

CHAMPION IRON 

ANNUAL REPORT
31 March 2018

REVIEW OF OPERATIONS

Champion Iron Limited (the “Company”) is pleased to provide its review of operations for the financial year ending March 31, 2018.

On April 11, 2016, the Company, through its subsidiary, Québec Iron Ore Inc. (“QIO”) acquired the Bloom Lake iron ore mine (“Bloom Lake”) from affiliates of Cliffs Natural Resources Inc. that was subject to restructuring proceedings under the Companies’ Creditors Arrangement Act (Canada). Following the completion of a Feasibility Study that demonstrated that recommencing iron ore mining operations at Bloom Lake was financially viable, the Company made the decision to recommence operations at Bloom Lake.

During the year ended March 31, 2018, the Company completed its transition from an exploration company to a producing company. On February 16, 2018, the Company commenced production at Bloom Lake and made its first shipment of high grade 66% iron ore concentrate on April 1, 2018. To date, the Company has sold 1,295,713 wet metric tonnes of iron ore concentrate.

The following milestones were achieved as part of this transition:

Bloom Lake - Plant Commissioning

All of the mining equipment required for mining operations was operational ahead of schedule and within budget. The main crusher and conveyor to plant crushed ore stockpile were commissioned and tested in December 2017. The AG mill, one of the key manufacturing equipment, was refurbished by METSO, a world-leading industrial company, and work undertaken by Mineral Technologies in connection with the recovery circuit replacement was completed.

Bloom Lake - Environmental Work and Tailings Dam

All the work required was completed by December 31, 2017.

Bloom Lake - Construction Work

The construction work defined in the Bloom Lake March 2017 feasibility study (see Bloom Lake Feasibility Study section) was completed on time.

Impact and Benefits Agreement

On April 12, 2017, QIO and the band council, Innu of TakuaiKAN 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 TakuaiKAN Uashat mak Mani-utenam will receive fair and equitable financial and socio-economic benefits. The IBA also contains provisions which recognize and support the culture, traditions and values of the Innu of TakuaiKAN Uashat mak Mani-utenam, including recognition of their bond with the natural environment.

Off-take agreement

On May 1, 2017, 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 a 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, being 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.

Principal advances of \$16,000,000 were 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 maturing on June 1, 2018 ("Debenture"). The Debenture is convertible at the option of the holder at any time into ordinary shares of the Company ("Shares") at a conversion price of \$1.00 per Share. 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 9 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. \$1,304,185 was received on March 31, 2018.

Rail transportation contract

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

In connection with the agreement, QIO made an advance payment of \$15,000,000 which is recovered monthly as a credit on rail transportation costs as per the agreement.

On February 22, 2018, the first train to Sept-Îles left the mine and the advance reimbursement mechanism has started to be applied.

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 July 15, 2017, CIML and the Port entered into a conditional settlement agreement, providing for the settlement, without admission, of the dispute with the Port. The settlement agreement provided for payments by CIML or QIO to settle in full the remaining advance payment of \$19,581,000 and interest by December 1, 2017. Upon signing of the conditional settlement agreement, CIML made an advance payment of \$2,400,000

On October 16, 2017, the conditions of the settlement agreement were met and QIO paid the remaining advance payments of \$17,181,000 and interest of \$2,807,116 by December 1, 2017.

The Port operations are in ramp up mode, the loading of the first ship has been done in April 2018 and the advance payment is being reimbursed monthly as a credit as per the agreement.

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 which 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 proceeds of the subscription receipts were 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 March 23, 2017, QIO entered into a memorandum of understanding to become a limited partner in Société Ferroviaire

et Portuaire de Pointe-Noire, S.E.C. ("SFPPN"). SFPPN was formed to manage and develop the industrial facilities (rail lines, access to port facilities, rail yards, a pellet plant, administrative offices and other facilities) at Pointe-Noire in Sept-Îles, Québec. QIO advanced \$1,000,000 as a contribution to the capital of SFPPN pending the completion of a limited partnership agreement.

On October 12, 2017, QIO entered into a railway and port facilities access agreement with SFPPN for the transportation, unloading, stockpiling and loading of iron ore concentrate from Sept-Îles to Pointe-Noire, Québec. In connection with the agreement, QIO made an advance payment of \$5,000,000 which will be recovered as a credit to future costs owing under the agreement. QIO has secured an annual 8 million tons capacity with associated storage capacity at Pointe-Noire adjacent to the port of Sept-Îles.

QIO and Tata Steel Minerals Canada ("TSM"), another limited partner in SFPPN, will make their expertise available to help manage operations at Pointe-Noire. Through SFPPN, the Quebec government will continue its active involvement to maintain and assure a multi-user approach and increase benefits for current and future projects in the area covered by the Plan Nord. All three parties agree that they will endeavor to ensure that the Pointe-Noire infrastructures are developed to match anticipated needs while continuing to provide services at the lowest possible cost for all potential users. A phased capacity enhancement plan will be drawn up as quickly as possible. The first action from this plan was to build a conveyor to connect to the multi-user quay in the port of Sept-Îles. The conveyor was constructed and delivered on March 21, 2018.

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 3,000,000 ordinary shares of the Company for \$1.125 until October 16, 2022 and (b) 21,000,000 common shares purchase warrants to CDP, entitling the holder to purchase 21,000,000 ordinary shares 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.

See note 19 to the audited Consolidated Financial Statements of the Company at March 31, 2018 for the terms and conditions of the Sprott and CDP debt facilities.

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 per share right 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 (“Financing KPM”) and the actual recommissioning of the plant at Bloom Lake at a capacity of 7 million tonnes per annum (“Recommissioning KPM”).

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 per share right upon vesting. The share rights vest on the satisfaction of the Financing KPM and Recommissioning KPM.

The Financing KPM was satisfied on October 16, 2017 when the Company raised the last tranche of a \$326,000,000 financing package consisting of debt and equity and the Recommissioning KPM was satisfied when the Company commenced first production of iron ore on 16 February 2018. As a result, the share rights vested and the holders received one ordinary share for each share right.

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
	Mine Life (years)	21 years

Cost Parameters	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
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

Consolidated Fire Lake North

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

On February 7, 2013, Champion announced the results from its Prefeasibility Study ("PFS") for the Fire Lake North West and East deposits of the CFLN project that was performed by BBA Inc. of Montréal, Québec. A copy of the PFS is available under Champion's filings on SEDAR at www.sedar.com.

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

Grant of option for Cluster 3 Properties to Cartier Iron Corporation

The Company granted an option to Cartier Iron Corporation ("Cartier") to acquire a 55% interest in Audrey-Ernie, Black Dan, Jeannine Lake and Penguin Lake ("Cluster 3 Properties"). On December 22, 2017, Cartier earned its 55% interest in the Cluster 3 Properties. In order to earn its 55% interest, Cartier made option payments, issued common shares and incurred exploration expenditures, as follows:

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

December 31, 2017 (paid)	450,000	–	–	–
	1,000,000	2,500,000	422,500	3,050,000

In respect of the option payment of \$450,000 due on December 31, 2017, the Company accepted a cash payment of \$50,000 and 500,000 common shares of Eloro Resources Ltd. at a deemed value of \$0.80 per share.

Upon Cartier earning its 55% interest, a joint venture was 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 has an 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 kilometers of the Cluster 3 Properties, the acquirer must offer the property at cost to the other party for inclusion in the Cluster 3 Properties.

Liquidity and Capital Resources

At March 31, 2018, the Company had cash of \$25,185,234 and undrawn lines of credit of US\$34,740,000 and with the recommencement of production at Bloom Lake, based on results to date and forecast production and sales for the remainder of the financial year, the Company expects that it will have positive cash flows and sufficient funds to continue funding monthly production cash costs of approximately \$28,200,000 and current year sustaining capital expenditures of \$21,700,000.

Other developments

See “Directors Report, Matters Subsequent to the End of the Financial Year” on page 9 for other developments.

Subsequent events

See “Director’s Report, Matters Subsequent to the End of the Financial Year” on page 9.

DIRECTOR'S REPORT

Your directors present their report on Champion Iron Limited and its controlled entities (collectively, the "Company") for the financial year ended March 31, 2018.

DIRECTORS

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

Director	Position	Note
Michael O'Keeffe	Executive Chairman and Chief Executive Officer	Non-independent director since August 13, 2013
Gary Lawler	Non-executive Director	Independent director since April 9, 2014
Andrew Love	Non-executive Director	Independent director since April 9, 2014
Michelle Cormier	Non-executive Director	Independent director since April 11, 2016
Wayne Wouters	Non-executive Director	Independent director since November 1, 2016
Jyothish George	Non-executive Director	Independent director since October 16, 2017

Qualifications and experience of Directors' are disclosed on page 18.

PRINCIPAL ACTIVITY

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

REVIEW OF OPERATIONS AND RESULTS

For the year ended March 31, 2018, the Company recorded a consolidated loss of \$107,330,901 (2017: \$35,416,404) and comprehensive loss of \$107,340,646 (2017: \$34,869,393). Details of the operations of the Company are set out in the review of operations on page 2.

FINANCIAL POSITION

At March 31, 2018, the Company had net assets totaling \$54,447,957 (2017 restated: \$89,313,340) and cash and cash equivalents and short-term investments \$25,185,234 (2017: \$13,329,084).

DIVIDENDS

No dividends were paid or recommended for the year ended March 31, 2018 (2017: Nil).

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

See the section "Review of Operations".

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Other than those noted below, no matter or circumstance has arisen since March 31, 2018 that has significantly affected, or may significantly affect:

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

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

MEETINGS OF DIRECTORS

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

	Directors		Audit Committee		Remuneration and Nomination Committee	
	Meetings	Attended	Meetings	Attended	Meetings	Attended
Michael O’Keeffe	8	8	–	–	1	1
Gary Lawler	8	8	7	6	2	2
Andrew Love	8	8	7	7	2	2
Michelle Cormier	8	8	5	5	1	1
Wayne Wouters	8	8	–	–	–	–
Jyothish George	4	2	–	–	–	–

AUDIT COMMITTEE

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

REMUNERATION AND NOMINATION COMMITTEE

The Company has established a Remuneration and Nomination Committee that comprises Gary Lawler (Chair), Andrew Love and Michelle Cormier.

ENVIRONMENTAL ISSUES

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

OPTIONS

The unissued shares of the Company under option at March 31, 2018 are disclosed in note 23 of the consolidated financial statements.

REMUNERATION REPORT – AUDITED

This report outlines the remuneration arrangements in place for the Directors and other Key Management Personnel (“KMP”) of the Company. The information provided in the Remuneration Report has been audited as required by section 308(3C) of the Corporations Act

Directors’ Remuneration Policy

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

Remuneration Report

The directors of the Company present the Remuneration Report prepared in accordance with Section 300A of the *Corporations Act* for the Company for the year ended March 31, 2018.

The following persons had authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, during the financial year ended 31 March 2018:

Person	Position	Note
Michael O’Keeffe	Executive Chairman and Chief Executive Officer	
Gary Lawler	Non-executive Director	
Andrew Love	Non-executive Director	
Michelle Cormier	Non-executive Director	
Wayne Wouters	Non-executive Director	
Jyothish George	Non-executive Director	Appointed on October 16, 2017
David Cataford	Chief Operating Officer	
Miles Nagamatsu	Chief Financial Officer	
Jorge Estepa	Vice President, Corporate Secretary, Canada	

Pradip Devalia Company Secretary, Australia
Beat Frei Senior Vice President Business Development and
Finance

Remuneration of directors and key management personnel

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

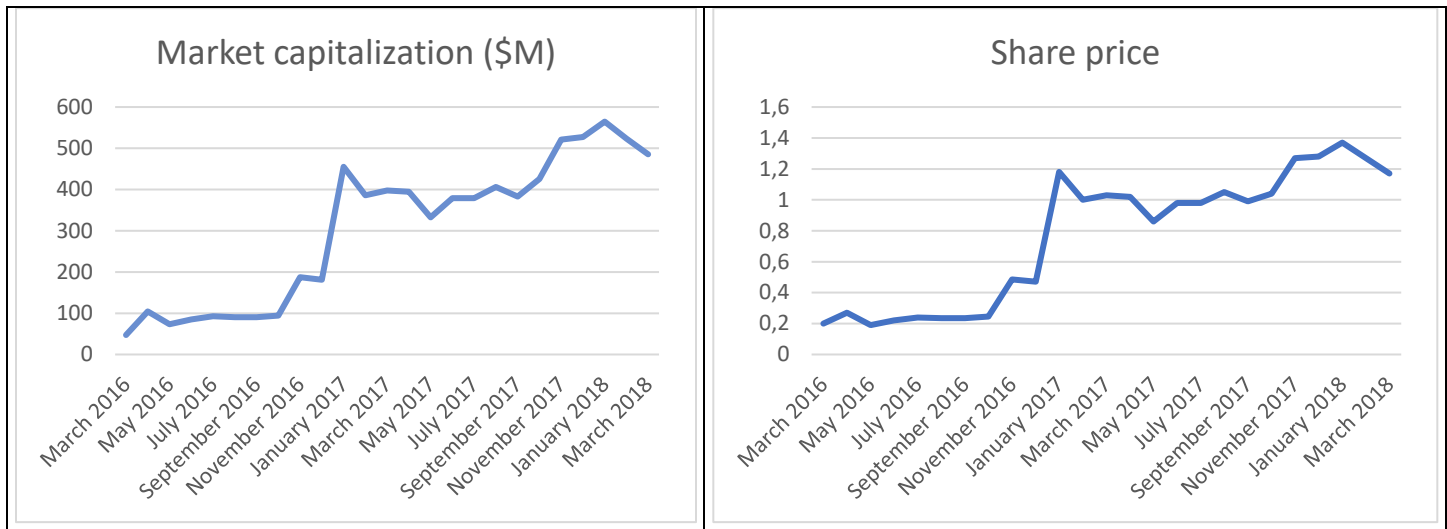
The Company's performance in financial year 2018

On 11 April, 2016, the Company, through its subsidiary, Québec Iron Ore Inc. acquired the Bloom Lake iron ore mine ("Bloom Lake") from affiliates of Cliffs Natural Resources Inc. that was subject to restructuring proceedings under the Companies' Creditors Arrangement Act (Canada). Following the completion of a Feasibility Study that demonstrated that recommencing iron ore mining operations at Bloom Lake was financially viable, the Company made the decision to recommence operations at Bloom Lake.

During the year ended 31 March 2018, the Company completed its transition from an exploration company to a producing company. On 16 February 2018, the Company commenced production at its Bloom Lake iron ore mine and made its first shipment of Bloom Lake high grade 66% iron ore concentrate on 1 April, 2018. The following milestones were achieved as part of this transition:

- On 9 April 2017, QIO entered into a memorandum of understanding with Société du Plan Nord and Tata Steel Minerals Canada to work together, in a multi-user approach, to manage and develop the industrial facilities at Pointe-Noire in Sept-Îles, Québec;
- On 12 April 2017, QIO and the band council, Innu of Takuaihan Uashat mak Mani-utenam (ITUM), entered into an Impact and Benefits Agreement with respect to future operations at Bloom Lake;
- On 1 May 2017, QIO signed a Framework Off-Take Agreement with Sojitz Corporation ("Sojitz"), a major trading company based in Tokyo, Japan, pursuant to which Sojitz agreed to purchase up to 3,000,000 DMT of iron ore per annum.
- On 16 October 2017, QIO entered into a global off-take arrangement with Glencore International AG ("Glencore") pursuant to which Glencore agreed to purchase all iron production not sold in Japan under the off-take agreement with Sojitz for life-of-mine with fixed commercial terms for a 10-year period.
- On 13 October 2017, QIO entered into a rail transportation and port facilities agreement with the Société Ferroviaire et Portuaire de Pointe-Noire for the transportation, unloading, stockpiling and loading of iron ore from Pointe Noire, Québec to Sept-Îles.
- On 16 October 2017, QIO completed a financing package of \$326,000,000 required to finance the restart of Bloom Lake, which included the following:
 - Railcar financing of US\$30,135,000;
 - \$31,200,000 debenture to Glencore;
 - US\$80,000,000 5-year senior secured loan provided by Sprott Private Resource Lending (Collector), LP;
 - US\$100,000,000 million 7-year subordinated loan provided by CDP Investissements Inc., a wholly-owned subsidiary of Caisse de dépôt et placement du Québec;
 - \$26,163,789 equity participation of Ressources Québec;
 - public offering of 21,033,508 subscription receipts at a price of \$0.90 per subscription receipt for gross proceeds of \$18,930,157;
- On 16 February 2018, the recommissioning of the plant at Bloom Lake was completed.
- On 1 April 2018, the first shipment of high-grade 66% Fe iron ore concentrate was made.

The following charts and table sets out the Company's market capitalisation and share price for the year ended 31 March 2018:



Date	Market capitalization \$millions	Share price \$
31 March 2016	47	0.20
31 March 2017	398	1.03
31 March 2018	485	1.17

Executive bonuses relating to the financial year 2017

In April 2017 the Company awarded Michael O’Keeffe, David Cataford and Beat Frei bonuses in respect of the 2017 financial year payable upon the satisfaction of the following key performance measures:

- the completion of the raising by the Company of the total financing package required to facilitate the recommissioning of the plant at Bloom Lake at a rated capacity of 7 million tonnes per annum (Financing KPM);
- the actual recommissioning of the plant at Bloom Lake at a rated capacity of 7 million tonnes per annum (Recommissioning KPM).

The bonuses and awards payable to Michael O’Keeffe, David Cataford and Beat Frei are set out below:

Michael O’Keeffe – Director and Executive Chairman

- 1,000,000 share rights which vested and converted into 1,000,000 ordinary shares following the satisfaction of the Financing KPM and Recommissioning KPM. The grant of these share rights was approved by the Company’s shareholders on 18 August 2017.

David Cataford – Chief Operating Officer

- Cash bonus of \$660,000, with \$360,000 paid following the satisfaction of the Financing KPM and \$300,000 paid following the satisfaction of the Recommissioning KPM;
- 500,000 stock options each convertible into an ordinary share at an exercise price of A\$1.00 until May 25, 2020;
- 250,000 share rights which vested and converted into 250,000 ordinary shares following the satisfaction of the Financing KPM and Recommissioning KPM.

Beat Frei – Senior Vice President Business Development and Finance

- Cash bonus of \$2,000,000 paid following the satisfaction of the Financing KPM;
- 1,000,000 share rights which vested and converted into 1,000,000 ordinary shares following the satisfaction of the Financing KPM.

The Financing KPM was satisfied 16 October 2017 when the Company raised the last tranche of a \$326,000,000 financing package consisting of debt and equity which was required to finance the recommencement of operations at Bloom Lake and the recommissioning of the plant at Bloom Lake at a rated capacity of 7 million tonnes per annum. As a result, the above bonuses and awards payable on the satisfaction of the Financing KPM have been paid.

The Recommissioning KPM was satisfied when the Company commenced first production of iron ore on 16 February 2018. As a result, the above bonuses and awards payable on the satisfaction of the Recommissioning KPM have been paid.

Executive remuneration for financial year 2018

In April 2017, after having received market data for comparable companies and obtaining third party advice, the Company increased the remuneration packages of key management personnel to reflect market-based salary arrangements accounting for the workload, expertise and responsibilities required to facilitate the recommencement of mining operations at Bloom Lake.

During the financial year ended 31 March 2018, the Company entered into new service agreements with the Executive Chairman, Michael O'Keeffe, the Chief Operating Officer, David Cataford and the Head of Finance, Beat Frei. The purpose of entering into these arrangements was to better define the role and the responsibilities of these key executives and to increase their base annual salary to more appropriately reflect market conditions and remunerate them for their workloads and responsibilities.

Executive bonuses for financial year 2018

As a result of the achievements outlined in the section titled "The Company's performance in the financial year 2018", the Company has awarded Michael O'Keeffe, David Cataford and Beat Frei bonuses in respect of the financial year ended 31 March 2018 as follows:

Michael O'Keeffe – Director and Executive Chairman

A grant of 751,900 share rights which will vest and convert into 751,900 ordinary shares following shareholder approval of the grant. Shareholder approval to the grant will be sought at this year's annual general meeting. The bonus reflects the significant overall role played by Michael O'Keeffe in the recommissioning of the Bloom Lake Plant and the commencement of production at Bloom Lake ahead of schedule, under budget and with a quicker than anticipated production ramp up. It also acknowledges the substantial increase in the Company's market capitalisation since 11 April 2016 when the Company acquired the Bloom Lake Mine.

David Cataford – Chief Operating Officer

A cash bonus of \$1,000,000 and 500,000 stock options entitling the holder to purchase one common share per stock option for \$1.33 for 3 years from the date of grant. The stock options will vest over 3 years with 166,666 stock options vesting on the first and second anniversaries of the date of grant and 166,668 stock options vesting on the third anniversary of the date of grant.

The bonus reflects the significant role played by David in the recommissioning of the plant at Bloom Lake ahead of schedule, under budget and with a quicker than anticipated production ramp up and with an unblemished safety and environmental record. He had principal responsibility for the appointments of a senior management team and securing the required workforce to operate the mine. It also reflects the benefits which have accrued to the Company through the obtaining of significant government grants, the successful management of a municipal taxes dispute and the successful negotiation of a 3-year union contract.

Beat Frei – Senior Vice President Business Development and Finance

A cash bonus of \$1,000,000 and the grant of 500,000 stock options entitling the holder to purchase one common share per stock option for \$1.33 for 3 years from the date of grant. The stock options will vest over 3 years with 166,666 stock options vesting on the first and second anniversaries of the date of grant and 166,668 stock options vesting on the third anniversary of the date of grant.

The bonus reflects the benefits which have accrued to the Company through various financing initiatives including the negotiation of a revolving working capital facility to better manage inventory and the negotiation of an extension to the company's railcar financing on favourable terms and the significant savings which have been achieved in the marketing, sale and shipping of Bloom Lake high grade 66% FE iron ore concentrate.

Executive bonuses for financial year 2019

The bonuses for the 2017 and 2018 financial years reflect the specific project milestones which were achieved and the special efforts which were required in order to redevelop, finance and recommence operations at Bloom Lake and to transition the Company from an exploration company to a producing company within 2 years of the acquisition of Bloom Lake. In the future, bonus arrangements will be normalized in line with those applicable to comparable resource companies which are in the production phase. To this end, the Remuneration Committee has retained Mercer, International Remuneration Consultants and Advisors, to assist in the design of suitable short-term incentive and long-term incentive

plans which will be effective in the financial year ending 31 March 2019 and future years for senior employees of the Company, including key management personnel.

Statutory Remuneration Disclosures

The following tables set out the details of remuneration of key management personnel during the years ended 31 March 2018 and 31 March 2017:

Year ended March 31, 2018	Short term				Termination payments \$	Post employment \$	Options/ share rights \$	Total \$	Performance related	Consisting of options/ share rights
	Salary	Consulting fees	Bonus (h)	Non- monetary						
Michael O'Keeffe	500,000	–	–	26,388	–	(f) 2,797	1,123,922	1,653,107	65.3%	68.0%
Gary Lawler	88,750	–	–	–	–	(g) 8,431	99,750	196,931	–	50.7%
Andrew Love	88,750	–	–	–	–	(g) 8,431	99,750	196,931	–	50.7%
Michelle Cormier	–	75,000	–	–	–	–	134,583	209,583	–	64.2%
Wayne Wouters (a)	–	75,000	–	–	–	–	–	75,000	–	–
Jyothish George (b)	–	–	–	–	–	–	–	–	–	–
David Cataford	400,000	–	1,660,000	8,424	–	(f) 2,797	437,500	2,508,721	74.8%	17.4%
Miles Nagamatsu (c)	–	126,000	–	7,416	–	–	–	133,416	–	–
Jorge Estepa (d)	–	96,000	–	7,416	–	–	53,879	157,295	–	34.3%
Pradip Devalia	80,000	–	–	–	–	(g) 7,600	42,167	129,767	–	32.5%
Beat Frei (e)	–	350,000	3,000,000	65,998	–	–	879,722	4,295,720	90.1%	20.5%
	1,157,500	722,000	4,660,000	115,642	–	30,057	2,871,273	9,556,472		

- (a) Paid to 2468435 Ontario Inc., a company controlled by Wayne Wouters.
(b) Appointed as a director on October 16, 2017.
(c) Paid to Marlborough Management Limited, a company controlled by Miles Nagamatsu.
(d) Paid to J. Estepa Consulting Inc., a company controlled by Jorge Estepa.
(e) Paid to Comforta GmbH, a company controlled by Beat Frei.
(f) Amount relates to employer portion of contributions to the Canada Pension Plan/Quebec Pension Plan.
(g) Amount relates to superannuation.
(h) 2,660,000 related to FY17 performance and 2,000,000 related to FY18 performance.

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

Notes:

- (a) Resigned as a director on June 15, 2016.
(b) Appointed as a director on April 11, 2016, Consulting fees commenced on February 1, 2017.
(c) Appointed as a director on November 1, 2016. Consulting fees commenced on November 1, 2016 and are paid to 2468435 Ontario Inc., a company controlled by Wayne Wouters.
(d) Paid to A.S. Horvath Engineering Inc., a company controlled by Alexander Horvath on December 31, 2016.
(e) Paid to Marlborough Management Limited, a company controlled by Miles Nagamatsu.
(f) Paid to J. Estepa Consulting Inc., a company controlled by Jorge Estepa.
(g) Paid to Comforta GmbH, a company controlled by Beat Frei.
(h) Amount relates to superannuation.
(i) Amount relates to employer portion of contributions to the Canada Pension Plan/Quebec Pension Plan

Service agreements

Executives

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Each of these agreements has the provision for performance-related cash bonuses, other benefits and participation in Company's long-term incentive plans. Major provisions of the service agreements relating to remuneration as at March 31, 2018 are set out below.

Michael O'Keeffe – Director and Executive Chairman

- Commencing 1 April 2017, annual salary was increased from \$279,200 to \$500,000; car lease payments of \$2,135 per month; participation in the Company's short-term incentive bonus plan of between 50% and 100% of base salary at the Board's discretion, but subject to the satisfaction of agreed key performance measures; annual participation in the Company's long-term incentive plan at the Board's discretion, but subject to the satisfaction of agreed key performance measures.
- Commenced on 13 August 2015 and continues until termination.
- Can be terminated by the Company for cause or on 12 months' notice.
- Payment of termination benefits equal to annual salary for 12 months if terminated by the Company without cause.

David Cataford – Chief Operating Officer

- Annual salary \$400,000 year plus pension participation; annual participation in the Company's short-term incentive bonus plan of between 50% and 100% of base salary at the Board's discretion, but subject to the satisfaction of agreed key performance measures; annual participation in the Company's long-term incentive plan at the Board's discretion, but subject to the satisfaction of agreed key performance measures. Payment of termination benefits equal to annual salary for 12 months if terminated by the Company without cause.
- Commenced 1 April 2017 and continues until termination.
- Can be terminated by the Company for cause or on 60 days' notice.

Beat Frei – Senior Vice President Business Development and Finance

- Commenced 1 April 2017, annual fees increased from \$240,000 to \$350,000 payable to Comforta GmbH, a company controlled by Beat Frei, pursuant to a professional services agreement which expires on 31 March 2019.
- The Company makes condominium rental payments of up to \$50,000 per year, car lease payments of up to \$20,000 per year and reimburses the cost of return-trip airline tickets between Zurich, Switzerland and Montreal, Canada of up to \$50,000 per year.
- Entitled to receive a performance bonus as determined by the Board in its discretion subject to satisfaction of performance criteria.
- Continues until 31 March 2019 unless terminated by the Company earlier for cause or on 30 days' notice. Termination benefit equal to 12 months fees payable if the Company terminates on giving 30 days' notice.

Miles Nagamatsu – Chief Financial Officer

- Annual consulting fees of \$126,000 payable to Marlborough Management Limited, pursuant to an amended professional services agreement, which unless terminated, renews automatically on 30 November. No termination benefits payable.

Jorge Estepa – Vice President and Corporate Secretary, Canada

- Commenced 1 May 2016.
- Annual consulting fees of \$96,000 payable to J. Estepa Consulting Inc., pursuant to an engagement letter, which may be terminated by either party on 30 days advance notice. No termination benefits payable.

Pradip Devalia – Corporate Secretary, Australia

- Commenced 1 May 2014 and continues until termination for cause or on 3 months' notice.
- Annual salary of A\$80,000 plus superannuation contributions.
- Payment of termination benefit equal to salary for 6 months in certain circumstances.

Non-executive director fees

Non-executive director fees were set at A\$75,000 per annum on 9 April 2014. During the financial year ended 31 March 2018 the fees payable to each of Gary Lawler and Andrew Love were increased by A\$15,000 from A\$75,000 to A\$90,000 per annum to more appropriately reflect the workload which is involved in the chairing of the Nominations and Remuneration Committee and Audit and Risk Committee respectively.

Movement in key management personnel equity holdings

Ordinary shares

	Holding at March 31, 2017	Acquired	Sold	Holding at March 31, 2018
Michael O'Keeffe (a)	33,536,930	1,140,000	–	34,676,930
Gary Lawler (b)	900,000	575,000	–	1,475,000
Andrew Love (c)	764,468	615,000	–	1,379,468
Michelle Cormier	–	20,000	–	20,000
Wayne Wouters	–	40,000	–	40,000
Jyothish George	–	–	–	–
David Cataford (d)	769,698	250,000	–	1,019,698
Miles Nagamatsu	1,211,916	–	–	1,211,916
Jorge Estepa	1,133,083	–	–	1,133,083
Pradip Devalia	–	150,000	–	150,000
Beat Frei	1,900,354	2,750,000	50,000	4,600,354

Notes:

- (a) Holding at March 31, 2018 includes 31,176,930 ordinary shares held indirectly by Prospect AG Trading Pty. Ltd. as trustee for O'Keeffe Family, a company controlled by Michael O'Keefe and 3,500,000 ordinary shares held indirectly by Eastbourne DP Pty Ltd. as trustee for The O'Keeffe Superannuation Fund, a company controlled by Michael O'Keefe.
- (b) Holding at March 31, 2018 includes 975,000 ordinary shares held indirectly by Parcent Holdings Pty Limited, a company controlled by Gary Lawler, of which, 375,000 ordinary shares are held for its own account and 600,000 ordinary shares are held as trustee for G.K. Lawler Superannuation Fund.
- (c) Holding at March 31, 2018 includes 84,648 ordinary shares held indirectly by Amanda G. Love, spouse of Andrew Love, and 835,000 ordinary shares held indirectly by Love Superannuation Pty Ltd., a company controlled by Andrew Love, as trustee for Love Superannuation Fund.
- (d) Holding at March 31, 2018 includes 214,285 ordinary shares held indirectly by Genevieve Robert, spouse of David Cataford.

Stock options

Each stock option has been issued for no consideration and entitles the holder to acquire 1 ordinary share at the respective exercise price.

	Holding at March 31, 2017	Granted	Exercised	Holding at March 31, 2018	Exercisable at March 31, 2018
Michael O'Keeffe (a)	12,500,000	–	–	12,500,000	12,166,667
Gary Lawler	500,000	300,000	(500,000)	300,000	100,000
Andrew Love	500,000	300,000	(500,000)	300,000	100,000
Michelle Cormier	–	500,000	–	500,000	166,667
Wayne Wouters	500,000	–	–	500,000	500,000
Jyothish George	–	–	–	–	–
David Cataford	2,000,000	500,000	–	2,500,000	2,500,000
Miles Nagamatsu	–	–	–	–	–
Jorge Estepa	–	300,000	–	300,000	100,000
Pradip Devalia	150,000	150,000	(150,000)	150,000	50,000
Beat Frei	3,000,000	–	(1,750,000)	1,250,000	1,250,000

Notes:

- (a) Holding at March 31, 2018 includes 7,500,000 options held indirectly by Prospect AG Trading Pty. Ltd, a company controlled by Michael O'Keefe.

Option compensation granted and vested during the year

	Exercise price	Number granted	Grant date	Vested in period %	Fair value per option at grant date \$	Fair value of options granted \$	Expiry & last exercise date
David Cataford (a)	A\$1.00	500,000	May 25, 2017	100.0	0.44	220,000	May 25, 2020
Jorge Estepa (a)	A\$1.00	300,000	May 25, 2017	33.3	0.44	84,333	May 25, 2020

Pradip Devalia (a)	A\$1.00	150,000	May 25, 2017	33.3	0.44	66,000	May 25, 2020
Gary Lawler (b)	A\$1.08	300,000	July 11, 2017	33.3	0.57	171,000	July 11, 2020
Andrew Love (b)	A\$1.08	300,000	July 11, 2017	33.3	0.57	171,000	July 11, 2020
Michelle Cormier (b)	A\$1.00	500,000	August 21, 2017	33.3	0.51	255,000	August 21, 2020

Notes:

(a) Options were granted in recognition of the service of the option holder as an employee or consultant of the Company.

(b) Options were granted in recognition of the service of the option holder as a director of the Company.

There were no options forfeited during the year ended 31 March 2018 (2017: no options).

Share rights

Each share right was issued for no consideration and vested and converted into 1 ordinary share on the satisfaction of key performance measures.

	Holding at March 31, 2017	Granted	Vested and converted	Holding at March 31, 2018
Michael O'Keeffe	–	1,000,000	(1,000,000)	–
David Cataford	–	250,000	(250,000)	–
Beat Frei	–	1,000,000	(1,000,000)	–

Share rights granted and vested during the year

	Number granted	Grant date	Vested and converted in period %	Fair value per share right at grant date \$	Fair value of share rights granted \$
Michael O'Keeffe	1,000,000	July 10, 2017	100.0	1.08	1,080,000
David Cataford	250,000	May 25, 2017	100.0	0.87	217,500
Beat Frei	1,000,000	May 25, 2017	100.0	0.87	870,000

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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

INDEMNITY OF AUDITORS

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

PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

NON-AUDIT SERVICES

Ernst & Young performed other services in addition to their statutory duties. The details and remuneration for these services is disclosed in Note 32 of the consolidated financial statements. The Directors have considered the non-audit services provided during the year by the auditor, and are satisfied that the provision of non-audit services by the auditor during the year is compatible, and not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

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

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 31 March 2018 has been received, as set out on page •, and forms part of this report.

Signed in accordance with a resolution of the Directors



Michael O'Keeffe, Executive Chairman



Andrew Love, Non-executive Director

Sydney, New South Wales
29 June 2018

BOARD OF DIRECTORS IN OFFICE AT THE DATE OF THIS REPORT



Executive Chairman and Chief Executive Officer

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

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



Non-Executive Director

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

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



Non-Executive Director

Andrew J. Love, FCA

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



Non-Executive Director

Michelle Cormier, CPA, CA, ASC

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



Non-Executive Director

Wayne Wouters

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

Non-Executive Director

Jyothish George

Mr. George is currently Head of Glencore's Iron Ore Division. He serves as Vice Chairman of the Board of Directors of the El Aouj Mining Company SA in Mauritania and a member of the Board of Directors of Jumelles Limited, the holding company of the Zanaga iron ore mine in the Republic of Congo. Immediately prior to his current role, Mr. George served as the Chief Risk Officer of Glencore. He earlier held a number of roles at Glencore's head office in Baar, Switzerland from 2009 onwards focused on iron ore, nickel and ferroalloys physical and derivatives trading, and has been involved with iron ore marketing since its inception at Glencore. Mr. George joined Glencore in 2006 in London. He was previously a Principal at Admiral Capital Management in Greenwich, Connecticut, a Vice President in equity derivatives trading at Morgan Stanley in New York, and started his career at Wachovia Securities in New York as a Vice President in convertible bonds trading. Mr. George received a Bachelors in Technology from IIT Madras, India and a PhD in Mechanical Engineering from Cornell University.



DIRECTORS' DECLARATION

- 1) In the opinion of the Directors:
 - (a) The accompanying financial statements and notes are in accordance with the Corporations Act 2001, including:
 - giving a true and fair view of the Group's financial position as at 31 March 2018 and of its performance for the year ended on that date; and
 - complying with Australian Accounting Standards and the Corporations Act 2001.
 - (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.
 - (c) the audited remuneration disclosure set out in the Remuneration Report of the Director's Report for the year ended 31 March 2018 complies with section 300A of the Corporations Act 2001.
- 2) The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 for the financial year ended 31 March 2018.
- 3) The Group has included in the notes to the financial statements a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors



Michael O'Keeffe, Executive Chairman



Andrew Love, Non-executive Director

Sydney, New South Wales
29 June 2018



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

As lead auditor for the audit of Champion Iron Limited for the financial year ended 31 March 2018, I declare to the best of my knowledge and belief, there have been:

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

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

Ernst & Young

Ryan Fisk
Partner
Sydney
29 June 2018

Champion Iron Limited

(ACN: 119 770 142)

Consolidated Financial Statements
March 31, 2018 and 2017
(expressed in Canadian dollars)

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Champion Iron Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 March 2018, the consolidated statement of comprehensive loss, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- a) giving a true and fair view of the consolidated financial position of the Group as at 31 March 2018 and of its consolidated financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

Key Audit Matters

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

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

Carrying value of property, plant and equipment

Why significant	How our audit addressed the key audit matter
<p>Property, plant and equipment represents 43% of the Group's total assets.</p> <p>The carrying values of property, plant and equipment are reviewed annually for indicators of impairment.</p> <p>Due to the significance of the property, plant and equipment balance and the subjectivity involved in the assessment of indicators of impairment, we considered this to be a key audit matter.</p> <p>Refer to Notes 14 to the financial statements for the amounts held on the Consolidated Statement of Financial Position by the Group as at 31 March 2018 and related disclosure.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> ▸ Discussed with representatives of both senior management and the Directors, their considerations and conclusions as to the existence of indicators of impairment; ▸ Considered the impact of external market information, including current and forecast iron ore prices and demand; ▸ Considered the short term and long term cash flow forecasts for the Bloom Lake mining operations; and ▸ Physically inspected the plant and equipment at Bloom Lake and the Port of Sept-Iles operations.

Carrying value of exploration and evaluation assets

Why significant	How our audit addressed the key audit matter
<p>Exploration and evaluation assets represent 18% of the Group's total assets.</p> <p>The ability to recognise and to continue to defer exploration evaluation expenditure assets under Australian Accounting Standards is impacted by the Group's ability, and intention, to continue to explore the tenements or its ability to realise this value through development or sale.</p> <p>Due to the significance of the exploration and evaluation assets and the subjectivity involved in assessing the existence of indicators of impairment, this was a key audit matter.</p> <p>Refer to Note 15 to the financial statements for the amounts held on the Consolidated Statement of Financial Position by the Group as at 31 March 2018 and related disclosure.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> ▸ Considered the Group's right to explore in the relevant exploration areas which included obtaining and assessing relevant documentation such as license agreements; ▸ With the assistance of our valuation specialists, obtained and compared resource multiples for comparable resources based on similar companies and recent transactions to the implied multiples for the Group's resources; and ▸ Considered the Group's intention to continue to carry out exploration and evaluation activity in the relevant exploration area which included assessment of the Group's cash-flow forecast models and discussions with senior management and Directors as to the intentions and strategy of the Group.

Fair value of and disclosures relating to Master Financing Arrangement

Why significant	How our audit addressed the key audit matter
<p>As described in Notes 19 and 20, to the financial statements, the Group finalised the Bloom Lake Master Financing Arrangement (MFA) during the year.</p> <p>The MFA comprised a mandatorily convertible debenture and two loan facilities. Each facility contained multiple embedded derivatives. Warrants were also issued to the financiers in connection with each facility.</p> <p>Australian Accounting Standards require embedded derivatives to be measured at fair value both at inception and at each subsequent reporting period.</p> <p>The fair value of the warrants issued in connection with the loan facilities must also be estimated and recorded within equity at the grant date.</p> <p>The Group exercised a significant degree of estimation and judgment to determine the fair value of the embedded derivatives and the warrants. Accordingly, this was considered to be a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> ▶ Considered the fair value of the warrants issued in connection with the two loan facilities by assessing the appropriateness of the valuation methodology selected and the assumptions used in the fair value calculations; ▶ Utilised our valuations specialists to assess the assumptions used to determine the fair value of the embedded derivatives, being the conversion option on the convertible debenture and the prepayment options on the convertible debenture and each loan facility; ▶ Re-calculated the fair values of the warrants and of the embedded derivatives at inception and as at period-end; ▶ Assessed whether the disclosures within Notes 19 and 20 of the financial report were in accordance with Australian Accounting Standards; and ▶ Considered the disclosures relating to the potential future impact upon the carrying value of each component of the MFA when the Group adopts AASB 9 from 1 April 2018.

Capitalisation of Costs Associated with Bloom Lake Restart

Why significant	How our audit addressed the key audit matter
<p>The Group incurred significant expenditure in order to restart production at the Bloom Lake mine during the year. \$109.5 million of this expenditure have been capitalised within property, plant and equipment, while \$67.0 million have been expensed within care and maintenance and restart costs in the statement of comprehensive loss.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> ▶ Assessed the Group's policy for capitalising restart costs to ensure compliance with the Australian accounting standards; ▶ Selected samples of expenditure to determine whether the expenditure had been appropriately capitalised.

There is judgement involved in determining if expenditures can be capitalised where a new owner restarts a previously closed mine. Accordingly, this was considered a key audit matter.

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

The directors are responsible for the other information. The other information comprises the information included in the Company's 2018 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

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

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



Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 2 to 8 of the directors' report for the year ended 31 March 2018.

In our opinion, the Remuneration Report of Champion Iron Limited for the year ended 31 March 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Ernst & Young

Ryan Fisk
Partner
Sydney
29 June 2018



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To the Shareholders of
Champion Iron Limited

We have audited the accompanying consolidated financial statements of Champion Iron Limited, which comprise the consolidated statements of financial position as at March 31, 2018 and 2017, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years ended March 31, 2018 and 2017, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion


In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Champion Iron Limited as at March 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board.


Chartered accountants
Sydney, Australia
June 29, 2018

Champion Iron Limited
Consolidated Statements of Financial Position
March 31, 2018 and 2017
(expressed in Canadian dollars)

	Notes	As at March 31, 2018 \$	As at March 31, 2017 Restated* \$
Assets			
Current			
Cash and cash equivalents		7,894,505	1,863,387
Short-term investments	5	17,290,729	11,465,697
Receivables	6	25,839,669	6,644,087
Due from Cartier Iron Corporation	7	-	348,003
Prepaid expenses and advances	8	15,897,677	279,024
Inventories	9	48,170,918	-
		115,093,498	20,600,198
Non-current			
Receivables	6	-	3,351,692
Investments	10	4,250,000	2,794,000
Advance for investment in railway and port facilities partnership	12	1,000,000	1,000,000
Advance payments	13	36,516,981	6,000,000
Property, plant and equipment	14	171,819,414	69,852,656
Software		899,718	-
Exploration and evaluation assets	15	72,136,511	69,623,841
		401,716,122	173,222,387
Liabilities			
Current			
Accounts payable and accrued liabilities	16	63,180,892	1,667,502
Convertible debenture, Altius	17	9,790,998	-
Note payable	14	36,437,761	5,994,977
		109,409,651	7,662,479
Non-current			
Note payable	14	-	37,613,355
Property taxes payable	18	16,275,960	7,713,000
Long-term debt	19	141,225,222	-
Convertible debenture, Glencore	20	14,016,128	-
Derivative liabilities	20	24,683,000	-
Royalty payable	21	300,000	300,000
Rehabilitation obligation	22	35,893,491	25,155,500
Deferred tax liability	25	5,464,713	5,464,713
		347,268,165	83,909,047
Shareholders' equity			
Capital stock	23	224,336,103	201,989,902
Contributed surplus		21,203,767	20,120,494
Warrants		17,730,000	-
Foreign currency translation reserve		578,455	588,200
Non-controlling interest		822,684	2,362,819
Accumulated deficit		(210,223,052)	(135,748,075)
		54,447,957	89,313,340
		401,716,122	173,222,387

On behalf of the Board:


Director


Director

Should be read in conjunction with the notes to the consolidated financial statements

*Certain amounts shown here do not correspond to the March 31, 2017 Consolidated Financial Report and reflect adjustments made, refer to Note 25

Champion Iron Limited
Consolidated Statements of Loss and Comprehensive Loss
March 31, 2018 and 2017
(expressed in Canadian dollars)

	Notes	Year ended March 31, 2018 \$	Year ended March 31, 2017 \$
Revenue			
Interest		171,036	246,980
Other income		221,753	50,979
		392,789	297,959
Expenses			
Professional fees		1,648,338	301,436
Salaries		5,046,061	441,988
Consulting fees		1,731,392	701,563
Share-based compensation		3,179,273	1,331,920
General and administrative		1,803,402	904,980
Investor relations		332,112	77,554
Travel		287,012	443,687
Exploration		200,692	80,619
Care and maintenance and restart costs of Bloom Lake	24	66,993,531	26,669,074
Depreciation	14	4,244,149	2,586,047
Gain on sale of property, plant and equipment		(994,173)	(433,038)
Foreign exchange loss (gain)		2,585,027	(987)
Unrealized gain on investments	10	(1,056,000)	(1,173,233)
Change in fair value of derivative liabilities		3,590,000	-
Accretion of borrowing costs and debt discount		4,206,818	-
Accretion of rehabilitation obligation	22	695,000	632,500
Transaction costs		-	2,623,874
Interest expense		13,231,056	526,379
		107,723,690	35,714,363
Loss for the year		(107,330,901)	(35,416,404)
Loss attributable to:			
Equity holders of Champion		(74,474,977)	(23,779,223)
Non-controlling interest		(32,855,924)	(11,637,181)
Loss		(107,330,901)	(35,416,404)
Other comprehensive income			
Item that may be reclassified in future years to the statement of loss			
Net movement in foreign currency translation reserve		(9,745)	547,011
Comprehensive loss		(107,340,646)	(34,869,393)
Comprehensive loss attributable to:			
Equity holders of Champion		(74,484,722)	(23,232,212)
Non-controlling interest		(32,855,924)	(11,637,181)
Comprehensive loss		(107,340,646)	(34,869,393)
Loss per share - basic and diluted	26	(0.19)	(0.06)

Should be read in conjunction with the notes to the consolidated financial statements

Champion Iron Limited
Consolidated Statements of Changes in Equity
March 31, 2018 and 2017
(expressed in Canadian dollars)

	Ordinary shares		Warrants	Contributed surplus	Foreign currency translation reserve	Non-controlling interest	Accumulated deficit	Total
	Shares	\$						
Balance, March 31, 2017 (Restated*)	385,934,339	201,989,902	-	20,120,494	588,200	2,362,819	(135,748,075)	89,313,340
Loss	-	-	-	-	-	(32,855,924)	(74,474,977)	(107,330,901)
Other comprehensive loss	-	-	-	-	(9,745)	-	-	(9,745)
Total comprehensive loss	-	-	-	-	(9,745)	(32,855,924)	(74,474,977)	(107,340,646)
Public offering of subscription receipts	21,033,508	18,930,257	-	-	-	-	-	18,930,257
Private placement	-	-	-	-	-	5,152,000	-	5,152,000
Private placement	-	-	-	-	-	26,163,789	-	26,163,789
Exercise of stock options	5,400,000	1,703,335	-	-	-	-	-	1,703,335
Exercise of share rights	2,250,000	2,167,500	-	(2,167,500)	-	-	-	-
Fair value of stock options exercised	-	660,500	-	(660,500)	-	-	-	-
Share-based compensation	-	-	-	3,179,273	-	-	-	3,179,273
Fair value of warrants issued	-	-	17,730,000	-	-	-	-	17,730,000
Derecognition of derivative liability	-	-	-	732,000	-	-	-	732,000
Share issue costs	-	(1,115,391)	-	-	-	-	-	(1,115,391)
Balance, March 31, 2018	414,617,847	224,336,103	17,730,000	21,203,767	578,455	822,684	(210,223,052)	54,447,957
Balance, March 31, 2016 – as originally reported	198,319,784	174,509,902	-	16,268,574	41,189	-	(106,504,139)	84,315,526
Affect of restatement of deferred tax liability	-	-	-	-	-	-	(5,464,713)	(5,464,713)
Balance, March 31, 2016 - restated	198,319,784	174,509,902	-	16,268,574	41,189	-	(111,968,852)	78,850,813
Loss	-	-	-	-	-	(11,637,181)	(23,779,223)	(35,416,404)
Other comprehensive loss	-	-	-	-	547,011	-	-	547,011
Total comprehensive loss	-	-	-	-	547,011	(11,637,181)	(23,779,223)	(34,869,393)
Private placement of ordinary shares	187,500,000	30,000,000	-	-	-	-	-	30,000,000
Private placement of QIO	-	-	-	-	-	14,000,000	-	14,000,000
Share-based compensation	-	-	-	1,331,920	-	-	-	1,331,920
Fair value of compensation options	-	(2,520,000)	-	2,520,000	-	-	-	-
Conversion of exchangeable share	114,555	-	-	-	-	-	-	-
Balance, March 31, 2017 (Restated*)	385,934,339	201,989,902	-	20,120,494	588,200	2,362,819	(135,748,075)	89,313,340

Should be read in conjunction with the notes to the consolidated financial statements
*Refer to Note 25 for detail regarding the restatement adjustment

Champion Iron Limited
Consolidated Statements of Cash Flows
March 31, 2018 and 2017
(expressed in Canadian dollars)

	Year ended March 31 2018 \$	Year ended March 31, 2017 \$
Cash provided by (used in)		
Operating activities		
Loss	(107,330,901)	(35,416,404)
Non-operating transaction costs	-	2,623,874
Items not affecting cash		
Interest not received	-	(22,500)
Share-based compensation	3,179,273	1,331,920
Property taxes not paid	7,224,000	7,245,000
Depreciation	4,244,149	2,586,047
Gain on sale of property, plant and equipment	(994,173)	(433,038)
Unrealized gain on investments	(1,056,000)	(1,173,233)
Change in fair value of derivative liability	3,590,000	-
Accretion of borrowing costs and debt discount	4,206,818	-
Accretion and reassessment of the rehabilitation obligation	695,000	632,500
Interest not paid	6,583,060	468,000
	(79,658,774)	(22,157,834)
Changes in non-cash operating working capital		
Receivables	(19,195,582)	(477,807)
Prepaid expenses and advances	(15,618,653)	157,432
Inventories	(48,170,918)	-
Deposit	-	1,600,000
Accounts payable and accrued liabilities	61,513,390	788,727
	(101,130,537)	(20,089,482)
Financing activities		
Proceeds of bridge loan	16,000,000	-
Repayment of bridge loan	(16,000,000)	-
Bridge loan transaction costs	(501,413)	-
Proceeds of convertible debenture, Altius	10,000,000	-
Proceeds of long-term debt	158,286,744	-
Borrowing costs	(3,848,902)	-
Proceeds of convertible debenture, Glencore	31,200,000	-
Public offering of subscription receipts	18,930,257	-
Share issue costs	(1,115,391)	-
Private placement of ordinary shares	-	30,000,000
Private placement of common shares of Quebec Iron	31,315,789	14,000,000
Exercise of stock options	1,703,335	-
Repayment of note payable	(7,170,571)	-
	238,799,848	44,000,000
Investing activities		
Receipt of refundable tax credit and credit on duties	-	2,102,675
Investment in term deposits	(5,825,032)	(10,088,395)
Proceeds on sale of investments	-	323,733
Received from Cartier Iron Corporation	348,003	-
Advance payments	(30,516,981)	-
Acquisition of Bloom Lake	-	(9,800,000)
Purchase of Quinto claims	-	(776,818)
Investment in port partnership	-	(1,000,000)
Purchase of railcars	-	(3,087,613)
Proceeds on sale of equipment	1,426,652	3,395,538
Purchase of property, plant and equipment	(96,669,555)	(3,522)
Purchase of leasehold improvements	-	(351,787)
Purchase of software	(899,718)	-
Exploration and evaluation	439,023	(977,793)
Transaction costs	-	(2,623,874)
	(131,697,608)	(22,887,856)
Net increase in cash and cash equivalents	5,971,703	1,022,662
Cash and cash equivalents, beginning of year	1,863,387	293,714
Effects of exchange rate changes on cash	59,415	547,011
Cash and cash equivalents, end of year	7,894,505	1,863,387

Should be read in conjunction with the notes to the consolidated financial statements

Champion Iron Limited

Notes to Consolidated Financial Statements

March 31, 2018 and 2017

(expressed in Canadian dollars)

1. Basis of preparation

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

The consolidated financial statements of Champion Iron Limited and its subsidiaries (collectively the “Company”) for the year ended March 31, 2018 were approved and authorized for issue by the Board of Directors on June 29, 2018.

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

Statement of compliance with IFRS

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

Presentation currency

These consolidated financial statements are presented in Canadian dollars.

2. Significant accounting policies and future accounting changes

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

Basis of consolidation and functional currency

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

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

During the year ended March 31, 2017, Lac Bloom Railcars Corporation Inc. was incorporated as a wholly-owned subsidiary of the Company to acquire railcars (note 14). There have been no changes in ownership percentages from the comparative period.

Consolidation

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

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

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

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

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Non-controlling interest

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

Financial instruments

Non-derivative financial assets

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

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

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

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

Financial assets at fair value through profit or loss

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

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

Loans and receivables

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

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

Non-derivative financial liabilities

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

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

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

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

Impairment of non-derivative financial assets

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

Business combinations

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

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

Cash and cash equivalents

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

Property, plant and equipment

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

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

Equipment	Straight-line over 10 years or units-of-production over life of mine
Rail and railcars	Straight-line over 23 and 24 years
Software	Straight-line over 5 years
Mine and mineral rights	Units-of-production over life of mine
Housing	Straight-line over 24 years

Exploration and evaluation assets

Recognition and measurement

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

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

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

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

Impairment

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

Rehabilitation obligation

The Company records a rehabilitation obligation for legal and constructive asset retirement obligations. Rehabilitation obligation is recorded for an amount that represent the expenditure required to settle the present obligation at the end of the reporting period. Where the effect of the time value of money is material, the Company will adjust the amount of the provision which will be the present value of the expenditures expected to be required to settle the obligation, discounted by the number of years between the reporting date and the rehabilitation date.

Royalties payable

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

Share capital

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

Share-based payments

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

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

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Provisions

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

Income tax

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

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

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

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

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

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

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

Loss per share

The Company presents basic and diluted loss per share data for its ordinary shares. Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for any of its own shares held. Diluted loss per share is determined by adjusting the loss attributable to shareholders and the weighted average number of ordinary shares outstanding, adjusted for any of its own shares held, for the effects of all dilutive potential ordinary shares, which comprise outstanding warrants and stock options. As at March 31, 2018 and March 31, 2017, outstanding stock options and warrants are anti-dilutive.

Changes in accounting standards

On April 1, 2017, the Company adopted all of the mandatorily applicable new Australian Accounting Standards and International Financial Reporting Standards, amendments to standards and interpretations. The adoption of these accounting standards had no impact on these financial statements.

Effective April 1, 2017, the Company adopted the following accounting policies:

Long-term debt

The long-term are initially measured at fair value, net of transactions costs, and are subsequently measured at amortized cost using the effective interest rate method, with interest expense recognized on an effective yield basis.

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Convertible debenture - Altius

The convertible debentures are financial instruments consisting of a debt instrument, minimum interest obligation and an equity conversion feature. The Company has identified the minimum interest obligation and equity conversion features as embedded derivatives. At initial recognition, the Company estimated the fair value of the equity conversion feature and the present value of the minimum interest obligation. The difference between the gross proceeds and these amounts was allocated to the debt liability under the residual method. The debt balance will be unwound up to the maturity date using the effective interest method.

Convertible debenture - Glencore

The convertible debentures are financial instruments consisting of a debt instrument with a derivative liability conversion option. At initial recognition, the Company estimated the fair value of the derivative feature. The fair value of the derivative is reassessed at each balance sheet date. The equity conversion feature is accounted for as a derivative liability on the Company's consolidated financial statements.

Care, maintenance and non-capital restart costs of Bloom Lake

Care and maintenance costs have been incurred during the period of operation idle. Day-to-day servicing expenses as well as regular maintenance expenses to ensure assets integrity have been expensed. Most of 2018 fiscal year was not in a care and maintenance mode. Non-capital restart costs, that cover the period from May 1st 2017 to January 31st, 2018, includes all costs related to staff mobilization and training, expenses incurred to return an asset back to historical level and other expenditures that did not increase capacity or life duration and have been expensed.

Inventories

Inventories of ore and concentrate are measured and valued at the lower of average production cost and net realizable value. Net realizable value is the estimated selling price of the concentrates in the ordinary course of business based on the prevailing metal prices on the reporting date, less estimated costs to complete production and to bring concentrates to sale. Production costs that are inventoried include the costs directly related to bringing the inventory to its current condition and location, such as materials, labour and manufacturing overhead costs, based on normal capacity of the production facilities.

Stripping costs

The stripping ratio varies depending of the stage of the mine life. In the case of the Bloom Lake mine, the life of mine stripping ratio is estimated at 0.5 based on the feasibility study. All costs related to a stripping ratio over the life of mine ratio are capitalized and amortized over the life of mine. The capitalized expenses are revalued on a monthly basis. Stripping costs incurred in the pre-production period have also been capitalized using the same methodology.

Foreign currency translation reserve

Exchange differences relating to the translation of the results and net assets of the Company's foreign operations from their functional currency to the Company's presentation currency are recognized directly in other comprehensive income and accumulated in the foreign currency translation reserve with the exception of those balances that are within the scope of *AASB 139 Financial Instruments*.

Government grants

The Company receives certain grants from the government. Those grants are recognized only when there is a reasonable assurance that the Company will comply with any conditions attached to the grants and the grants will be received. Those grants are recorded against the expenditure that they are intended to compensate.

New standards and interpretations not yet adopted

Australian Accounting Standards and International Financial Reporting Standards that have been issued but are not yet effective have not been adopted by the Company for the year ended March 31, 2018.

IFRS 9, Financial Instruments ("IFRS 9")

In July 2014, the International Accounting Standards Board ("IASB") issued IFRS 9, which represents the final version of this standard and completes the IASB's project to replace International Accounting Standard ("IAS") 39, Financial Instruments: Recognition and Measurement. This standard includes updated guidance on the classification and

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measurement of financial assets and liabilities. This standard also introduces a new, expected loss impairment model that will require more timely recognition of expected credit losses. IFRS 9 also introduces a substantially-reformed model for hedge accounting with enhanced disclosures about risk management activity and aligns hedge accounting. This standard is effective for annual periods beginning on or after January 1, 2018. For the Group, IFRS 9 will be applied from 1 April 2018. The adoption of IFRS 9 is expected to have a profit or loss impact for an amount estimated between \$6M to \$9M on the Company's separate financial statements, which represents write-downs or remeasurement of intercompany loans. There is no impact for the Group as intercompany loans eliminate on consolidation.

IFRS 15, Revenue from contracts with customers ("IFRS 15")

IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18, Revenue, IAS 11, Construction Contracts, and several revenue-related interpretations. This standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRS, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities. The Company did not have any revenues in the current financial year. The company will adopt and apply IFRS 15 as of April 1, 2018.

IFRS 16, Leases ("IFRS 16")

IFRS 16 will replace IAS 17 'Leases' and three related Interpretations. It completes the IASB's long-running project to overhaul lease accounting. Leases will be recorded in the statement of financial position in the form of a right-of-use asset and a lease liability. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019. The Company is yet to fully assess the impact of the Standard and therefore is unable to provide quantified information. However, in order to determine the impact, the Company is in the process of:

- performing a full review of all agreements to assess whether any additional contracts will become lease contracts under IFRS 16's new definition of a lease;
- deciding which transitional provision to adopt; either full retrospective application or partial retrospective application (which means comparatives do not need to be restated). The partial application method also provides optional relief from reassessing whether contracts in place are, or contain, a lease, as well as other reliefs. Deciding which of these practical expedients to adopt is important as they are one-off choices;
- determining which optional accounting simplifications are available and whether to apply them and assessing the additional disclosures that will be required.

3. Significant accounting judgments, estimates and assumptions

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

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

Estimates

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

Estimates of mineral resources

The amounts used in impairment calculations are based on estimates of mineral resources. Resource estimates are based on engineering data, estimated future prices, expected future rates of production and the timing of future capital expenditures, all of which are subject to many uncertainties and interpretations. The Company expects that, over time, its resource estimates will be revised upward or downward based on updated information such as the results of future drilling, testing and production levels, and may be affected by changes in iron ore prices. See note 15.

Units of production depreciation

The units of production used in the depreciation calculation is based on the ore feed of the mill compared to the estimated life of a mine feed.

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Stripping costs

Stripping costs are estimated based on additional volume mined due to higher stripping ratio. A standard unit cost is applied to the volume. The unit cost is revalued on a quarterly basis.

Impairment of exploration and evaluation assets

Exploration and evaluation assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable through future exploitation or sale. Such circumstances include the period for which the Company has the right to explore in a specific area, actual and planned expenditures, results of exploration, whether an economically-viable operation can be established and significant negative industry or economic trends. Management judgment is also applied in determining cash generating units, the lowest levels of exploration and evaluation assets grouping, for which there are separately identifiable cash flows, generally on the basis of areas of geological interest. See note 15.

Foreign currency transactions

Foreign currency transactions are translated into the functional currency of the Company's entities using the exchange rates prevailing at the dates of the transactions or an appropriate average exchange rate. Generally, foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than the Company's functional currency are recognized in the statement of loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

Functional and presentation currency

Items included in the financial statements of each consolidated entity of the Company are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements of entities that have a functional currency different from the Company are translated into Canadian dollars as follows: assets and liabilities are translated at the closing rate at the date of the statement of financial position, and income and expenses are translated at the average rate during an appropriate year. Equity transactions are translated using the exchange rate at the date of the transaction and all resulting changes are recognized in other comprehensive income as cumulative translation adjustments

Estimate of royalty payable

The Company used inputs that are not based on observable market data in determining the fair value of the royalty payable. The Company expects that, over time, royalty payable will be revised upward or downward based on updated information on production levels and changes in iron ore prices. See note 21.

Estimate of rehabilitation obligation

The rehabilitation obligation is based on the best estimate of the expenditures required to settle the present obligation at the end of the reporting period. The best estimate of the expenditure required to settle the present obligation is the amount that the company would rationally pay to settle obligation at the end of the reporting period or to transfer it to a third party. The rehabilitation obligation has been determined based on the Company's internal estimates. Assumptions based on the current economic environment have been made, which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary rehabilitation works required that will reflect market conditions at the time. Furthermore, the timing of rehabilitation is likely to depend on when the Bloom Lake ceases to produce at economically viable rates. This, in turn, will depend upon future iron ore prices, which are inherently uncertain. See note 22.

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Share-based payments

The Company uses the Black-Scholes option pricing model in determining share-based payments, which requires a number of assumptions to be made, including the risk-free interest rate, expected life, forfeiture rate and expected share price volatility. Consequently, actual share-based compensation may vary from the amounts estimated. See note 23.

4. Acquisitions and private placement

Acquisition of Bloom Lake

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

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

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

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

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

The Company has determined the acquisition date fair value of its rehabilitation liabilities by using a discount rate of 2.5%. The liabilities accrete to their future value until the obligations are completed. The estimated rehabilitation expenditures may vary based on changes in operations, cost of rehabilitation activities, and legislative or regulatory requirements.

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

Acquisition of Quinto Claims

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

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

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

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

Private placement

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

See note 23 for a summary of the assumptions for the calculation of the fair value of those stock options using the Black-Scholes option pricing model.

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

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

Private placement by QIO

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

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

In addition, QIO issued 3,000,000 ordinary shares to the Company to settle an amount due to Company and issued another

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6,000,000 ordinary shares to the Company for providing a guarantee of \$6,000,000, following which, the Company's interest in QIO was reduced from 100% to 63.2%. There were no consequences to the reduction of the Company's interest in QIO.

See note 23 for a summary of the assumptions for the calculation of the fair value of those stock options using the Black-Scholes option pricing model.

Grant of stock options

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

See note 23 for a summary of the assumptions for the calculation of the fair value of those stock options using the Black-Scholes option pricing model.

5. Short-term investments

Maturity	Interest rate	As at March 31, 2018	As at March 31, 2017
On demand	0.80%	-	9,826,395
April 15, 2017	0.85%	-	250,000
April 21, 2017	0.85%	-	100,000
August 9, 2017	0.95%	-	212,000
March 30, 2018	0.50%	-	500,000
March 30, 2018	0.50%	-	577,302
April 15, 2018	0.50%	250,000	-
April 23, 2018	0.50%	100,000	-
June 4, 2018	1.62%	13,595,794	-
June 4, 2018	1.62%	790,453	-
August 8, 2018	0.50%	212,000	-
October 30, 2018	0.50%	1,000,000	-
October 30, 2018	0.50%	350,180	-
March 30, 2019	0.50%	415,000	-
March 30, 2019	0.50%	577,302	-
		17,290,729	11,465,697

As of March 31, 2018, the short-term investments has been pledged either as security for letters of credit to third parties, \$16,940,729, (2017 - \$1,077,302) or as security for credit card obligations, \$350,000 (2017 - \$350,000).

6. Receivables

The following table represents the detail of the receivables:

	As at March 31, 2018	As at March 31, 2017
	\$	\$
Sales tax (gst, hst and qst)	20,060,436	6,541,921
Government grants	4,228,724	-
Refundable tax credits	1,213,176	-
Other receivables	337,333	102,166
	25,839,669	6,644,087

The non-current receivables of \$nil as of March 31, 2018 (2017 - \$3,351,692) represents refundable tax credits. The Company expect to receive \$1,213,176 in the year ending March 31, 2019 and does not expect to receive the remaining \$1,913,577, therefore, the non-current receivable was reduced to nil and re-classified back to the exploration and evaluation assets account from which the credits were initially deducted.

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7. Due from Cartier Iron Corporation

The amount due from Cartier of \$nil (\$348,003 at March 31, 2017) was a term loan which was repaid on December 22, 2017. For the year ended March 31, 2018, interest of \$6,141 was accrued (\$22,500 for the year ended March 31, 2017).

One director of the Company is a director of Cartier.

8. Prepaid expenses and advances

The following table represents the detail of the prepaid expenses and advances:

	As at March 31, 2018 \$	As at March 31, 2017 \$
Advances rail transportation	7,558,264	-
Advance port	1,982,769	-
Prepaid operational expenses	5,006,570	-
Prepaid rent and deposits	492,693	172,516
Prepaid others	857,381	106,508
	15,897,677	279,024

9. Inventories

The following table represents the detail of the inventories:

	As at March 31, 2018 \$	As at March 31, 2017 \$
Raw materials	8,080,654	-
Concentrate inventories	36,448,962	-
Supplies and spare parts	3,641,302	-
	48,170,918	-

10. Investments

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

	As at March 31, 2018 \$	As at March 31, 2017 \$
Investment in listed common shares		
Fancamp Exploration Ltd. ("Fancamp")	1,980,000	1,320,000
Lam��lee Iron Ore Ltd. ("Lam��lee")	95,000	34,000
Eloro Resources Ltd. ("Eloro")	2,175,000	1,440,000
	4,250,000	2,794,000

Investments in common shares are classified as financial assets at fair value through profit or loss. For the year ended March 31, 2018, the net increase in the fair value of investments in common shares of \$1,056,000 has been recorded as an unrealized gain on investments in the consolidated statement of loss and comprehensive loss. On December 22, 2017, in connection with the Grant of option for Cluster 3 Properties to Cartier Iron Corporation (see note 15), the Company received 500,000 common shares of Eloro at a deemed value of \$0.80 per share (total of \$400,000).

Fancamp

The Company holds 22,000,000 common shares of Fancamp (March 31, 2017 – 22,000,000). The Company and Fancamp have entered into a reciprocal rights agreement governing certain investor rights and obligations as between them. The Company and Fancamp were restricted from transferring securities of the other until May 17, 2018, after which time,

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transfers will be permitted subject to certain restrictions.

Lamêlée

The Company holds 200,000 common shares of Lamêlée (March 31, 2017 – 200,000).

Eloro

The Company holds 2,500,000 common shares of Eloro (March 31, 2017 – 2,000,000). The Company has agreed to provide Eloro with 30 days written notice of its intention to sell common shares of Eloro, during which time, Eloro may identify purchasers and the Company shall sell to such identified purchasers at a mutually acceptable price.

Two officers of the Company are officers of Eloro.

11. Investment in Cartier

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

At March 31, 2018, the Company held 11,519,970 common shares of Cartier (March 31, 2017 – 11,519,970 common shares), representing 24.4% of the issued and outstanding common shares of Cartier (March 31, 2017 – 32.3%).

The holdings of the Company in Cartier were subject to the terms of a pre-emptive rights agreement and an agreement respecting board representation rights and standstill obligations which expired on December 31, 2017.

12. Advance for investment in railway and port facilities partnership

On March 23, 2017, the Company's subsidiary, Québec Iron Ore Inc. ("QIO") entered into a memorandum of understanding to become a limited partner in Société Ferroviaire et Portuaire de Pointe-Noire, S.E.C. ("SFPPN"). SFPPN was formed to manage and develop the industrial facilities (rail lines, access to port facilities, rail yards, a pellet plant, administrative offices and other facilities) at Pointe-Noire in Sept-Îles, Québec. QIO advanced \$1,000,000 as a contribution to the capital of SFPPN pending the completion of a limited partnership agreement.

13. Advance payments

	As at March 31, 2018	As at March 31, 2017
	\$	\$
Port	23,546,119	6,000,000
Rail Transportation	6,920,862	-
Railway and port facilities	6,050,000	-
	36,516,981	6,000,000

Port

On July 13, 2012, the Company's subsidiary company, Champion Iron Mines Limited ("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 make advance payments of \$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 advance payment of \$6,000,000 that had already been made. The Port disputed the right of CIML to terminate the Agreement.

On July 15, 2017, CIML and the Port entered into a conditional settlement agreement, providing for the settlement, without admission, of the dispute with the Port. The settlement agreement provided for payments by CIML or QIO to settle in full the remaining advance payment of \$19,581,000 and interest by December 1, 2017. Upon signing of the conditional settlement agreement, CIML made an advance payment of \$2,400,000.

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On October 16, 2017, the conditions of the settlement agreement were met and QIO paid the remaining advance payments of \$17,181,000 and interest of \$2,832,740 by December 1, 2017.

As of March 31, 2018, the Company has started to recognize loading costs as per the contract with the Port.

Rail transportation

On June 8, 2017, QIO entered into a rail transportation agreement with Quebec North Shore and Labrador Railway Company, Inc. ("QNS&L") for the transportation of iron ore concentrate from Bloom Lake by rail from the Wabush Lake Junction in Labrador City, Newfoundland & Labrador to the Sept-îles Junction in Sept-îles, Quebec. In connection with the agreement, QIO made an advance payment of \$15,000,000 which will be recovered as a credit to future costs owing under the agreement. As of March 31, 2018, the Company has started to recognize transportation costs as per the contract with QNS&L.

Railway and port facilities

On October 12, 2017, QIO entered into a railway and port facilities access agreement with SFPPN for the transportation, unloading, stockpiling and loading of iron ore concentrate from Sept-Iles to Pointe-Noire, Québec. In connection with the agreement, QIO made an advance payment of \$5,000,000 which will be recovered as a credit to future costs owing under the agreement. Future credits to operating costs needs to be agreed between parties by an addendum to the original agreement. On March 26, 2018, QIO made an additional advance payment of \$1,050,000 to SFPPN in regards of requested deposit in trust for port facilities as per the agreement.

14. Property, plant and equipment

	Equipment	Rail and railcars	Mine and mineral rights	Assets under construction	Housing	Others	Total
	\$	\$	\$	\$	\$	\$	\$
Cost							
March 31, 2017	23,573,000	41,451,987	3,000,000	–	4,000,000	465,852	72,490,839
Additions	600,000	–	–	107,920,924	–	45,561	109,466,203
Disposals and other adjustments	(406,538)	(1,019)	–	(26,500)	–	–	(434,057)
Currency translation adjustment	–	(1,918,949)	–	–	–	–	(1,918,949)
March 31, 2018	23,766,462	39,532,019	3,000,000	107,894,424	4,000,000	511,413	178,704,318
Accumulated depreciation							
March 31, 2017	2,259,079	103,682	–	–	159,722	115,700	2,638,183
Depreciation	2,316,926	1,709,898	12,784	–	166,666	37,875	4,244,149
Disposals and other adjustments	–	–	–	–	–	(1,578)	(1,578)
Currency translation adjustment	–	4,150	–	–	–	–	4,150
March 31, 2018	4,576,005	1,817,730	12,784	–	326,388	151,997	6,884,904
Net book value, March 31, 2018	19,190,457	37,714,289	2,987,216	107,894,424	3,673,612	359,416	171,819,414

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	Equipment	Rail and railcars	Mine and mineral rights	Assets under construction	Housing	Others	Total
	\$	\$	\$	\$	\$	\$	\$
Cost							
March 31, 2016	—	—	—	—	—	114,065	114,065
Additions	26,573,000	41,451,987	3,000,000	—	4,000,000	351,787	75,376,774
Disposals	(3,000,000)	—	—	—	—	—	(3,000,000)
March 31, 2017	23,573,000	41,451,987	3,000,000	—	4,000,000	465,852	72,490,839
Accumulated Depreciation							
March 31, 2016	—	—	—	—	—	92,999	92,999
Depreciation	2,296,579	103,682	—	—	159,722	26,067	2,586,050
Disposals	(37,500)	—	—	—	—	(3,366)	(40,866)
March 31, 2017	2,259,079	103,682	—	—	159,722	115,700	2,638,183
Net book value, March 31, 2017	21,313,921	41,348,305	3,000,000	—	3,840,278	350,152	69,852,656

Acquisition of railcars

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

Loan balances at March 31, 2018:

	As at March 31, 2018	As at March 31, 2017
	\$	\$
Current		
GST loan	-	2,001,661
QST loan	-	3,993,316
Consideration loan	36,437,761	-
	36,437,761	5,994,977
Long-term		
Consideration loan	-	37,613,355

The loans have the following terms and conditions:

- Maturity dates:** Consideration loan: Matures on March 10, 2019; In the event that the vendor consents to the lease of railcars by the Company, all rental payments received by the Company will be paid to the vendor. The Company has the right to repay the loan at any time without penalty or other cost.
GST loan and QST loan: the earlier of 2 business days after the Company receives the input tax credit claimed to recover the GST and QST paid and August 31, 2017.
- Interest rate:** LIBOR plus 1.75% compounded monthly and payable monthly.
- Security:** \$60,000,000 hypothec covering all the present and future moveable property of Lac Bloom Railcars.

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Dispositions

During the year, the Company received proceeds of \$1,426,652 (\$3,395,538 in 2017) on the disposition of equipment.

15. Exploration and evaluation assets

	March 31, 2017 \$	Acquisition costs (other) \$	Exploration \$	Mining tax credits \$	Option payment \$	March 31, 2018 \$
Fermont						
Consolidated Fire Lake North	54,724,202	50,839	489,686	1,913,577	–	57,178,304
Harvey-Tuttle	6,599,646	1,633	9,800	–	–	6,611,079
Moire Lake	2,931,650	3,166	–	–	–	2,934,816
O’Keefe Purdy	3,222,378	10,394	25,285	–	–	3,258,057
Other	1,282,294	–	269,295	–	(450,000)	1,101,589
Quinto	863,671	50,000	138,995	–	–	1,052,666
	69,623,841	116,032	933,061	1,913,577	(450,000)	72,136,511

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

Exploration and evaluation assets are reported net of option payments and mining tax credits received. The mining tax credits of \$1,913,577 represents refundable tax credits that the Company does not expect to receive anymore.

Fermont

The Company owns a 100% interest in Fermont consisting of 11 mineral concessions covering an area of 787 square kilometres situated in northeastern Quebec (“Fermont”), subject to a net smelter return royalty of 1.5% (1.5% NSR). For reporting purposes, Fire Lake North, Oil Can, Bellechasse and Midway properties were consolidated into one property known as Consolidated Fire Lake North. Other properties include Audrey-Ernie, Black Dan, Jeannine Lake and Penguin properties.

As at March 31, 2018, the Company assessed its remaining properties for indicators of impairment and none were noted.

Grant of option for Cluster 3 Properties to Cartier Iron Corporation

The Company granted an option to Cartier Iron Corporation (“Cartier”) to acquire a 55% interest in Audrey-Ernie, Black Dan, Jeannine Lake and Penguin Lake (“Cluster 3 Properties”). On December 22, 2017, Cartier earned its 55% interest in the Cluster 3 Properties.

In respect of the option payment of \$450,000 due on December 31, 2017, the Company accepted a cash payment of \$50,000 and 500,000 common shares of Eloro at a deemed value of \$0.80 per share.

Upon Cartier earning its 55% interest, a joint venture was 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. From inception to March 31, 2018, the joint venture made exploration

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expenditures of \$5,395.

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

16. Accounts payable and accrued liabilities

The following table represents the detail of the payables:

	As at March 31, 2018 \$	As at March 31, 2017 \$
Trade payable and accrued liabilities	45,330,031	1,245,025
Accrued liabilities related to care and maintenance and restart costs for Bloom Lake	12,765,994	-
Wages and benefits	5,031,824	422,477
Loans equipment	53,043	-
	63,180,892	1,667,502

17. Convertible debenture, Altius

	Convertible debenture \$	Derivative liabilities		Total \$
		Equity conversion option \$	Minimum interest obligation \$	
Balance, March 31, 2017	-	-	-	-
Issue of convertible debenture on June 1, 2017	10,000,000	-	-	-
Fair value of derivatives	(1,191,000)	800,000	391,000	1,191,000
Accretion of debt discount	991,998	-	-	-
Change in fair value of derivative liabilities	-	(200,000)	(259,000)	(459,000)
Derecognition of derivative liabilities	-	(600,000)	(132,000)	(732,000)
Balance, March 31, 2018	9,790,998	-	-	-

The convertible debenture of \$10,000,000 is unsecured, bears interest at the rate of 8% payable quarterly in advance 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 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 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 ("Royalty"). The Company's option to extend the debenture has been exercised and the new maturity date is December 31, 2018.

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.

The fair value of the equity conversion option at June 1, 2017 was calculated using the Black-Scholes option pricing model with the following assumptions:

Date of grant	June 1, 2017
Conversion options granted	10,000,000
Exercise price	\$1.00
Share price	\$0.85

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Risk-free interest rate	2.5%
Expected volatility based on historical volatility	80%
Expected life of conversion option	2.5 months
Expected dividend yield	0%
Forfeiture rate	0%
Fair value	\$800,000

The fair value of the minimum interest obligation at June 1, 2017 of \$391,000 was calculated as the present value of the minimum 6 monthly interest payments of \$66,667 discounted at 8%.

The minimum interest obligation and equity conversion feature were initially accounted for as derivative liabilities on the statement of financial position. During the third quarter of the financial year, the conversion price became fixed and thus, the equity conversion feature no longer met the definition of derivative.

18. Property taxes payable

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

Property taxes payable as at March 31, 2018 of \$16,275,960 (2017 – \$7,713,000) includes property taxes of \$14,469,000 (2017 – \$7,245,000) and accrued interest of \$1,806,960 (2017 – \$468,000).

Property taxes for Bloom Lake of \$9,024,000 (2017 – \$8,890,930) are reflected in care and maintenance costs of Bloom Lake within the consolidated statement of loss and comprehensive loss.

19. Long-term debt

	Sprott \$	CDP \$	Total \$
Balance, March 31, 2017	–	–	–
Advances	69,002,136	86,252,670	155,254,806
Transactions costs	(1,391,450)	(766,445)	(2,157,895)
Commitment fees	(1,328,273)	(2,156,317)	(3,484,590)
Amortization of transaction costs	139,629	51,856	191,485
Amortization of commitment fees	133,290	145,884	279,174
Standby fees payable	–	1,322,924	1,322,924
Fair value of warrants	(1,980,000)	(15,750,000)	(17,730,000)
Accretion of debt discount	468,838	538,364	1,007,202
Interest capitalized	1,161,946	2,348,232	3,510,178
Foreign exchange unrealized	1,347,528	1,684,410	3,031,938
Balance, March 31, 2018	67,553,644	73,671,578	141,225,222

On October 10, 2017, QIO entered into definitive agreements for debt financing of US\$180,000,000 with the following terms:

Lender:	Sprott Private Resource Lending (Collector), LP (“Sprott”)
Amount:	US\$80,000,000
Maturity:	June 30, 2022
Work fee:	0.50% of the Amount
Interest:	7.5% per annum plus the greater of US dollar 3-month LIBOR and 1% per annum calculated, compounded and payable quarterly. QIO has the option to pay or capitalize such interest.

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Additional interest:	1.75% of the principal amount of each advance.
Repayment:	Commencing on March 31, 2019, and quarterly thereafter, 1/14th of the principal balance outstanding on March 31, 2019.
Prepayment:	Option to prepay in whole or in part at any time.
Mandatory prepayment:	Cash proceeds received on the disposal of any assets. Provided that a default or event of default has occurred, cash proceeds received on the disposal of any assets by a guarantor. Proceeds of any equity or debt (including convertible debt) financings, excluding intercompany financings. In the event of a change of control, QIO will repay the principal and interest. No amount shall be payable if the person acquiring control has financial strength equal to or superior to the financial strength of the Guarantor, in the discretion of the Lender. Insurance proceeds greater than \$1,000,000 unless the QIO uses the proceeds to repair or purchase a replacement for the asset which was subject to the insurable event.
Prepayment premium:	Until October 16, 2020, 3% of the principal amount prepaid
Security:	(i) a title insured first ranking hypothec over the universality of movable and immovable property, corporeal and incorporeal, present and future, including all assets, titles and rights, in any nature whatsoever, related to the Project (including for greater certainty, the Mining Lease and all mining claims), subject only to Permitted Encumbrances; (ii) a first ranking general security agreement under Newfoundland and Labrador law in respect of the movable assets located in Newfoundland and Labrador, subject to Permitted Encumbrances; (iii) a title insured first ranking mortgage under Newfoundland and Labrador law in respect of the immovable assets located in Newfoundland and Labrador, subject only to Permitted Encumbrances; (iv) subordination agreements in favour of the Lender with respect to all amounts due from time to time by the Borrower to any Affiliates, including the Guarantor
Guarantors:	(i) The Company, supported by a first ranking hypothec on securities pursuant to which the Company pledged and granted a first-priority encumbrance over all of the issued and outstanding shares of QIO held by the Company. (ii) Lac Bloom Railcars Corporation Inc., supported by a second ranking hypothec over all of its present and future movable property and a second ranking general security agreement over movable assets in Newfoundland and Labrador.
Lender:	CDP Investissements Inc.
Amount:	US\$100,000,000
Maturity:	7 years from the date of the initial advance
Interest:	12% per annum for the first year, and thereafter, at an interest rate linked to the price of iron ore calculate and capitalized monthly
Commitment fee:	2.5% payable of the date of each advance
Standby fee:	1.0% on the undisbursed portion of the loan payable quarterly in arrears
Repayment:	6 years from the date of the initial advance - 50% of principal and capitalized interest 7 years from the date of the initial advance - the balance of the principal and capitalized interest, subject to the option to defer the payment of capitalized interest for 1 year
Mandatory Prepayment:	In the event of a change of control or the closing of a public offering of QIO within 2 years from the date of the initial advance, QIO will repay the principal and interest calculated at 14% per annum since the date of the initial advance and a performance maintenance fee equal to the present value of all interest payments from the date of the initial advance to the maturity date.

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In the event of a change of control or the closing of a public offering of QIO after 2 years from the date of the initial advance, QIO will repay the principal and capitalized interest and an early redemption fee of 6%, 5%, 3%, 2% and 1% in years 3, 4, 5, 6, and 7, respectively.

In the event of a change in control, no amount shall be payable if the person acquiring control has the financial strength equal to or superior to the financial strength of the Guarantor, in the discretion of CDP.

Prepayment: After 2 years from the date of the initial advance, QIO has the option to prepay the principal and capitalized interest subject to the payment of an early redemption fee of 6%, 5%, 3%, 2% and 1% in years 3, 4, 5, 6, and 7, respectively

In connection with the debt financing, the Company issued: (a) 3,000,000 common share purchase warrants to Sprott, entitling the holder to purchase 3,000,000 ordinary shares of the Company for \$1.125 until October 16, 2022 and (b) 21,000,000 common share purchase warrants to Caisse, entitling the holder to purchase 21,000,000 ordinary shares 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.

The fair value of the common share purchase warrants was calculated using the Black-Scholes option pricing model with the following assumptions:

	Sprott	CDP
Date of issue	October 16, 2017	October 16, 2017
Warrants issued	3,000,000	21,000,000
Exercise price	\$1.125	\$1.125
Share price	\$1.04	\$1.04
Risk-free interest rate	2.5%	2.5%
Expected volatility based on historical volatility	80%	80%
Expected life of warrant	5 years	7 years
Expected dividend yield	0%	0%
Forfeiture rate	0%	0%
Fair value	1,980,000	\$15,750,000

20. Convertible debenture, Glencore

	Convertible debenture	Derivative asset	Derivative liabilities	Total
	\$	Prepayment option	Conversion option	\$
	\$	\$	\$	\$
Balance, March 31, 2017	—	—	—	—
Issue of convertible debenture	31,200,000	—	—	—
Fair value of derivatives	(20,634,000)	—	20,634,000	20,634,000
Change in fair value	—	—	4,049,000	4,049,000
Accretion of debt discount	1,716,605	—	—	—
Capitalized interest	1,733,523	—	—	—
Balance, March 31, 2018	14,016,128	—	24,683,000	24,683,000

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”) with the following terms:

Maturity: October 13, 2025

Prepayment: The Company has the option to prepay the Debenture in whole, but not in part. In the event the Company elects to prepay the Debenture and the Debenture is not converted into ordinary shares of the Company

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	prior to prepayment, the Company will grant 27,733,333 warrants to Glencore entitling the holder to purchase one ordinary share for \$1.125 until October 13, 2025.
Interest:	12% for the first year, and thereafter, an interest rate linked to the price of iron ore, payable quarterly in arrears commencing on December 31, 2018.
Conversion:	Glencore has the option to convert the Debenture into ordinary shares of the Company at a conversion price of \$1.125 per ordinary share ("Conversion Price").
Mandatory Conversion:	Mandatory conversion of the Debenture 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, exercises their respective option to require a mandatory conversion.
Mandatory Conversion events:	(i) quarterly average iron ore prices during a quarter are such that the Bloom Lake financial model fails to demonstrate that the Bloom Lake has the capacity to meet all future obligations as they become due; (ii) start-up of the Bloom Lake is delayed beyond April 30, 2018; (iii) commercial production is not achieved by September 30, 2018 and the Bloom Lake financial model fails during a quarter to demonstrate that Bloom Lake has the capacity to meet all future obligations as they become due; (iv) capital expenditures for the Bloom Lake exceed US\$326,800,000; (v) QIO is merged into, absorbed or acquired by the Company and total net debt (being debt minus freely available cash and short-term investments) of the merged entity exceeds US\$270,000,000; or (vi) total net debt from the Company, QIO and Lac Bloom Railcars Corporation Inc. exceeds US\$250,000,000.
Restriction on conversion:	A conversion or mandatory conversion may not have the effect of causing Glencore to own 20% or more of the outstanding ordinary shares.

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 tones 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.

A prepayment option derivative exists in respect of the option of the Company to avoid future interest payments by prepaying the convertible debenture and paying a penalty equal to 3 months of interest. The fair value of the prepayment option derivative asset was calculated to be \$Nil.

A conversion option derivative exists in respect of option of Glencore to convert and the option of Sprott and CDP to require Glencore to convert the convertible debenture into ordinary shares of the company. The fair value of the conversion option derivative liability was calculated using the Black-Sholes option pricing model with the following assumptions:

Valuation date	March 31, 2018	October 13, 2017
Conversion options granted	27,733,333	27,733,333
Exercise price	\$1.125	\$1.125
Share price	\$0.89	\$0.99
Risk-free interest rate	2.5%	2.5%
Expected volatility based on historical volatility	80%	80%
Expected life of conversion option	7.5 years	8 years
Expected dividend yield	0%	0%
Forfeiture rate	0%	0%
Fair value	24,683,000	\$20,634,000

The equity conversion feature is accounted for as a derivative liability on the consolidated statement of financial position.

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21. Royalty payable

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

On March 31, 2014, the Company recorded an estimate of the fair value of the 3% NSR as an acquisition cost of exploration and evaluation assets and an offsetting royalty payable. On June 25, 2015, the Company completed an arrangement to reduce the 3% NSR to 1.5% NSR by paying \$50,000 on closing and \$250,000 on October 25, 2015 ("Arrangement"). The Arrangement remains the best indicator of the fair value of the 1.5% NSR, and therefore, as at March 31, 2018, the fair value of the 1.5% NSR has been estimated to be \$300,000 (2017 - \$300,000).

22. Rehabilitation obligation

	As at March 31, 2018 \$	As at March 31, 2017 \$
Balance, beginning of year	25,155,500	–
Obligation arising on acquisition of Bloom Lake (note 4)	–	24,523,000
Increase due to reassessment of the rehabilitation obligation	10,042,991	–
Accretion of rehabilitation obligation	695,000	632,500
Balance, end of year	35,893,491	25,155,500

The accretion in rehabilitation obligation was evaluated as the amount of the expenditure required to settle the present obligation at the end of the reporting period, discounted by the number of years between the reporting date and the rehabilitation date (discount rate used of 1.0053). The future rehabilitation obligation was reassessed based on the new reclamation plan submitted to the government in February 2018.

23. Capital stock

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

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

Issued

	Number of shares	\$
Ordinary shares		
Balance, March 31, 2016	198,319,784	174,509,902
Private placement (note 4)	187,500,000	30,000,000
Fair value of compensation warrants granted (note 4)	–	(2,520,000)
Conversion of exchangeable shares	114,555	–
Balance, March 31, 2017	385,934,339	201,989,902
Public offering of subscription receipts	21,033,508	18,930,257
Exercise of options	5,400,000	1,703,335
Share issue costs	–	(1,115,391)
Fair value of options exercised	–	660,500
Exercise of share rights	2,250,000	2,167,500
Balance, March 31, 2018	414,617,847	224,336,103

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

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 \$18,930,257 which 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 proceeds of the subscription receipts were released to the Company and holders of the subscription receipts received one ordinary share of Company for each subscription receipt held.

Stock options

	Number of stock options	Weighted- average exercise price \$
Balance, March 31, 2016	10,000,166	0.62
Granted	8,000,000	0.21
Expired	(2,550,166)	1.28
Balance, March 31, 2017	15,450,000	0.30
Granted	2,750,000	1.00
Exercised	(5,400,000)	0.32
Balance, March 31, 2018	12,800,000	0.44

A summary of the Company's outstanding and exercisable stock options at March 31, 2018 is presented below:

Exercise price	Expiry date	Number of stock options	
		Outstanding	Exercisable
A\$0.30	August 20, 2018	1,000,000	666,667
A\$0.50	November 29, 2018	2,300,000	2,300,000
A\$0.30	November 4, 2019	500,000	500,000
A\$0.20	April 11, 2020	6,250,000	6,250,000
A\$1.00	May 25, 2020	1,650,000	1,650,000
A\$1.08	July 11, 2020	600,000	200,000
A\$1.00	August 21, 2020	500,000	166,667
		12,800,000	11,733,334

The exercise price of outstanding stock options ranges from A\$0.20 to A\$1.08 and the weighted-average remaining contractual life of outstanding stock options is 1.68 years.

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 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

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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.

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

Date of grant	May 25, 2017	July 11, 2017	August 21, 2017
Expiry date	May 25, 2020	July 11, 2020	August 21, 2020
Options granted	1,650,000	600,000	500,000
Exercise price	A\$1.00	A\$1.08	A\$1.00
Share price	A\$0.88	A\$1.08	A\$0.97
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	3 years
Expected dividend yield	0%	0%	0%
Forfeiture rate	0%	0%	0%
Fair value	\$726,000	\$342,000	\$255,000
Fair value per stock option	\$0.44	\$0.57	\$0.51

Stock options granted outside of the Share Incentive Plan

The Company is authorized to issue 82,923,569 stock options and share rights (March 31, 2017 – 77,185,986) equal to 20% of the issued and outstanding ordinary shares for issuance under the share incentive plan.

	Exercise price	Expiry date	Number of options outstanding and exercisable	Weighted-average exercise price
Balance, March 31, 2017 and March 31, 2018	\$0.45	September 1, 2018	1,000,000	\$0.45

Compensation options

	Exercise price	Expiry date	Number of options outstanding and exercisable	Weighted-average exercise price
Balance, March 31, 2017 and March 31, 2018	\$0.25	February 1, 2020	21,000,000	\$0.25

Share rights

	Number of share rights
Balance, March 31, 2017	—
Granted	2,250,000
Exercised	(2,250,000)
Balance, March 31, 2018	—

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

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share per share right upon vesting. The share rights vest on the satisfaction of the key performance measures of the completion of the total financing package required to facilitate the recommissioning of the plant at the Bloom Lake at a rated capacity of 7 million tons per annum and the actual recommissioning of the plant at Bloom Lake at a capacity of 7 million tons 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 per share right upon vesting. The share rights vest on the satisfaction the key performance measures of the completion of the total financing package required to facilitate the recommissioning of the plant at the Bloom Lake at a rated capacity of 7 million tons per annum and the actual recommissioning of the plant at Bloom Lake at a capacity of 7 million tons per annum.

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

Date of grant	May 25, 2017	July 11, 2017
Maturity	On satisfaction of key performance measures	
Share rights granted	1,250,000	1,000,000
Exercise price	\$Nil	\$Nil
Share price	\$0.88	\$1.08
Risk-free interest rate	2.5%	2.5%
Expected volatility based on historical volatility	80%	80%
Expected life of share rights	9 months	12 months
Expected dividend yield	0%	0%
Forfeiture rate	0%	0%
Fair value	\$875,000	\$1,080,000
Fair value per share right	\$0.87	\$1.08

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

24. Care and maintenance and restarts costs of Bloom Lake

Care and maintenance costs of Bloom Lake of \$66,993,531 represent the costs incurred at Bloom Lake for the year ended March 31, 2018 (2017 - \$26,669,074). Costs include property taxes (note 18), salaries and wages, housing costs, utilities and water management and environmental costs.

25. Income taxes

The Company's effective income tax rate differs from the amount that would be computed by applying the federal and provincial statutory rate of 26.70% (2017 – 26.90%) to the loss for the year. The reasons for the difference are as follows:

	2018	2017
	\$	\$
Income tax recovery based on combined statutory rate	(28,657,351)	(9,393,619)
Share-based compensation and other non-deductible items	434,728	27,892
Effect of changes in rate on temporary items	–	(4,183)
Tax losses and other deductible temporary differences not recognized	28,222,623	9,369,910
	–	–

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Deferred income tax assets and liabilities

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

	As at March 31 2018	As at March 31 2017 Restated (a)
Assets		
Non-capital loss carry-forward and share issue costs	41,756,998	16,652,999
Asset retirement obligation	9,511,775	6,666,208
Investment tax credits	1,306,838	1,306,838
	<u>52,575,612</u>	<u>24,626,045</u>
Liabilities		
Property, plant and equipment	(3,535,558)	(4,405,674)
Exploration and evaluation assets	(1,538,845)	(4,150,806)
Other	(139,920)	-
Mining duties	(5,464,713)	(5,464,713)
	<u>(10,679,036)</u>	<u>(14,021,192)</u>
Deferred income tax assets not recognized	(47,361,288)	(16,069,565)
Net deferred tax liability	(5,464,713)	(5,464,713)

Losses carried forward

At March 31, 2018, the Company had non-capital loss carryforwards which expire as follows:

	\$
2027	153,000
2028	406,000
2029	1,089,000
2030	1,812,000
2031	4,314,000
2032	5,989,000
2033	5,638,000
2034	9,332,000
2035	4,481,000
2036	2,192,000
2037	27,815,000
2038	93,980,000
	<u>157,201,000</u>

Resource deductions

At March 31, 2018, the Company has cumulative Canadian exploration expenses of \$36,402,396 (2017 - \$32,343,122) and cumulative Canadian development expenses of \$7,027,538 (2017 - \$6,911,506) which may be carried forward indefinitely to reduce taxable income in future years.

(a) Restatement of deferred tax liability

During the current period, the Group identified a prior period adjustment in respect of accounting for deferred tax liabilities arising in on mining duties. The adjustment required originated prior to the beginning of the comparative period and involved the use of deferred tax assets arising in respect of non-capital loss carry-forwards originating from a separate tax authority to offset the deferred tax liability arising in respect of mining duties. The restatement relates to non-cash accounting entries only. The restatement does not impact the statements of comprehensive loss for the years ended March 31, 2016 or 2017.

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The effect of the restatement on each of the affected financial statement line items as at April 1, 2016 and March 31, 2017 is as follows:

	March 31, 2017	April 1, 2016
Increase to deferred tax liability	5,464,713	5,464,713
Decrease to opening retained earnings	5,464,713	5,464,713

26. Loss per share

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

	2018 \$	2017 \$
Net loss attributable to equity holders of the parent	(74,474,977)	(23,779,223)
Basic and diluted weighted-average number of shares	398,125,332	380,212,024
Basic and diluted loss per share attributable to equity holders of the parent	(0.19)	(0.06)

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

27. 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, Lam  lee and Eloro are measured at the bid market price on the measurement date.

Convertible debenture

The convertible debentures are evaluated by the Company based on parameters such as interest rates and the risk characteristics of the financial assets. As at March 31, 2018, the carrying amount of the convertible debentures was not materially different from its calculated 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 March 31, 2018, 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

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comparable companies), weighted average expected life and forfeiture rate (both based on historical experience and general option holder behavior), expected dividends, and the risk-free interest rate (based on government bonds).

Classification and fair values

As at March 31, 2018

	Fair value through profit and loss \$	Loans and receivables \$	Other liabilities \$	Total carrying amount \$	Total fair value \$
Assets					
Current					
Cash and cash equivalents	7,894,505	—	—	7,894,505	7,894,505
Short-term investments	17,290,729	—	—	17,290,729	17,290,729
Receivables	—	24,626,493	—	24,626,493	24,626,493
Non-current					
Investments	4,250,000	—	—	4,250,000	4,250,000
	29,435,234	24,626,493	—	54,061,727	54,061,727
Liabilities					
Current					
Accounts payable and accrued liabilities	—	—	63,180,892	63,180,892	63,180,892
Convertible debenture, Altius	—	—	9,790,998	9,790,998	9,790,998
Note payable	—	—	36,437,761	36,437,761	36,437,761
Non-current					
Property taxes payable	—	—	16,275,960	16,275,960	16,275,960
Long-term debt	—	—	141,225,222	141,225,222	141,225,222
Convertible debenture, Glencore	—	—	14,016,128	14,016,128	14,016,128
Royalty payable	—	—	300,000	300,000	300,000
	—	—	281,226,961	281,226,961	281,226,961

As at March 31, 2017

	Fair value through profit and loss \$	Loans and receivables \$	Other liabilities \$	Total carrying amount \$	Total fair value \$
Assets					
Current					
Cash and cash equivalents	1,863,387	—	—	1,863,387	1,863,387
Short-term investments	11,465,697	—	—	11,465,697	11,465,697
Receivables	—	6,644,087	—	6,644,087	6,644,087
Due from Cartier	—	348,003	—	348,003	348,003
Non-current					
Receivables	—	3,351,692	—	3,351,692	3,351,692
Investments	2,794,000	—	—	2,794,000	2,794,000
	16,123,084	10,343,782	—	26,466,866	26,466,866

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Liabilities					
Current					
Accounts payable and accrued liabilities	–	–	1,667,504	1,667,504	1,667,504
Note payable	–	–	5,994,977	5,994,977	5,994,977
Non-current					
Note payable	–	–	37,613,355	37,613,355	37,613,355
Royalty payable	–	–	300,000	300,000	300,000
	–	–	45,575,836	45,575,836	45,575,836

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

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

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

As at March 31, 2018

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial asset at fair value through profit and loss				
Cash and cash equivalents and short-term investments	25,185,234	–	–	25,185,234
Investments				
Common shares	4,250,000	–	–	4,250,000
Financial liability				
Convertible debenture, Altius	–	9,790,998	–	9,790,998
Note payable	–	36,437,761	–	36,437,761
Long-term debt	–	141,225,222	–	141,225,222
Convertible debenture, Glencore	–	14,016,128	–	14,016,128

As at March 31, 2017

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial asset at fair value through profit and loss				
Cash and cash equivalents and short-term investments	13,329,084	–	–	13,329,084
Investments				
Common shares	2,794,000	–	–	944,500
Financial liability				
Note payable	–	43,608,332	–	43,608,332

28. 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.

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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, receivables 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.

Foreign currency risk

Foreign currency risk is the risk that the Company financial performance will be affected by fluctuations in the exchange rates between currencies. The Company is subject to foreign exchange risk as some costs are denominated in United States dollar and Australian dollar. Therefore, the Company is subject to gains and losses due to fluctuations of those currencies. The Company does not use derivatives to manage the exposure to foreign exchange risk.

Liquidity risk

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

Market risk

Market risk is the risk that changes in market prices, such as equity prices, foreign exchange rates and interest rates will affect the Company's income or the value of its financial instruments. The Company is exposed to equity price risk with respect to investments. The Company estimates that if the fair value of its investments as at March 31, 2018 had changed by 10%, with all other variables held constant, the loss would have decreased or increased by approximately \$425,000.

Capital management

Capital of the Company consists the components of shareholders' equity and debt facilities. 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 or new loans and borrowings. In order to achieve its objectives, the Company intends to raise additional funds as required.

Certain debt facilities contain operating and financial covenants that could restrict the ability of the Company and its subsidiaries to, among other things, incur additional indebtedness need to fund its respective operations. There are no other restrictions or externally imposed capital requirements to the Company.

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29. Related party transactions

	Years ended March 31,		Outstanding at March 31,	
	2018	2017	2018	2017
	\$	\$	\$	\$
General and administrative				
Paid on market terms for rent to a company controlled by a director and to a company with two members of key management personnel	102,136	54,540	–	–

See note 7 for other 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:

	Years ended March 31,	
	2018	2017
	\$	\$
Salaries	1,157,500	746,141
Consulting fees	722,000	686,250
Bonus	4,660,000	175,000
Non-monetary benefits	115,642	144,084
Post-employment benefits	30,057	42,725
Termination payments	–	90,000
Share-based payments, representing share-based compensation	2,871,273	1,232,920
	<u>9,556,472</u>	<u>3,117,120</u>

30. Commitments and contingencies

Commitments for annual basic premises rent and contracts with vendors are as follows:

	As at March 31,	As at March 31,
	2018	2017
	\$	\$
Less than 1 year	173,920,286	202,680
1-5 years	272,592,796	819,878
More than 5 years	8,459,041	1,188,990
	<u>454,972,123</u>	<u>2,211,728</u>

The Group does not have any contingent liabilities.

31. Parent entity information

Information relating to Champion Iron Limited:

	As at March 31,	As at March 31,
	2018	2017
	\$	\$
Current assets	5,717,189	7,183,616
Non-current assets	108,171,229	45,032,863
Total assets	<u>113,888,418</u>	<u>52,216,479</u>

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Current liabilities	10,094,816	258,320
Non-current liabilities	38,699,128	–
Due to QIO	6,000,000	6,000,000
Total liabilities	54,793,944	6,258,320
Net assets	59,094,474	45,958,159
Issued capital	78,590,008	56,243,809
Reserves	9,078,918	4,932,824
Accumulated losses	(28,574,452)	(15,218,474)
Total equity	59,094,474	45,958,159

	Years ended March 31,	
	2018	2017
	\$	\$
Loss of parent entity	11,606,453	3,064,812
Total comprehensive loss of the parent entity	11,606,453	3,064,812

32. Auditors remuneration

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

	Years ended March 31,	
	2018	2017
	\$	\$
<i>Ernst & Young Australian firm</i>		
Audit of the financial report	125,000	88,000
Review of interim financial statements	70,500	46,000
Remuneration consulting services	–	15,000
<i>Ernst & Young Canadian firm</i>		
Audit of the financial statements of QIO	155,000	25,000
Transaction advisory services	62,973	89,626
Preparation of income tax returns	24,650	10,000
	438,123	273,626

33. Segment information

The Company operates in one business segment being iron ore exploration and development 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.

34. Subsequent events

Other than as described in the notes to the financial report, no matter or circumstance has arisen since March 31, 2018 that has significantly affected, or may significantly affect:

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

Champion Iron Limited
Notes to Consolidated Financial Statements
March 31, 2018 and 2017
(expressed in Canadian dollars)

35. Comparative figures

Certain of the prior year's comparative figures have been reclassified to conform to the current year's presentation.

STOCK EXCHANGE INFORMATION

The additional information set out below relates to shares and options as at 29 June 2018

DISTRIBUTION OF EQUITY SECURITY HOLDERS

Size of Holding	Number of ordinary shares
1 to 1,000	75,989
1,001 to 5,000	856,211
5,001 to 10,000	1,016,558
10,001 to 100,000	10,933,582
100,000 and over	402,985,507
	415,867,847

59 shareholders held less than a marketable parcel of ordinary shares at June 29, 2018.

ORDINARY SHARES

SUBSTANTIAL SHAREHOLDERS

Name of shareholder	Number of ordinary shares	% of issued capital
WC Strategic Opportunity LP	66,944,444	16.10%
Ressources Quebec Inc.	37,500,000	9.02%
Michael O'Keeffe (and associates)	34,676,930	8.34%

VOTING RIGHTS

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

TWENTY LARGEST SHAREHOLDERS

	Name of shareholder	Number of ordinary shares	% of issued capital
1	WC Strategic Opportunity LP	66,944,444	16.10%
2	Ressources Quebec Inc	37,500,000	9.02%
3	Prospect AG Trading PL	29,776,930	7.16%
4	Baotou Chen Hua	11,000,000	2.65%
5	GAB Super Fund PL	8,936,030	2.15%
6	Fancamp Exploration Ltd	7,768,333	1.87%
7	Zero Nom P/L	7,275,021	1.75%
8	JP Morgan nominees	6,859,209	1.65%
9	Metech Super PL	6,410,000	1.54%
10	Comfortra GmbH	5,350,364	1.29%
11	Marc Dorion	4,273,286	1.03%
12	Gavin John Argyle	4,092,364	0.98%
13	Eastbourne DP PL	3,500,000	0.84%
14	Vision PL	3,311,620	0.80%
15	Citicorp Nom PL	3,280,172	0.79%
16	HSBC Custody Nominee Audt Ltd	2,999,722	0.72%
17	Quartz Mountain Mining PL	1,969,664	0.47%
18	Rowe Angela Maree	1,620,000	0.39%
19	Bass Fam Foundation PL	1,580,000	0.38%
20	Hayeem Gilad David	1,555,554	0.37%

SCHEDULE OF TENEMENTS

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

Property-Québec	SNRC	Claims	Hectares
Consolidated Fire Lake North	23B06; 23B11; 23B12	569	28,774.11
Harvey-Tuttle	23B12; 23B05	191	10,010.36
Moire Lake	23B14	36	1,665.55
O'Keefe-Purdy	23B11; 23B12	203	10,623.15
Jeannine Lake (<i>Note 1</i>)	22N16	21	1,117.40
Round Lake (<i>Notes 1 and 2</i>)	23B04; 23C01; 23N16	178	9,420.31
Peppler	23B05	118	6,207.75
Lamelee	23B05; 23B06; 23B11; 23B12	236	12,374.67
Hobdad	23B05; 23B06	93	4,893.74
Property-Newfoundland	Licences		
Powderhorn	11346M, 11367M, 15136M, 15137M, 18969M, 19227M	185	4,625.00
Gullbridge	11956M, 11960M, 16260M, 16261M	67	1,675.00

Note 1. Currently under option to Cartier Iron Corporation.

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

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

Property-Québec	SNRC	Claims	Hectares
Bloom Lake Mining Lease	23B14	1	6,857.63
Bloom Lake claims	23B14	69	3,224.20

MINERAL RESOURCE AND ORE RESERVES STATEMENT

Fermont Iron Ore District

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

Table 1: June 2017 Champion Iron properties in the Fermont Iron Ore District						
Cluster / Project	Deposit	Nb claims	Area (km sq.)	Champion interest	Co-owner	NSR
	Bloom Lake Mine	70*	100.8*	63.2%	Ressources Québec	
Consolidated Fire Lake North	Fire Lake North	569	287.7	100%		1.5%
	Don Lake					
	Bellechasse					
	Oil Can					
	Moiré Lake	36	16.7	100%		1.5%
Quinto Claims	Peppler Lake	435	228.4	100%		
	Lamêlée Lake					
	Hobdad Hill					
	Harvey-Tuttle	191	100.1	100%		1.5%
	O’Keefe-Purdy	203	106.2	100%		1.5%
Cluster 3	Penguin Lake	158	175.2	45%	Cartier Iron Corporation	1.5%
	Lac Jeannine					
	Black Dan					

* Includes a 68.7 sq. km mining lease

Bloom Lake Mine

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

Table 2: March 2017 Bloom Lake Mineral Resource Estimate at Cut-off 15% Fe					
Category	Dry Tonnage (Mt)	Fe (%)	CaO (%)	MgO (%)	Al₂O₃ (%)
Measured	432.2	31.0	0.6	0.7	0.3
Indicated	471.8	28.5	2.5	2.3	0.4
M+I Total	904.0	29.7	1.6	1.5	0.4
Inferred	80.4	25.6	1.9	1.7	0.3

Includes ore reserves

Table 3: March 2017 Bloom Lake Ore Reserves Estimate at Cut-off 15% Fe					
Category	Dry Tonnage (Mt)	Fe (%)	CaO (%)	MgO (%)	Al₂O₃ (%)
Proven	256.7	30.7	0.5	0.6	0.3
Probable	147.5	28.7	2.8	2.7	0.4
Total	404.2	30.0	1.3	1.4	0.3

Consolidated Fire Lake North

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

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

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

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

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

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

**** Mix of iron oxides and iron silicates

Moiré Lake

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

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

Quinto Claims Property

The Quinto Claims were acquired in the Bloom Lake transaction. The holding originally had 447 claims, but 12 claims were let go. Now the property is composed of 435 claims and holds several iron ore deposits and occurrences. The property is adjacent to the CFLN project. All the deposits have more magnetite than hematite. They also have small amount of iron silicates.

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

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

Harvey-Tuttle

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

O'Keefe-Purdy

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

Cluster 3

A series of 158 claims located near the closed Lac Jeannine Mine, identified as Cluster 3 was optioned to Cartier Iron Corporation. With completion of work and financial requirements, Champion Iron Mines Limited still hold 45% of the property. The main asset in Cluster 3 is the Penguin Lake deposits. A 2014 NI 43-101 reports 534.8 Mt of inferred resources at 33.1% Fe with a cut-off at 15%Fe. Cluster 3 also holds a series of small deposits near Round Lake (NW of Penguin). Finally, tailings for the Lac Jeannine have been considered as a source of iron ore as they are fairly coarse and have an average grade of 13% Fe. However, no tonnage has been evaluated.

Powderhorn / Gullbridge

Besides its iron ore assets in Québec, Champion Iron Mines Limited also owns 100% right to 7 exploration licenses (63 km sq.) in the vicinity of the closed Gullbridge mine in North central Newfoundland (NTS map sheet 12H01). It is located approximately 25 km south of the town of Springdale. The licenses are in good standing and exploration drilling was done in 2017 and early 2018.

The Powderhorn/Gullbridge project targets base metal deposits (Cu-Zn) as either extension of the Gullbridge copper mine or other zones related to the same mineralization system. Several Cu or Zn showings are spread out on the licenses and geophysical survey suggest several targets at 200 metres depth. Although several 2018 drill holes have intersected Zn-Ag-Cu mineralized zones (best assay has 16.4% Zn over 80cm), no mineral resources or ore reserves estimate are available as the project enters its third phase of exploration. More drilling is expected in the second half of 2018 and will target the area up-dip of the 2017-2018 discovery.

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

CORPORATE GOVERNANCE STATEMENT

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

The Company's corporate governance policies are available in the corporate governance section of its website at <http://www.championiron.com>. These policies and the Company's corporate governance practices meet the requirements of both the *Corporations Act 2001 (Cth)* and the 3rd edition of the Australian Securities Exchange Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Recommendations).

The Corporate Governance Statement was approved by the Board of the Company and is current as at 29 June 2018 in accordance with ASX Listing Rule 4.10.3.

Board of Directors

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

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

The primary responsibilities of the Board include:

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

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

Independent Directors

The Board periodically assesses the independence of each director having regard to the definition of independence set out in the ASX Recommendations and the criteria set out in the Board Charter. It is considered that all of the non-executive Directors of the Company during the year ended 31 March 2018 meet the criteria of an Independent Director. On 16 October 2017, Mr Jyothish George was appointed as non-executive Director to the Board.

Communication to Market & Shareholders

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

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

Board Composition

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

Terms of Appointment as a Director

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

Workplace Diversity Policy

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

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

The Company's strategies may include:

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

Board Committee

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

The Company has formed an Audit Committee which comprises of Mr Andrew Love (Chairman), Mr Gary Lawler and Ms Michelle Cormier all of whom are non-executive Directors.

The Company has also formed a Remuneration & Nomination Committee which comprises of Mr Gary Lawler (Chairman), Ms Michelle Cormier and Mr Andrew Love.

With the appointment of the Committees, all audit matters, the nomination of new Directors and the setting, or review, of remuneration levels of Directors and senior executives are reviewed by the relevant Committee and approved by resolution of the Board (with abstentions for relevant Directors where there is a conflict of interest).

Where the Board considers that particular expertise or information is required, which is not available from within the Board, appropriate external advice may be taken and received prior to a final decision being made by the Board. During the financial year ended 31 March 2018, Ernst & Young was engaged as remuneration consultant to provide market remuneration information for two executive roles.

Remuneration

The Constitution of the Company provides that the non-executive Directors may collectively be paid as remuneration for their services a fixed sum not exceeding the aggregate maximum sum per annum from time to time determined by the Company in general meeting. The current aggregate maximum is \$750,000. A Director may be paid fees or other amounts as the Directors may determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a director. A Director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

Independent Professional Advice

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

Share Trading

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

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

Code of Conduct

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

CORPORATE GOVERNANCE STATEMENT

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

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

Principle Number	Recommendation	Compliance	Reason for Non-compliance
1.5	<p>Establish a policy concerning diversity and disclose the policy or a summary of that policy.</p> <p>Disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.</p> <p>Companies should disclose in each annual report the proportion of women employees in the whole organization, women in senior executive positions and women on the Board.</p>	<p>The Company has adopted a Diversity Policy, which can be accessed at the Company's website.</p>	<p>Due to the current size, nature and scale of the Company's activities the Board has not yet developed objectives regarding gender diversity. As the size and scale of the company grows the Board will set and aim to achieve gender diversity objectives as director and senior executive positions become vacant and appropriately qualified candidates become available.</p> <p>At the date of this report the Company has 7 male executives, 2% of employees are women and 1 woman is currently represented on the Board.</p>
1.6	<p>Disclose the process for evaluating the performance of the Board, its committees and individual directors and disclose in relation to each reporting period whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>The Board has adopted a Board performance evaluation policy which can be accessed at the Company's website. A review of Board performance was undertaken in respect of the 31 March 2018 financial year by the Remuneration & Nomination Committee in accordance with Company's performance evaluation policy and approved by the Board.</p>	<p>Not applicable</p>
1.7	<p>Disclose the process for evaluating the performance of the senior executives and disclose in relation to each reporting period whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>The Board will meet annually to review the performance of executives. The senior executives' performance is assessed against the performance of the Company as a whole.</p> <p>A review of Board performance was undertaken in respect of the 31 March 2018 financial year by the Remuneration & Nomination Committee in accordance with Company's performance evaluation policy an approved by the Board.</p>	<p>Not applicable</p>

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

Principle Number	Recommendation	Compliance	Reason for Non-compliance
2.6	Have a program for inducting directors and provide appropriate professional development opportunities for directors to perform their role as directors effectively	The remuneration and nomination committee has oversight for the induction of directors. All directors are encouraged to undergo continual professional development.	Not applicable
3. <u>Act ethically and responsibly</u>			
3.1	Establish a code of conduct for directors, senior executives and employees and disclose the code or a summary of the code.	The Company has adopted a Code of Conduct, which can be accessed at the Company's website.	Not applicable
4. <u>Safeguard integrity in corporate reporting</u>			
4.1	<p>The Board should establish an audit committee. The audit committee should be structured so that it has at least 3 members</p> <ul style="list-style-type: none"> • consists only of Non-Executive Directors; • consists of a majority of independent Directors; • is chaired by an independent chair, who is not chair of the Board; <p>The charter of the committee, the qualifications and experience of the members and in relation to the reporting period, the number of times the committee met throughout the period and the individual attendances of members during the period should be disclosed.</p>	<p>The Board has established an audit committee consisting of 3 independent directors.</p> <p>The formal charter can be accessed at the Company's website.</p> <p>The number of meetings during the year and attendances by members is disclosed in the annual report.</p>	Not applicable

4.2	Before approving the financial statements for a financial period, the Board should receive from the Chief Executive Officer and the Chief Financial Officer a declaration that, in their opinion, the financial records have been properly maintained and that the financial statements comply with appropriate accounting standards and give a true and fair view of the financial position and performance of the company and that the opinion has been formed on the basis a sound system of risk management and internal control which is operating effectively.	The Board has received appropriate declarations from the Executive Chairman and the Chief Financial Officer in accordance with section 295A of the Corporations Act.	Not applicable
Principle Number	Recommendation	Compliance	Reason for Non-compliance
4.3	The Company should ensure that the external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	The Company auditor attends the AGM and is available to answer questions from security holders.	Not applicable
<u>5. Make timely and balanced disclosure</u>			
5.1	Establish written policy to comply with continuous disclosure obligations under the ASX Listing Rules and disclose those policies or a summary of those policies.	The Company has adopted a Continuous Disclosure Policy which can be accessed at the Company's website.	Not applicable
<u>6. Respect the rights of security holders</u>			
6.1	Provide information about itself and its governance to investors via its website	This information can be accessed at the Company's website.	Not applicable
6.2	Design and implement an investor relations program to facilitate effective two-way communication with investors	The company has adopted a Shareholder Communications Policy which can be accessed at the Company's website.	Not applicable
6.3	Disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	The company has adopted a Shareholder Communications Policy which can be accessed at the Company website.	Not applicable

6.4	Security holders should have the option to receive communications from, and send communications to, the company and its security registry electronically	Security holders have the option to receive and send communications electronically.	Not applicable
<u>7. Recognise and manage risk</u>			
7.1	The Board should have a committee (s) to oversee risk and each committee should have at least three members, a majority of whom are independent directors and is chaired by an independent director.	Due to the size and level of operations, the Company does not have a committee to oversee risk.	The Board is responsible for the oversight of risk management and control framework. Responsibility for control and risk management is delegated to the appropriate level of management within the Company with the Executive Director having ultimate responsibility to the Board.

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

8.2	Companies should separately disclose its policies and practices regarding the remuneration of Non-Executive Directors' and that of Executive Directors and senior executives.	The structure of non-executive Directors' remuneration is clearly distinguished from that of Executive Directors and senior executives, as described in the Directors' Report which forms part of the Company's Annual Report.	Not applicable
Principle Number	Recommendation	Compliance	Reason for Non-compliance
8.3	A company which has an equity based remuneration scheme should have a policy on whether participants are permitted to enter into transactions which limit the economic risk of participating in the scheme and disclose the policy or a summary of the policy.	The company has a share trading policy which includes a prohibition on entering into transactions or arrangements which operate to limit the economic risk of their security holding in the company. The share trading policy can be accessed on the company's website.	Not applicable

COMPANY DIRECTORY

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