decree on 1 October 2014 to invest up to \$20 million for the feasibility study which, in Phase 1, will cover a rail spur linking the port of Sept-Îles with the Company's CFLN property.

The Company has previously announced on 24 July 2014 its intention to participate in the feasibility study. During the quarter ended 30 September 2014, the Company formed a limited liability partnership (LLP) with the Government of Québec and co-miner Lac Otelnuk Mining Inc. (a joint venture between Adriana Resources Inc. and WISCO International Resources Development & Investment Limited) to manage the implementation of the feasibility study.

OPERATIONAL UPDATE

CORPORATE

Board and Management Appointments

On 9 April 2014, Andrew Love and Gary Lawler were appointed to the board and on 18 June 2014, Pradip Devalia was appointed as Company Secretary-Australia and Niall Lenahan resigned as Company Secretary.

On 29 August 2014, Michael O'Keeffe, Andrew Love, Gary Lawler and Paul Ankcorn were re-elected as board members. Thomas Larsen, Donald Sheldon and James Wang's tenure as directors ended that same day as they were not up for re-election as directors. Mr. Larsen resigned as President and CEO on 29 August 2014.

On 3 October, 2014, Michael O'Keeffe, the Executive Chairman of the Company, was appointed CEO.

Annual General Meeting

The Company held its Annual General Meeting of Shareholders on 29 August 2014 at which all resolutions put before the shareholders were passed.

Securities

At the end of the Half Year, the Company had the following securities on issue:

- 196,630,710 ordinary shares;

- 1,803,629 exchangeable shares;
- 27,943,166 unlisted options;
- 16,133,333 unlisted warrants;

PRESENTATION OF HALF-YEARLY FINANCIAL REPORT

The Board of Directors of Champion Iron Limited present herewith the consolidated financial report of the entity for the half year ended 30 September 2014. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

Directors

The following persons were Directors of Champion Iron Limited during the half year and up to the date of this report:

Michael O’Keeffe	Executive Chairman & Chief Executive Officer	Appointed 13 August 2013
Paul Anckorn	Non-Executive Director	Appointed 31 March 2014
Gary Lawler	Non-Executive Director	Appointed 9 April 2014
Andrew Love	Non-Executive Director	Appointed 9 April 2014
Thomas Larsen	Non-Executive Director	Retired 29 August 2014
Donald Sheldon	Non-Executive Director	Retired 29 August 2014
James Wang	Non-Executive Director	Retired 29 August 2014

Company Secretaries

Pradip Devalia	Company Secretary-Australia	Appointed 18 June 2014
Jorge Estepa	Company Secretary-Canada	Appointed 31 March 2014
Niall Lenahan	Company Secretary	Resigned 18 June 2014

Principal Activity

Champion is a mineral exploration company primarily focused on the exploration and development of the Consolidated Fire Lake North, an iron ore project located in Canada’s premier iron ore district, the Labrador Trough.

Results of Operation

The Company incurred an after tax operating loss for the half year ended 30 September 2014 of \$5,408,700 (2013: \$3,892,642).

Consolidation

The Company has prepared the financial report as a consolidated entity.

Auditor’s Independence Declaration

A copy of the Auditor’s Independence Declaration for the half-year ended 30 September 2014 as required under section 307C of the *Corporations Act 2001* is set out on page 23 and forms part of the Directors’ Report.

Signed in accordance with a resolution of the Directors made pursuant to section 306(3) of the *Corporations Act 2001*.



Michael O’Keeffe
Executive Chairman
 Sydney
 6 November 2014

Champion Iron Limited

Condensed Interim Consolidated Financial Statements

September 30, 2014

(expressed in Canadian dollars)

(unaudited)

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Champion Iron Limited

Consolidated Statements of Financial Position

(expressed in Canadian dollars)
(unaudited)

	Notes	As at September 30, 2014 \$	As at March 31, 2014 \$
Assets			
Current			
Cash and cash equivalents		5,599,794	16,221,821
Short-term investments		166,000	66,000
Receivables	3	8,165,821	10,183,531
Prepaid expenses and deposits		194,939	151,259
		14,126,554	26,622,611
Non-current			
Due from Cartier Iron Corporation	4	2,101,125	2,086,049
Investments	5	2,141,400	4,975,865
Investment in associate	6	813,290	-
Long-term advance	7	6,000,000	6,000,000
Property and equipment		64,556	85,555
Exploration and evaluation	8	92,287,511	88,049,839
		117,534,436	127,819,919
Liabilities			
Current			
Accounts payable and accrued liabilities		913,836	5,922,939
Non-current			
Royalty payable	9	19,000,000	19,000,000
		19,913,836	24,922,939
Shareholders' equity			
Capital stock	10	171,420,382	171,420,382
Warrants	10	3,089,520	3,089,520
Contributed surplus	10	15,689,595	15,282,169
Foreign currency translation reserve		(275,106)	-
Deficit		(92,303,791)	(86,895,091)
		97,620,600	102,896,980
		117,534,436	127,819,919

On behalf of the Board:



Director



Director

Champion Iron Limited

Consolidated Statements of Loss and Comprehensive Loss

(expressed in Canadian dollars)
(unaudited)

	Notes	3 months ended September 30,		6 months ended September 30,	
		2014 \$	2013 \$	2014 \$	2013 \$
Other income					
Interest		35,478	156,626	57,808	173,504
Expenses					
Professional fees		177,262	222,496	238,389	501,161
Salaries		256,294	-	559,775	-
Consulting fees		516,204	659,473	864,414	1,031,125
Share-based compensation	10	122,700	-	407,426	-
General and administrative		579,147	229,665	904,646	406,577
Investor relations		122,275	339,450	346,837	693,087
Travel		152,371	86,893	434,748	229,226
Foreign exchange gain		(124,661)	-	(310,902)	-
Unrealized loss on investments	5	569,600	374,895	2,008,112	1,201,025
Interest		-	3,945	-	3,945
		2,371,192	1,916,817	5,453,445	4,066,146
Loss before share of net loss of an associate		(2,335,714)	(1,760,191)	(5,395,637)	(3,892,642)
Share of net loss of an associate accounted for using the equity method		(13,063)	-	(13,063)	-
Loss		(2,348,777)	(1,760,191)	(5,408,700)	(3,892,642)
Item that may be reclassified in future periods to the statement of loss					
Net movement in foreign currency translation reserve		(127,505)	-	(275,106)	-
Total comprehensive loss		(2,476,282)	(1,760,191)	(5,683,806)	(3,892,642)
Loss per share - basic and diluted		(0.01)	(0.02)	(0.03)	(0.04)
Weighted average number of shares outstanding - basic and diluted		196,620,826	96,469,864	196,557,345	92,222,139

Champion Iron Limited

Consolidated Statements of Changes in Equity

(expressed in Canadian dollars)
(unaudited)

	Capital stock \$	Warrants \$	Contributed surplus \$	Foreign currency translation reserve \$	Deficit \$	Total \$
Balance, March 31, 2014	171,420,382	3,089,520	15,282,169	-	(86,895,091)	102,896,980
Loss	-	-	-	-	(5,408,700)	(5,408,700)
Other comprehensive loss	-	-	-	(275,106)	-	(275,106)
Total comprehensive loss	-	-	-	(275,106)	(5,408,700)	(5,683,806)
Share-based compensation	-	-	407,426	-	-	407,426
Balance, September 30, 2014	171,420,382	3,089,520	15,689,595	(275,106)	(92,303,791)	97,620,600
Balance, March 31, 2013	122,982,950	3,027,187	8,746,169	-	(38,302,192)	96,454,114
Total comprehensive loss	-	-	-	-	(3,892,642)	(3,892,642)
Issued for exploration and evaluation	190,000	-	-	-	-	190,000
Conversion of convertible debt	373,175	-	-	-	-	373,175
Private placement	3,000,000	-	-	-	-	3,000,000
Fair value of warrants issued	(1,277,000)	1,277,000	-	-	-	-
Share issue costs	(310,229)	-	-	-	-	(310,229)
Balance, September 30, 2013	124,958,896	4,304,187	8,746,169	-	(42,194,834)	95,814,418

Champion Iron Limited

Consolidated Statements of Cash Flows

(expressed in Canadian dollars)
(unaudited)

	6 months ended September 30,	
	2014	2013
	\$	\$
Cash provided by (used in)		
Operating activities		
Profit before tax	(5,408,700)	(3,892,642)
Items not affecting cash		
Share-based compensation	407,426	-
Depreciation	20,027	-
Interest not paid	-	3,945
Unrealized loss on investments	2,008,112	1,201,025
Share of net loss of an associate	13,063	-
	<u>(2,960,072)</u>	<u>(2,687,672)</u>
Changes in non-cash operating working capital		
Receivables	(31,446)	1,247,883
Prepaid expenses and deposits	(43,679)	(85,206)
Accounts payable and accrued liabilities	(633,451)	(2,653,939)
	<u>(3,668,648)</u>	<u>(4,178,934)</u>
Financing activities		
Repayment of convertible note	-	(145,000)
Issue of common shares	-	3,000,000
Share issue costs	-	(310,229)
	<u>-</u>	<u>2,544,771</u>
Investing activities		
Receipt of refundable tax credit on exploration expenditures	1,649,157	11,000,000
Receipt of credit on duties refundable for losses	1,325,433	-
Investment in short-term investment	(100,000)	-
Advances to Cartier Iron Corporation	(15,076)	(1,715,000)
Investment in Cartier Iron Corporation	-	(22,735)
Purchase of property and equipment	(1,864)	-
Exploration and evaluation	(5,163,105)	(250,769)
Arrangement costs	(4,372,818)	-
	<u>(6,678,273)</u>	<u>9,011,496</u>
Net decrease in cash and cash equivalents	(10,346,921)	7,377,333
Cash and cash equivalents, beginning of period	16,221,821	4,535,089
Effects of exchange rate changes on cash	(275,106)	-
Cash and cash equivalents, end of period	<u>5,599,794</u>	<u>11,912,422</u>
Non-cash transactions		
Issue of convertible notes to settle accounts payable	-	718,525
Issue of common shares		
Exploration and evaluation	-	190,000
Conversion of convertible debt	-	373,175

Champion Iron Limited

Notes to Condensed Interim Consolidated Financial Statements

September 30, 2014

(unaudited)

1. Basis of presentation

Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting*.

These condensed interim consolidated financial statements do not include certain information and disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") and should be read in conjunction with the Company's annual financial statements for the year ended March 31, 2014, which were prepared in accordance with IFRS as issued by the International Accounting Standards Board.

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on November 6, 2014.

On March 31, 2014, pursuant to an Arrangement Agreement ("Arrangement"), Mamba Minerals Limited ("Mamba")(a) acquired all of the issued and outstanding common shares of Champion Iron Mines Limited ("Champion") on the basis of an exchange ratio of 0.7333333 Mamba share and/or Exchangeable share (or combination thereof) for each outstanding Champion common share and (b) replaced each outstanding Champion warrant and Champion stock option on the basis that the holder will be entitled to acquire 0.7333333 Mamba share on the same terms and conditions.

Under Corporations Law, Mamba was the parent and Champion is the subsidiary. However, the former shareholders of Champion received 51% of the voting rights in the combined entity and Champion had the ability to appoint a majority of the members of the board of directors of the combined entity. Under the requirements of AASB 3 (IFRS 3) *Business Combinations*, for accounting purposes, Champion was deemed to be the acquirer, Mamba was deemed to be the acquiree and the consideration transferred by Champion was measured at fair value.

The condensed interim consolidated financial statements represent a continuation of the financial statements of Champion. The consolidated financial statements for the 6 months ended September 30, 2014 include the financial results of Champion and Mamba from March 31, 2014. The comparative consolidated financial statements are those of Champion.

Following the closing of the Arrangement, Mamba changed its name to Champion Iron Limited.

2. Significant accounting policies and future accounting changes

The accounting policies used in these condensed interim consolidated financial statements are consistent with those disclosed in the Company's audited financial statements for the year ended March 31, 2014.

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. The Company has not determined the extent of the impact of these standards and does not plan to early adopt these new standards.

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

	In respect of years ended March 31,				Total
	2014	2013	2012	2011	
Refundable Tax Credits					
As filed	1,410,115	7,555,705	9,912,375	3,590,837	22,469,032
As assessed	–	–	9,181,296	3,467,861	12,649,157
Received	–	–	(9,181,296)	(3,467,861)	(12,649,157)
Receivable at September 30, 2014	1,128,092	6,044,564	–	–	7,172,656
Credit on Duties					
As filed	209,515	1,122,562	1,403,549	950,061	3,685,687
As assessed	–	–	1,325,433	404,424	1,729,857
Received	–	–	(1,325,433)	(404,424)	(1,729,857)
Receivable at September 30, 2014	–	–	–	–	–
Harmonized and Quebec Sales taxes					
Receivable at September 30, 2014					993,164
					8,165,821

4. Due from Cartier Iron Corporation (“Cartier”)

Of the amount due from Cartier, \$100,000 is unsecured, bears interest at the rate of LIBOR plus 2% and was due on September 13, 2014. The remainder of the amount due is unsecured, non-interest bearing and is due on demand. One officer and one director of the Company are directors of Cartier.

On June 17, 2014, the Company agreed to convert the following amounts due from Cartier into Cartier common shares: (a) \$1,050,000, subject to Cartier closing a private placement in the minimum amount of \$500,000 (“Private Placement”) and (b) the amount, by which, proceeds of the Private Placement exceeds \$1,050,000. In both cases, the conversion price will be equal to the lowest subscription price paid for the Private Placement.

Following the closing of the Private Placement, the remainder of the amount due from Cartier will be 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”). The Company will have 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 note 15 for subsequent event.

5. Investments

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

	As at September 30, 2014 \$	As at March 31, 2014 \$
Fancamp Exploration Ltd.		
Common shares	990,000	2,200,000
Warrants	–	74,000
Cartier Iron Corporation		
Common shares (see note 6)	–	730,265
Century Iron Mines Corporation		
Common shares	818,400	1,041,600
Warrants	82,000	161,000
Lamêlée Iron Ore Ltd.		
Common shares	240,000	680,000
Warrants	11,000	89,000
	2,141,400	4,975,865

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.

The decrease in the fair value of investments of \$2,008,112, comprised of \$1,777,112 for investment in common shares and \$231,000 for investment in warrants, has been recorded as an unrealized loss on investments in the consolidated statement of loss and comprehensive loss.

6. Investment in associate

As at September 30, 2014, the Company had a 19.9% interest in the outstanding common shares of Cartier Iron Corporation ("Cartier") (March 31, 2014 - 19.9%). 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. As at September 30, 2014 the investment in associate was \$813,920.

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

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

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

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

8. Exploration and evaluation assets

	March 31, 2014 \$	Exploration expenditures \$	Mining tax credits \$	September 30, 2014 \$
Fermont Consolidated				
Fire Lake North	68,438,585	5,076,909	(664,060)	72,851,434
Harvey-Tuttle	6,573,514	10,541	(11,625)	6,572,430
Moire Lake	3,045,597	1,582	(109,283)	2,937,896
O'Keefe Purdy	3,319,458	4,349	(118,885)	3,204,922
Other	3,755,817	56,522	(20,872)	3,791,467
	85,132,971	5,149,903	(924,725)	89,358,149
Powderhorn	1,630,771	11,994	-	1,642,765
Gullbridge	1,286,097	500	-	1,286,597
	88,049,839	5,162,397	(924,725)	92,287,511

Fermont

The Company owns a 100% interest in Fermont consisting of 14 mineral concessions covering an area of 747 square kilometres situated in northeastern Quebec ("Fermont"). 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 the Hope Lake, Casse Lake, Claire Lake, Audrey-Ernie, Three Big Lakes, Aubertin-Tougard Lakes, Jeannine Lake, Silicate-Brutus Lakes, Penguin and Black Dan properties.

Fermont is subject to a 3% net smelter return royalty, over which, the Company has a right of first refusal and an option to reduce it to 2.5% by making a payment of \$1,500,000. See note 9.

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

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

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

Cartier made the required exploration expenditures by December 31, 2013; however, Cartier has not made the option payment or issued common shares due on December 10, 2013.

See note 15 for subsequent event.

Powderhorn and Gullbridge

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

- a) Powderhorn, which consists of 115 claims covering an area of 29 square kilometres situated in the Buchans-Robert's Arm Belt in Central Newfoundland, subject to 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 in the Buchans Mining Camp, Newfoundland, subject to a 1% royalty, which the Company has the option to acquire for \$1,000,000 or 1,000,000 common shares. The Company also has the right of first refusal on any sale, transfer, mortgage or grant of security interest or any other disposition or encumbrance in the royalty.

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 September 30, 2014, 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 will be exercised. Accordingly, no carrying value is recorded in the consolidated statement of financial position and future expenditures on Snelgrove Lake will be expensed in the consolidated statement of loss and comprehensive loss.

9. Royalty payable

With the completion of the pre-feasibility study for Consolidated Fire Lake North, the Company recorded an estimate of the present value for the 3% net smelter royalty on Fermont as an acquisition cost of exploration and evaluation and an offsetting royalty payable.

10. 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 shareholder meetings. The SVS will carry as many votes at shareholder meetings of the Company as there are exchangeable shares on issue at the voting eligibility cut-off time of the meeting. The SVS is not transferable, will not be listed and will cease to have any voting rights at meetings of the Company's shareholders once all exchangeable Shares have been converted to ordinary shares.

Issued

	Number of shares	\$
Ordinary shares		
Balance, March 31, 2014	196,493,153	171,420,382
Cancelled	(13)	-
Conversion of exchangeable shares	137,570	-
Balance, September 30, 2014	196,630,710	171,420,382
Exchangeable shares		
Balance March 31, 2014	1,941,199	
Conversion to ordinary shares	(137,570)	
Balance, September 30, 2014	1,803,629	

Warrants

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

	Number of warrants	Weighted-average exercise price \$	Amount \$
Balance, March 31, 2014 and September 30, 2014	16,133,333	1.53	3,089,520

A summary of the Company's warrants outstanding at September 30, 2014 is presented below:

Common share warrant exercise price	Expiry date	Number of warrants
\$4.0909 exercisable between November 17, 2014 and May 17, 2015	May 17, 2015	5,133,333
\$0.3409	July 31, 2015	11,000,000
		16,133,333

If the weighted-average closing price of the Company's common shares is over \$5.4545 for 20 consecutive trading days, the May 17, 2015 warrants must be exercised within 30 calendar days of the Company providing written notice to Fancamp, or they will be cancelled. In the event that Fancamp provides notice within 10 days of the receipt of the Company's notice that Fancamp does not have sufficient funds to exercise the Champion Warrants, the Company will advance a loan to Fancamp to fund the exercise of such warrants. The loan will be secured by Fancamp's interest in the Royalty on the Fermont Holdings and the shares acquired on exercise of the warrants.

Stock options

	Number of options	Weighted- average exercise price \$
Balance, March 31, 2014	27,744,667	0.53
Granted	2,150,000	0.48
Expired	(951,501)	0.41
Cancelled	(1,000,000)	0.50
Balance, September 30, 2014	27,943,166	0.53

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
Expiry date	April 8, 2017	June 18, 2017	September 1, 2018
Options granted	1,000,000	150,000	1,000,000
Exercise price	A\$0.50	A\$0.50	\$0.45
Share price	A\$0.50	A\$0.37	\$0.46
Risk-free interest rate	2.5%	2.5%	2.5%
Expected volatility based on historical volatility	80%	80%	80%
Expected life of stock options	3 years	3 years	4 years
Expected dividend yield	0%	0%	0%
Forfeiture rate	0%	0%	0%
Fair value	\$247,920	\$24,262	\$121,700
Fair value per stock option	\$0.25	\$0.16	\$0.12

The stock options vested on the date of grant and the fair value of the stock options was recorded as share-based compensation.

A summary of the Company's outstanding and exercisable stock options at September 30, 2014 is presented below:

Exercise price	Expiry date	Number of stock options	
		Outstanding	Exercisable
\$0.5523	November 9, 2014	36,667	36,667
\$1.0910	January 14, 2015	1,008,334	1,008,334
\$1.1591	February 2, 2015	36,666	36,666
\$1.3637	March 2, 2015	256,666	256,666
A\$0.25	August 8, 2015	17,000,000	17,000,000
\$1.3637	October 3, 2015	1,466,667	1,466,667
\$1.3637	October 4, 2015	183,333	183,333
\$2.0455	October 4, 2015	366,667	366,667
A\$0.50	December 15, 2015	500,000	500,000
\$2.9591	January 10, 2016	73,333	73,333
\$2.0455	September 9, 2016	715,000	715,000
\$0.5455	December 20, 2016	1,173,333	1,173,333
\$1.7728	December 23, 2016	676,500	676,500
A\$0.50	April 8, 2017	1,000,000	1,000,000
A\$0.50	June 18, 2017	150,000	150,000
A\$0.50	November 29, 2018	2,300,000	800,000
\$0.45	September 1, 2018	1,000,000	1,000,000
		27,943,166	26,443,166

See note 15 for subsequent event.

11. 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 Fancamp, Century and Lamêlée is measured using a Black-Scholes option pricing model. Measurement inputs include share price on the measurement date, exercise price, expected volatility (based on historical volatility), expected life, expected dividends and the risk-free interest rate (based on government bonds).

Stock options

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

Classification of fair value of financial instruments

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

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

As at September 30, 2014

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial asset at fair value through profit and loss				
Cash and cash equivalents and short-term investments	5,765,794	–	–	5,765,794
Investments				
Common shares	2,817,100	–	–	2,817,100
Warrants	–	93,000	–	93,000

12. Financial risk management

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

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

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

Credit risk

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

Liquidity risk

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

Market risk

Market risk is the risk that changes in market prices, such as equity prices, foreign exchange rates and interest rates will affect the Company's income or the value of its financial instruments. The Company is exposed to equity price risk with respect to investments. The Company estimates that if the fair value of its investment as at September 30, 2014 had changed by 10%, with all other variables held constant, the loss would have decreased or increased by approximately \$214,000.

Interest rate risk

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

Capital management

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

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

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

13. Related party transactions

	6 months ended 2014	September 30, 2013	September 30, 2014	Outstanding at March 31, 2014
	\$	\$	\$	\$
Exploration and evaluation				
Paid or payable to a company controlled by a director	–	82,500	–	–
Paid or payable to 2 companies controlled by officers	381,930	623,518	–	276,660
Common shares				
Shares issued in exchange for legal services provided by a company controlled by a director	–	25,020	–	–
Professional fees				
Paid or payable for legal fees to a company controlled by a director	22,700	347,689	–	51,372
General and administrative				
Rent paid to a company controlled by a director	27,300	–	–	–

See notes 4 and 8 for related party transactions with Cartier.

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:

	6 months ended 2014	September 30, 2013
	\$	\$
Salaries and fees	184,834	–
Non-monetary	20,934	–
Consulting fees	695,000	417,500
Post-employment	40,967	–
Share-based payments, representing share-based compensation	407,426	–
	1,349,161	417,500

14. Segment information

The Company operates in one business segment being mineral 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.

15. Subsequent events

Other than items listed below, no material matter or transaction has arisen since September 30, 2014 that has significantly affected the Company's operations or state of affairs.

Due from Cartier

On October 17, 2014, Cartier completed a private placement of \$500,000 and the Company converted \$1,050,000 of the amount due from Cartier into 6,176,471 units of Cartier, with each unit consisting of one common share and one-half warrant ("Conversion"). Each whole warrant entitles the Company to purchase one common share of Cartier for \$0.22 until April 17, 2016. After February 14, 2015, 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 remaining \$1,050,000 due from Cartier was converted to a Demand Loan.

Option for Cluster 3 Properties to Cartier

The Company (i) received the \$150,000 option payment due on December 11, 2013; (ii) received 1,000,000 common shares of Cartier due on December 10, 2013 and December 10, 2014 ("Option Payments"); and (iii) agreed to defer the \$250,000 option payment due on December 10, 2014 until Cartier receives its refundable tax credit on eligible exploration expenditures incurred in Québec for the year ended December 31, 2013.

Investment in Cartier

Subsequent to the receipt of common shares for the Conversion and Option Payments, the Company holds 11,019,971 common shares of Cartier, representing approximately 37.42% of the issued and outstanding common shares of Cartier.

Grant of stock options

On October 3, 2014, subject to shareholder approval, the Company will grant 1,000,000 stock options entitling the holder to purchase one ordinary share for A\$0.30 for a period of 3 years from the date of shareholder approval. These options will vest in annual instalments over 3 years from the date of shareholder approval, 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 during the term of the stock options, and the satisfactory completion of a bankable feasibility study by the expiry date of the stock options.

On October 30, 2014, Company granted 1,000,000 stock options entitling the holders to purchase one ordinary share for A\$0.30 until October 30, 2017. These options will vest in annual instalments over 3 years.

Investment in partnership

The Company is a founding partner in La Société ferroviaire du Nord québécois, société en commandite ("La Société"). The other partners in La Société are the Government of Québec and Lac Otnuk Mining Ltd., a joint venture between Adriana Resources Inc. and WISCO International Resources Development & Investment Limited. La Société was formed as a partnership of government and industry to manage the implementation of a feasibility study for a new multi-user Labrador Trough rail line. The Government of Québec has set aside a maximum of \$20,000,000 from its Plan Nord Fund to contribute to La Société, while the Company's contribution will consist of previously incurred costs of up to \$6,000,000.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Champion Iron Limited, I state that:

In the Opinion of the Directors:

- a) the financial statements and notes of the Group are in accordance with the *Corporations Act 2001*, including:
- (i) giving a true and fair view of the financial position as at 30 September 2014 and the performance for the half year ended on that date, and
 - (ii) complying with Accounting Standard AASB 134: *"Interim Financial Reporting"*.
- b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.



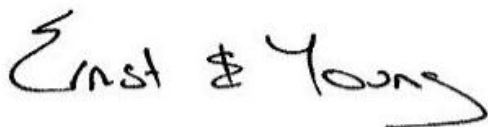
Michael O'Keeffe
Executive Chairman
Sydney
6 November 2014



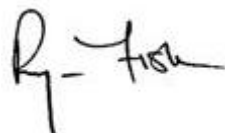
Andrew Love
Non-Executive Director
Sydney
6 November 2014

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

In relation to our review of the financial report of Champion Iron Limited for the half year ended 30 September 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Ernst & Young



Ryan Fisk
Partner
Sydney
6 November 2014

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To the members of Champion Iron Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Champion Iron Limited, which comprises the consolidated statement of financial position as at 30 September 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, 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 half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at September 30, 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 154 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Champion Iron Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

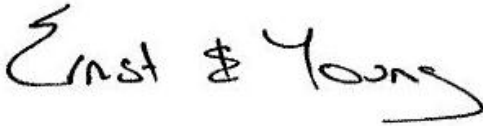
Independence

In conducting our review, 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.

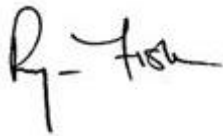
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Champion Iron Limited is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 30 September 2014 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Ernst & Young



Ryan Fisk
Partner
Sydney
6 November 2014