

Champion Iron Limited

Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") provides discussion and analysis of the financial condition and results of operations of Champion Iron Limited (the "Company") for the 6 months ended September 30, 2017 and should be read in conjunction with the audited consolidated financial statements and the accompanying notes. The MD&A is the responsibility of management and is dated as of November 9, 2017.

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

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Forward-Looking Statements

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

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The Company

The Company, through its subsidiaries Champion Iron Mines Limited ("CIML") and Québec Iron Ore Inc. ("QIO"), is an iron ore exploration and development company with properties located in the heart of Canada's premier iron ore mining district, the Labrador Trough.

On April 11, 2016, the Company, through its subsidiary 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).

The Bloom Lake mine is located approximately 13 km north of Fermont, Quebec, in the Labrador Trough and consists of Mining Lease BM877 and 69 mining claims. The Bloom Lake Mine is an open pit truck and shovel mine, with 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 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.

The Company is a reporting issuer in Ontario, Alberta, British Columbia, Saskatchewan, Manitoba, New Brunswick, Prince Edward Island, Newfoundland and Nova Scotia and its ordinary shares are listed for trading on the Australian Stock Exchange and the Toronto Stock Exchange under the symbol CIA.

Overall Performance

During the 6 months ended September 30, 2017, the primary focus of the management team has been on the restart of Bloom Lake. In connection with Bloom Lake, the Company and QIO achieved the following key milestones:

Impact and Benefits Agreement

On April 12, 2017, QIO and the band council, Innu of Takuaihan Uashat mak Mani-utenam entered into an Impact and Benefits Agreement (the "IBA") with respect to future operations at the Bloom Lake.

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

Off-take agreement

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

\$40,000,000 bridge financing

On May 17, 2017, to finance required upgrades to the tailings management system, other process plant upgrades and long-lead items in connection with the recommencement of operations at Bloom Lake, the Company arranged, on behalf of QIO, a \$40,000,000 financing, comprised of bridge loan of \$26,000,000 and equity of \$14,000,000. The debt component of \$26,000,000 was committed with Sojitz providing \$20,000,000 and Ressources Québec Inc. ("RQ") providing \$6,000,000. The equity component comprised a proportionate contribution of \$8,848,000 and \$5,152,000 from the shareholders of QIO, the Company and RQ, respectively.

The Bridge Loan bears interest at the rate of 12% per annum on the outstanding principal amount of the Bridge Loan and a standby fee of 2% per annum on the undrawn portion of the Bridge Loan; is secured by a \$26,000,000 hypothec over all of QIO's property, plant and equipment (excluding mining claims) and matures on July 15, 2018. Advances under the Bridge Loan are available in up to 4 instalments until November 30, 2017.

At September 30, 2017, principal advances of \$16,000,000 had been drawn down and on October 16, 2017, the Bridge Loan was repaid.

Convertible debenture

On June 1, 2017, the Company completed the sale of a \$10,000,000 unsecured convertible debenture bearing interest at the rate of 8% payable quarterly and matures on June 1, 2018 ("Debenture"). The Debenture is convertible at the option of the holder at any time into ordinary shares of the Company ("Shares") at a conversion price of \$1.00 per Share. The maximum number of Shares that may be issued upon conversion of the Debenture is 50,000,000 Shares, with the balance of the unconverted principal amount of the Debenture to be repaid in cash or converted into a proportion of the Royalty (as defined hereinafter) at the option of the Company. If the principal amount is not repaid in full on or before June 1, 2019, the holder will have the right to convert the entire outstanding principal amount into a 0.21% gross overriding royalty on Bloom Lake (the "Royalty").

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

Financial assistance from Québec's Green Fund for Bloom Lake energy conversion projects

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

Rail transportation contract

On June 8, 2017, QIO entered into a transportation agreement with the Quebec North Shore & Labrador Railway Company Inc. ("QNS&L") for the transportation of iron ore from Bloom Lake by way of the QNS&L railway for approximately 400 kilometres from the Wabush Lake Junction in Labrador City, Newfoundland & Labrador to the Sept-Îles Junction in Sept-Îles, Québec.

Settlement agreement with the Port

On July 13, 2012, the Company's subsidiary company, CIML 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, CIML was to pay \$25,581,000 and take-or-pay payments as an advance on its future shipping, wharfage and equipment fees. CIML 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, CIML sent to the Port a notice of termination of the Agreement and requested the repayment of the \$6,000,000 that had already been advanced ("Advances"). The termination was made under the Renunciation provision of the Québec Civil Code. The Renunciation provision allows cancellation of a contract if one party cannot perform under the contract. CIML terminated under this provision given that the Port could not provide access as contemplated in the Agreement at the time the payments were due. The Port subsequently issued CIML a notice of default with respect to missing the installment payment that was due in July 2013.

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 CIML must pay take-or-pay payments as an advance on its future shipping, wharfage and equipment fees.

The dispute was referred to arbitration pursuant to the terms of the Port Agreement, however, on July 15, 2017, CIML entered into a settlement agreement providing for the settlement, without admission, of its dispute with the Port.

The settlement agreement provides for payments by CIML or QIO to settle in full the original \$19,581,000 claim of the Port on account of the “buy-in” payment under the Agreement, as well as certain ancillary amounts by December 1, 2017. These payments and the \$6,000,000 deposit previously made by CIML will be considered advances on future shipping, wharfage and equipment fees of QIO under the Port Agreement. The additional payments will incur interest from the date the settlement agreement was signed through to the time the relevant payments are made.

The settlement agreement also provides for take-or-pay payments to commence on January 1, 2018.

Public offering of subscription receipts

On September 29, 2017, the Company completed a public offering of 21,033,508 subscription receipts at a price of \$0.90 per subscription receipt for gross proceeds of \$18,930,157. The net proceeds of the offering of \$18,312,981 was placed in escrow pending the satisfaction of the certain escrow release conditions. On October 16, 2017, the escrow release conditions were satisfied and the net proceeds of the subscription receipts was released to the Company and holders of the subscription receipts received one ordinary share of Company for each subscription receipt held.

Rail transportation and port-facilities access agreement

On October 12, 2017, QIO entered into a rail transportation and port-facilities access agreement with the Société Ferroviaire et Portuaire de Pointe-Noire, S.E.C for the transportation, unloading, stockpiling and loading of iron ore concentrate from Sept-Iles to Pointe-Noire, Québec.

Unsecured subordinated convertible debenture and off-take agreement with Glencore International AG

On October 13, 2017, the Company completed a non-brokered private placement of a \$31,200,000 unsecured subordinated convertible debenture (“Debenture”) to Glencore International AG (“Glencore”). The Debenture is unsecured; bears interest at the rate of 12% for the first year, and thereafter, an interest rate linked to the price of iron ore; convertible into ordinary shares of the Company at a conversion price of \$1.125 per ordinary share; mandatory conversion into ordinary shares of the Company at a conversion price of \$0.85 per ordinary share upon (a) the occurrence of a mandatory conversion event or (b) Sprott or Caisse, lenders for the debt financing of US\$180,000,000 for QIO, exercising their respective option to require a mandatory conversion.

In connection with the closing of the Debenture, QIO entered into an off-take agreement with Glencore to grant global off-take rights for life-of-mine of Bloom Lake with fixed commercial terms for a 10-year period for all tonnes of future iron ore production at Bloom Lake not sold in Japan under the existing off-take agreement with Sojitz. In the event of a Mandatory Conversion, the off-take terms will apply for the life-of-mine of Phase 1 of Bloom Lake and Glencore will have the option to convert the marketing fees under the off-take terms into a FOB-based royalty under certain circumstances. In addition, Glencore has been granted a right of first refusal in connection with the financing and off-take rights for iron ore production of Phase II of Bloom Lake not allocated to certain strategic investors.

Debt financing of US\$180,000,000 for QIO

On October 10, 2017, QIO entered into definitive agreements for debt financing of US\$180,000,000 from Sprott Private Resource Lending (Collector), LP (“Sprott”) and CDP Investissements Inc. (“CDP”), a wholly-owned subsidiary of Caisse de dépôt et placement du Québec to finance the restart of Bloom Lake.

Sprott provided US\$80,000,000 by way of a 5-year senior secured loan bearing interest at 7.5% per annum plus the greater of US dollar 3-month LIBOR and 1% per annum.

CDP provided US\$100,000,000 by way of a 7-year subordinated loan bearing interest at 12% for the first year, and thereafter, at an interest rate linked to the price of iron ore.

In connection with the debt financing, the Company issued: (a) 3,000,000 common share purchase warrants to Sprott, entitling the holder to purchase an ordinary share of the Company for \$1.125 until October 16, 2022 and (b) 21,000,000 common share purchase warrants to CDP, entitling the holder to purchase an ordinary share of the Company for \$1.125 after October 16, 2018 until October 16, 2024. Ressources Québec (“RQ”) will provide compensation commensurate with their 36.8% interest in QIO to the Company for issuing the common share purchase warrants.

Grant of stock options

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

After receiving shareholder approval on July 10, 2017, the Company granted 600,000 stock options to directors entitling the holder to purchase one ordinary share for A\$1.08 until July 11, 2020. The stock options vest, as follows: 200,000 on July 11, 2017, 200,000 on July 11, 2018 and 200,000 on July 11, 2019.

On August 21, 2017, the Company granted 500,000 stock options to a director entitling the holder to purchase one ordinary share for A\$1.00 until August 21, 2020. The stock options vest, as follows: 166,667 on August 21, 2017, 166,666 on August 21, 2018 and 166,666 on August 21, 2019.

Grant of share rights

On May 25, 2017, the Company granted 1,250,000 share rights to employees entitling the holder to receive one ordinary share upon vesting. The share rights vest on the satisfaction of the key performance measures including the completion of the total financing package required to facilitate the recommissioning of the plant at the Bloom Lake at a rated capacity of 7 million tonnes per annum and the actual recommissioning of the plant at Bloom Lake at a capacity of 7 million tonnes per annum.

After receiving shareholder approval on July 10, 2017, the Company granted 1,000,000 share rights to a director entitling the holder to receive one ordinary share upon vesting. The share rights vest on the satisfaction of key performance measures including the completion of the total financing package required to facilitate the recommissioning of the plant at the Bloom Lake at a rated capacity of 7 million tonnes per annum and the actual recommissioning of the plant at Bloom Lake at a capacity of 7 million tonnes per annum.

Bloom Lake

Bloom Lake Feasibility study

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

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

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

Summary of Economic Parameters and Feasibility Results

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

Mineral Resource and Reserve Estimates

The JORC and Canadian NI 43-101 compliant Measured and Indicated resources adds to a total of 911 Mt while there is an additional 80 Mt of Inferred resources (table 2). The Bloom Lake Mine holds 411 Mt of ore reserves at 30.0% Fe and a dilution factor of 4.3%.

March 2017 Bloom Lake Mineral Resource Estimate at Cut-off 15% Fe					
Category	Dry Tonnage (Mt)	Fe (%)	CaO (%)	MgO (%)	Al ₂ O ₃ (%)
Measured	439.7	31.0	0.6	0.7	0.3
Indicated	471.9	28.5	2.5	2.3	0.4
M+I Total	911.6	29.7	1.6	1.5	0.4
Inferred	80.4	25.6	1.9	1.7	0.3

Includes ore reserves

March 2017 Bloom Lake Ore Reserves Estimate at Cut-off 15% Fe					
Category	Dry Tonnage (Mt)	Fe (%)	CaO (%)	MgO (%)	Al ₂ O ₃ (%)
Proven	264.2	30.7	0.5	0.6	0.3
Probable	147.6	28.7	2.8	2.7	0.4
Total	411.7	30.0	1.3	1.3	0.4

Updated Mine Plan

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

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

Updated Concentrator Plant

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

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

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

Logistics

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

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

Fermont Property Holdings

Through its wholly-owned subsidiary CIML, the Company owns a 100% interest in 8 properties (each a "Property"), covering approximately 707 square kilometres (collectively, the "Fermont Holdings") located in the Fermont Iron Ore District of northeastern Quebec, which is 300 km north of the St. Lawrence River port town of Sept-Îles, and ranging from 6 to 80 kilometres southwest of Fermont.

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

The Fermont Holdings are grouped into three clusters from north to south, termed Clusters 1, 2 and 3, as outlined in Map 1 on page 4. The Fermont Holdings are located in proximity to and locally contiguous to an operating iron mine and a number of former operating iron mines and projects currently being developed for iron mining.

Table 1 sets out the current NI 43-101 compliant In-Pit Mineral Resource Estimates for the Fermont Holdings by Property¹:

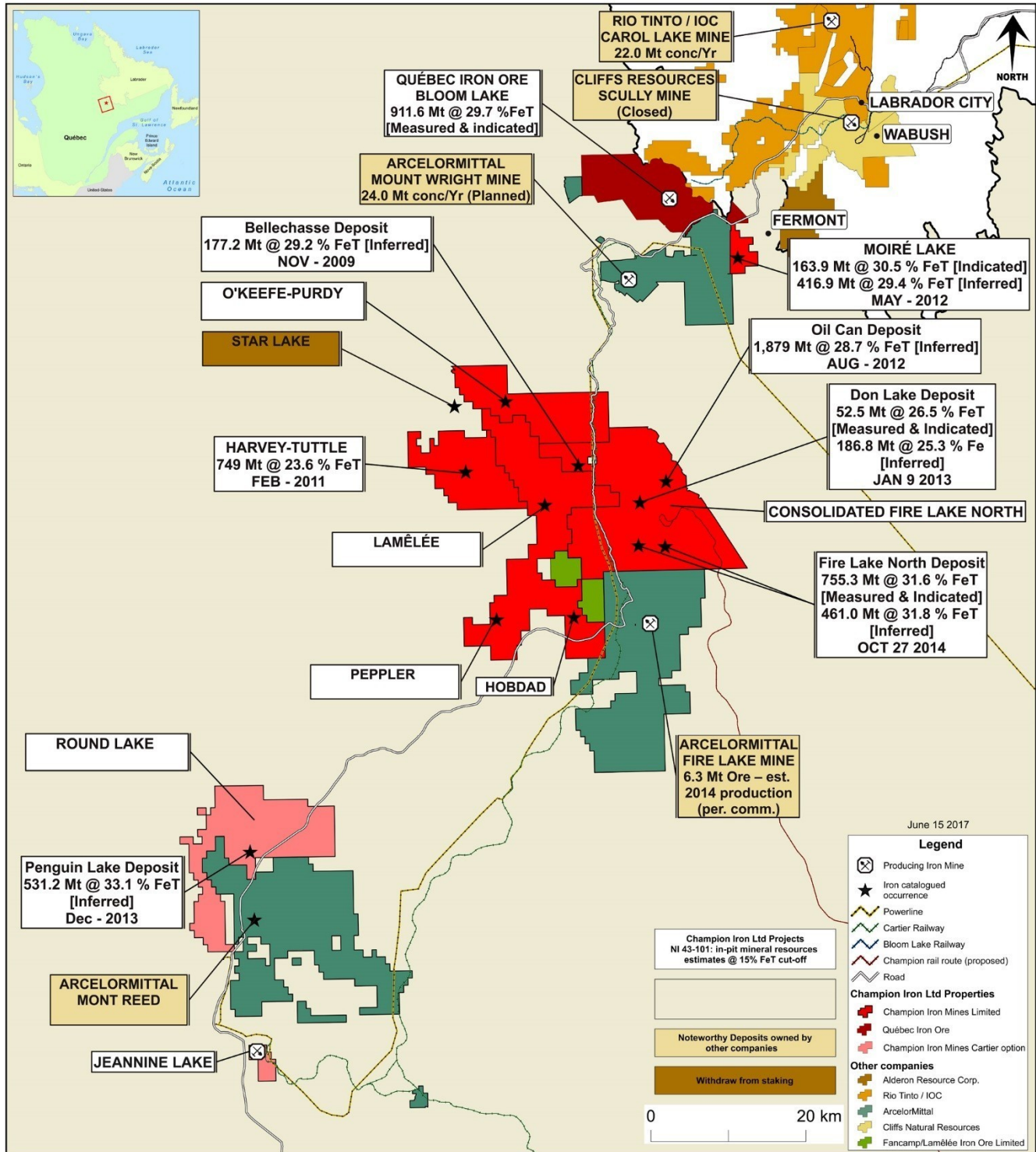
Table 1: In-Pit Mineral Resource Estimates – Fermont Holdings

Property	Cluster	Deposit	Current Mineral Resources Estimates at 15% Iron Cut-Off					
			Measured		Indicated		Inferred	
			tonnes	grade	tonnes	grade	tonnes	grade
			millions	FeT%	millions	FeT%	millions	FeT%
Moire Lake	1	Lac Moire	-	-	163.9	30.5	416.9	29.4
Consolidated Fire Lake North	2	Fire Lake North-West	28.4	35.5	441.5	32.2	307.9	32.7
		Fire Lake North-East	12.0	31.2	273.5	30.2	153.1	30.0
		Fire Lake North-Don Lake	0.4	21.4	52.1	26.5	186.8	25.3
		Subtotal-Fire Lake North	40.8	34.1	767.1	31.1	647.8	29.9
		Oil Can (Oxide)	-	-	-	-	967.0	33.2
		Oil Can (Mixed)					912.0	24.1
		Bellechasse	-	-	-	-	177.2	29.2
		Midway	-	-	-	-	-	-
		Total -CFLN	40.8	34.1	767.1	31.1	2,704.0	29.1
Harvey-Tuttle	2	Harvey-Tuttle	-	-	-	-	749.0	23.6
O'Keefe-Purdy	2		-	-	-	-	-	-
Aubertin Tougard ²	3		-	-	-	-	-	-
Jeannine Lake ²	3		-	-	-	-	-	-
Round Lake ²	3	Penguin Lake	-	-	-	-	531.2	33.1
Silicate Brutus ²	3		-	-	-	-	-	-
Fermont Holdings In-Pit Resource Totals			40.8	34.1	931.0	31.0	4,401.1	28.7

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

² Currently under option to Cartier Iron Corporation. The Round Lake Property includes the Aubrey-Ernie, Black Dan, Penguin Lake and Round Lake project claims.

CHAMPION IRON FERMONT HOLDINGS



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

Consolidated Fire Lake North

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

On February 7, 2013, CIML 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 the Company's filings on SEDAR at www.sedar.com.

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

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

	2017	2016
	\$	\$
Expenditure		
Data acquisition	–	97,868
Exploration facilities and supplies	4,233	74,330
Community, investor and public relations	189,156	135,494
Rail study	–	3,730
Project management	308,712	186,642
Other	2,377	2,340
	504,478	500,222

Other CFLN deposits, such as Oil Can (see Table 1), are within a reasonable distance to the Fire Lake North deposits to enable potential development of satellite resources that might be conveyed to a centralized production complex developed at Fire Lake North. The Company is exploring the Cluster 2 properties in order to identify which of them have the potential for coarse-grained specular-hematite mineralization and prioritize the delineation of these more valued resources for sinter feed.

Rail Solution

The Company continues to participate with the Québec government in the advancement of a multi-user railway solution to connect mine developers and producers in the Labrador Trough with the Port of Sept-Ile's new multi-user ship loading facilities at Pointe Noire. The Government of Québec has granted \$20 million for the feasibility study which has been managed by the Company.

This remains the Company's preferred railway and port solution following evaluation and consideration of alternatives including several independent rail options to Pointe Noire and alternatives to access Baie-Comeau.

The Quebec Government published the results of the multi-user railway feasibility in September 2017.

Other Fermont Holdings

Cluster 1 - Moire Lake Property

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

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

The Company is committed to exploration and evaluation, however, further exploration at Moire Lake has been deferred in order to better allocate available capital resources on the Company's higher priority projects.

Cluster 2 - Harvey-Tuttle Property and Other Properties

In addition to the NI 43-101 Mineral Resource Estimates at CFLN (including the Fire Lake North, Oil Can and Bellechasse deposits) the Company has additional compliant resources in Cluster 2. On February 28, 2011, CIML announced the results of an initial NI 43-101-compliant Mineral Resource Estimate for the Harvey-Tuttle Project. The Total Inferred Mineral Resources at Harvey-Tuttle are estimated at 717 million tonnes grading 25.0% Total Iron at a 20% cut-off or 947 million tonnes grading 23.2% Total Iron at a 15% cut-off.

The Company is committed to exploration and evaluation, however, further exploration at Harvey Tuttle has been deferred in order to better allocate available capital resources on the Company's higher priority projects.

Cluster 3- Cartier Iron Corporation Option

The Company has granted an option to Cartier Iron Corporation ("Cartier") to acquire a 55% interest in Audrey-Ernie, Black Dan, Jeannine Lake, Penguin Lake, ("Cluster 3 Properties"). In order to earn a 55% interest, Cartier must:

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

	Option payments \$	Common shares Number	Fair value \$	Exploration expenditures \$
Upon execution of agreement (received)	—	1,000,000	250,000	—
Upon conditional approval from a stock exchange for the listing of the common shares of Cartier (received)	100,000	—	—	—
December 10, 2013 (paid, issued and incurred)	150,000	500,000	80,000	500,000
December 10, 2014 (issued and incurred)	—	500,000	80,000	750,000
Extended from December 10, 2014 to the date that Cartier received its refundable tax credit on eligible expenditures incurred in Québec for the year ended December 31, 2013 (paid)	250,000	—	—	—
December 10, 2015 (paid and issued)	50,000	500,000	12,500	—
December 10, 2016 (incurred)	—	—	—	1,800,000
December 10, 2017	450,000	—	—	—
	1,000,000	2,500,000	422,500	3,050,000

(note 4)

b) repay the Term Loan.

Upon Cartier earning its 55% interest, a joint venture will be formed to incur additional exploration expenditures. If the Company does not fund its proportionate interest in the joint venture, its interest will be diluted and, when its interest is reduced below 10%, its interest would be reduced solely to a 1% royalty. Cartier will have the option to reduce the royalty from 1% to 0.5% by making a payment of \$3,000,000.

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

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

One director of the Company is a director of Cartier.

Investment in Cartier

At September 30, 2017, the Company held 11,519,970 common shares of Cartier, representing 32.8% of the issued and outstanding common shares of Cartier. 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.

Risks and Uncertainties

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

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

The Company is exposed to commodity price risk with respect to iron ore prices. A significant decline in iron ore prices may affect the Company's ability to obtain capital for the restart of Bloom Lake.

Results of Operations

	3 months ended September 30,		6 months ended September 30,	
	2017	2016	2017	2016
	\$	\$	\$	\$
Other income				
Interest	32,781	82,732	57,954	147,604
Other	113,209	46,601	113,881	47,801
	145,990	129,333	171,835	195,405
Expenses				
Professional fees	84,096	12,640	195,788	121,493
Salaries	103,506	81,950	243,931	175,026
Consulting fees	258,232	150,901	495,919	287,192
Share-based compensation	1,116,423	56,730	1,836,855	1,163,460
General and administrative	320,458	258,170	510,313	581,181
Investor relations	40,651	8,618	72,156	13,468
Travel	94,315	62,575	209,580	197,711
Exploration	371,290	11,548	450,747	24,223
Care and maintenance and restart costs of Bloom Lake	11,470,047	4,855,858	18,054,350	8,208,183
Depreciation	1,090,098	545,489	2,180,580	1,214,777
Gain on sale of property, plant and equipment	-	-	(1,171,861)	(37,500)
Foreign exchange (gain) loss	(508,434)	(44,705)	(517,980)	4,957
Unrealized loss on investments	(368,000)	412,300	(114,000)	(211,000)
Change in fair value of derivative liability	(695,000)	-	(459,000)	-
Accretion of convertible debt discount	286,796	-	380,392	-
Amortization of borrowing costs	63,542	-	63,542	-
Transaction costs	-	-	-	2,623,874
Interest, accretion asset retirement obligation	171,000	165,000	342,000	302,500
Interest expense	779,106	1,283,880	1,408,665	-
	14,678,126	7,860,955	24,181,978	14,669,544
Loss	(14,532,136)	(7,731,622)	(24,010,143)	(14,474,139)

6 months ended September 30

The increase in the loss compared to the previous year was due to the following factors:

- Increase in stock-based compensation as a result of stock options and share rights issued.
- Increase in care and maintenance and restart costs of Bloom Lake reflects increased costs incurred related to the restart of Bloom Lake.
- Increase in depreciation reflects incremental depreciation recorded for railcars acquired on March 10, 2017.
- Increase in gain on sale of property, plant and equipment reflects gains on the sale of spare tires.
- Increase in interest expense reflects interest on note payable advanced on March 10, 2017, bridge loan advances since May 17, 2017 and convertible debt advanced on June 1, 2017 and deferred property taxes payable.

3 months ended September 30

The increase in the loss compared to the previous year was due to the following factors:

- Increase in stock-based compensation as a result of stock options and share rights issued.
- Increase in care and maintenance and restart costs of Bloom Lake reflects increased costs incurred related to the restart of Bloom Lake.
- Increase in depreciation reflects incremental depreciation recorded for railcars acquired on March 10, 2017.

Summary of Quarterly Results

Years ended March 31	2016		2017				2018	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
	\$	\$	\$	\$	\$	\$	\$	\$
Other income	159,369	199,328	66,073	129,333	51,971	50,582	25,844	145,990
Loss								
- Total	866,743	4,273,161	6,742,516	7,731,624	7,246,312	13,695,954	7,794,332	14,532,136
- Per share	–	0.02	0.02	0.02	0.02	0.04	0.01	0.03

Changes in the quarterly loss compared to the previous quarter were due to the following factors:

- Increase in loss for Q4 2016 reflects an impairment of exploration and evaluation of \$1,906,806 and transaction costs of \$2,123,588.
- Increase in loss for Q1 2017 reflects transaction costs \$1,339,994 and care and maintenance of Bloom Lake, depreciation, accretion of rehabilitation obligation and transaction costs as a result of the acquisition of Bloom Lake on April 11, 2016.
- Increase loss for Q2 2017 reflects transaction costs of \$1,283,880.
- Increase in loss for Q4 2017 reflects property taxes payable for Bloom Lake for the year ended March 31, 2017.
- Increase in loss for Q2 2018 reflects costs related to the restart of Bloom Lake.

Liquidity and Capital Resources

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

The Company's monthly burn rate is approximately \$450,000 for expenses and \$85,000 for exploration and evaluation. For the 3 months ended September 30, 2017, the Company will make commitments for capital and other expenditures related to the restart at Bloom Lake are estimated to be \$154,000,000.

The Company estimates that the total sources and uses of funds for the restart of Bloom Lake as follows:

Uses of funds

	\$
Initial capital expenditures including working capital as outlined in Feasibility Study dated March 17, 2017 (see page 4 for <i>Bloom Lake Feasibility study</i>)	326,800,000

Sources of funds

	\$
<i>Completed</i>	
Note payable of US\$28,259,470 for railcar acquisition	36,700,000
Capital contributed by QIO shareholders in respect of the Bridge Loan (note 1)	
The Company	8,848,000
Ressources Québec Inc.	5,152,000
Debt financing of US\$180,000,000 (note 2)	225,000,000
Capital contribution from QIO shareholders	
The Company	45,000,000
Ressources Québec Inc.	27,000,000
	347,700,000

Note 1: See page 2 for \$40,000,000 bridge financing.

Note 2: See page 3 for Debt financing of US\$180,000,000 for QIO.

Related Party Transactions

	6 months ended September 30, 2017 \$	Outstanding as at September 30, 2017 \$
General and administrative-office rent in Australia		
Welcome Hotel, a company controlled by Michael O'Keeffe, a director	27,270	—

See *Cluster 3* on page 10 for related party transactions with Cartier.

The Company recorded other income of \$nil for management services provided in its capacity of general partner of SFNQ. As at September 30, 2017, \$68,782 was due from SFNQ.

Changes in Accounting Policies including Initial Adoption

New standards and interpretations not yet adopted

The following amendment to standards and interpretations is effective for periods beginning on or after January 1, 2018:

IFRS 9, Financial Instruments ("IFRS 9")

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

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

IFRS 9 is expected to have an effect on the financial statements of the Company. The Company has not determined the extent of the impact of this standard and does not plan to early adopt this new standard.

Critical Accounting Estimates

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

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

Estimates

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

Estimates of mining tax credit receivables

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

Estimates of mineral resources

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

Impairment of exploration and evaluation

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

Estimate of royalty payable

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

Estimate of rehabilitation obligation

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

Share-based payments

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

Financial instruments and risk management

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

Cash and cash equivalents, short-term investments, receivables, due from Cartier and accounts payable and accrued liabilities

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

Investments

The fair values of the investment in common shares of Fancamp, Lamêlée and Eloro are measured at the bid market price on the measurement date.

Bridge Loan

The bridge loan is evaluated by the Company based on parameters such as interest rates and the risk characteristics of the financed assets. As at September 30, 2017, the carrying amount of the bridge loan was not materially different from its calculated fair value.

Convertible debenture

The convertible debenture is evaluated by the Company based on parameters such as interest rates and the risk characteristics of the financed assets. As at September 30, 2017, the carrying amount of the convertible debenture was not materially different from its calculated fair value.

Note payable

The note payable is evaluated by the Company based on parameters such as interest rates and the risk characteristics of the financed assets. As at September 30, 2017, the carrying amount of the note payable was not materially different from its calculated fair value.

Stock options

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

Classification and fair values as at September 30, 2017

	Fair value through profit and loss \$	Cash, loans and receivables \$	Other liabilities \$	Total carrying amount \$	Total fair value \$
Assets					
Current					
Cash and cash equivalents	–	1,314,727	–	1,314,727	1,314,727
Short-term investments	–	2,254,825	–	2,254,825	2,254,825
Receivables	–	2,773,503	–	2,773,503	2,773,503
Due from Cartier	–	352,065	–	352,065	352,065
Non-current					
Receivables	–	3,351,692	–	3,351,692	3,351,692
Investments	2,908,000	–	–	2,908,000	2,908,000
	2,908,000	10,046,812	–	12,954,812	12,954,812
Liabilities					
Current					
Accounts payable and accrued liabilities	–	–	17,052,764	17,052,764	17,052,764
Bridge loan	–	–	15,809,374	15,809,374	15,809,374
Convertible debenture	–	–	9,189,392	9,189,392	9,189,392
Minimum interest obligation	–	–	132,000	132,000	132,000
Non-current					
Note payable	–	–	35,267,819	35,267,819	35,267,819
Royalty payable	–	–	300,000	300,000	300,000
	–	–	77,751,349	77,751,349	77,751,349

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

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

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

As at September 30, 2017

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial asset at fair value through profit and loss				
Cash and cash equivalents and short-term investments	3,569,552	—	—	3,569,552
Investments				
Common shares	2,908,000	—	—	2,908,000
Financial liability				
Bridge loan	—	15,809,374	—	15,809,374
Convertible debenture	—	9,189,392	—	9,189,392
Minimum interest obligation	—	132,000	—	132,000
Note payable	—	35,267,819	—	35,267,819

Financial risk management

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

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

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

Credit risk

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

Liquidity risk

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

Market risk

Market risk is the risk that changes in market prices, such as equity prices, foreign exchange rates and interest rates will affect the Company's income or the value of its financial instruments. The Company is exposed to equity price risk with respect to investments. The Company estimates that if the fair value of its investments as at September 30, 2017 had changed by 10%, with all other variables held constant, the loss would have decreased or increased by approximately \$290,800.

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 period.

Controls and Procedures

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

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

Shares Outstanding at November 9, 2017

Ordinary Shares

Authorized:

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

Outstanding:

409,117,847 Ordinary Shares.

Exchangeable Shares

All exchangeable shares in existence were automatically converted into ordinary shares on or about January 31, 2017.

Stock Options Granted under the Share Incentive Plan

Authorized:

The Company is authorized to issue stock options and share rights equal to 20% of the issued and outstanding ordinary shares (81,823,569 shares as of the date of this MD&A) for issuance to participants under the Share Incentive Plan. The ordinary shares issuable under the Replacement Plan are not counted towards the number of ordinary shares issuable under the Share Incentive Plan.

Outstanding:

Exercise price	Expiry date	Options outstanding	Options exercisable
A\$0.30	December 11, 2017	2,000,000	2,000,000
A\$0.30	August 20, 2018	1,000,000	330,000
A\$0.50	November 29, 2018	2,300,000	1,550,000
A\$0.30	November 4, 2019	500,000	500,000
A\$0.20	April 11, 2020	7,500,000	7,500,000
A\$1.00	May 25, 2020	1,650,000	650,000
A\$1.08	July 11, 2020	600,000	200,000
A\$1.00	August 21, 2020	500,000	166,667
		16,050,000	12,896,667

On May 25, 2017, the Company granted 1,650,000 stock options to eligible individuals pursuant to the Company's share incentive plan entitling the holder to purchase one ordinary share for A\$1.00 until May 25, 2020. The stock options vest, as follows: 650,000 on May 25, 2017, 150,000 on May 25, 2018, 150,000 on May 25, 2019 and 700,000 on satisfaction of the key performance measure of recommissioning of the plant at Bloom Lake at a capacity of 7 million tonnes per annum.

After receiving shareholder approval on July 10, 2017, the Company granted 600,000 stock options to directors entitling the holder to purchase one ordinary share for A\$1.08 until July 11, 2020. The stock options vest, as follows: 200,000 on July 11, 2017, 200,000 on July 11, 2018 and 200,000 on July 11, 2019.

On August 21, 2017, the Company granted 500,000 stock options to a director entitling the holder to purchase one ordinary share for A\$1.00 until August 21, 2020. The stock options vest, as follows: 166,667 on August 21, 2017, 166,666 on August 21, 2018 and 166,666 on August 21, 2019.

Stock options granted outside of the Share Incentive Plan

Exercise price	Expiry date	Options outstanding	Options exercisable
\$0.45	September 1, 2018	1,000,000	1,000,000

Compensation options

Exercise price	Expiry date	Options outstanding	Options exercisable
\$0.25	February 1, 2020	21,000,000	21,000,000

Share rights

On May 25, 2017, the Company granted 1,250,000 share rights to employees entitling the holder to receive one ordinary share upon vesting. The share rights vest on the satisfaction of key performance measures including the completion of the total financing package required to facilitate the recommissioning of the plant at the Bloom Lake at a rated capacity of 7 million tonnes per annum and the actual recommissioning of the plant at Bloom Lake at a capacity of 7 million tonnes per annum.

After receiving shareholder approval on July 10, 2017, the Company granted 1,000,000 share rights to a director entitling the holder to receive one ordinary share upon vesting. The share rights vest on the satisfaction of key performance measures including the completion of the total financing package required to facilitate the recommissioning of the plant at the Bloom Lake at a rated capacity of 7 million tonnes per annum and the actual recommissioning of the plant at Bloom Lake at a capacity of 7 million tonnes per annum.

Warrants

Exercise price	Expiry date	Warrants outstanding and exercisable
\$1.125	October 16, 2022	3,000,000
\$1.125 (exercisable after October 16, 2018)	October 16, 2024	21,000,000
		24,000,000