

Champion Iron Limited

Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") provides discussion and analysis of the financial condition and results of operations of Champion Iron Limited (the "Company") for the 6 months ended September 30, 2016 and should be read in conjunction with the condensed interim consolidated financial statements and the accompanying notes. The MD&A is the responsibility of management and is dated as of November 14, 2016.

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

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Forward-Looking Statements

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

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The Company

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

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

Overall Performance

Acquisition of Bloom Lake and related rail assets

On April 11, 2016, the Company, through its subsidiary, QIO, acquired the Bloom Lake mine and related rail assets ("Bloom Lake") from affiliates of Cliffs Natural Resources Inc. that were subject to restructuring proceedings under the *Companies' Creditors Arrangement Act* (Canada) ("CCAA").

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

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

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

	\$
Consideration	
Cash	9,237,500
Deposit	562,500
	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
	34,323,000
Deferred tax asset	6,499,000
	40,822,000
<i>Liabilities</i>	
Rehabilitation obligation	24,523,000
Deferred tax liability	6,499,000
	31,022,000
Total identifiable net assets at fair value	9,800,000

Subsequent to the acquisition of Bloom Lake, QIO is currently employing 44 workers in care and maintenance of the property.

In June of 2016, QIO has begun a feasibility study ("Feasibility Study") to investigate the potential re-start of the Bloom Lake mine and concentrator. To date, three engineering firms have been selected to complete the Feasibility Study. In connection with the commission and completion of the Feasibility Study, Australian-based Mineral Technologies has been mandated to complete a pilot plant to confirm the iron recovery from a new proposed production flowsheet. Iron ore samples from the Bloom Lake mine have been sent to Australia to the Mineral Technologies facilities to be processed in the pilot plant. The completion of the Feasibility Study is anticipated to occur in Q1 of 2017.

As at September 30, 2016, \$8,208,183 has been expended on care and maintenance at the Bloom Lake project.

Acquisition of Quinto Claims

The Company, through its wholly-owned subsidiary, Champion Iron Mines Limited, acquired certain mineral claims ("Quinto Claims") from affiliates of Cliffs Natural Resources Inc. that were subject to restructuring proceedings under the *Companies' Creditors Arrangement Act* (Canada) ("CCAA").

The Quinto Claims (458 claims), which encompass the Peppler Property (129 claims), the Lamelee Property (236 claims) and the Hobdadt Property (93 claims), are located approximately 50 km southwest of the Bloom Lake mine.

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

Financings

Private placement by the Company

In order to fund the acquisition purchase price of Bloom Lake and to provide working capital, the Company completed a private placement of 187,500,000 ordinary shares at a price of \$0.16 per share for gross proceeds of \$30,000,000 ("Private Placement").

Subscribers to the financing included:

Subscriber	Subscription \$
Ressources Québec	6,000,000
WC Strategic Opportunity, L.P. (a Wynnchurch Capital LLC portfolio company)(“Wynnchurch”)	10,000,000
Resource Capital Fund VI LP (“RCF”)	6,453,000
A company controlled by Michael O’Keeffe, the Company’s Chairman and CEO	3,500,000

In connection with the Private Placement, the Company received commitments from two parties (“Initial Subscribers”) to backstop up to \$15,000,000 of the Private Placement. One of the Initial Subscribers was arm’s length while the other was a company controlled by Michael O’Keeffe, the Company’s Chairman and CEO. The Initial Subscribers each agreed to purchase 46,875,000 ordinary shares (the “Committed Shares”) under the Private Placement, subject to their right to engage dealers to find substituted purchasers to purchase all or a portion of the Committed Shares. In connection with their commitment to subscribe for the Committed Shares, the Company granted 15,000,000 compensation options to the Initial Subscribers, entitling the holder to purchase one ordinary share for \$0.25 until February 1, 2020. For one year after the closing of the Private Placement, the Initial Subscribers are restricted from selling, pledging or granting any rights with respect to the acquired ordinary shares, except in certain limited circumstances.

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

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

Private placement by QIO

QIO completed a private placement of 14,000,000 ordinary shares to Ressources Québec at a price of \$1 per share for gross proceeds of \$14,000,000.

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

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

Fermont Property Holdings

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

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

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

Table 1 sets out the current National Instrument 43-101 (“NI 43-101”) compliant In-Pit Mineral Resource Estimates for the Fermont Holdings by Property¹:

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

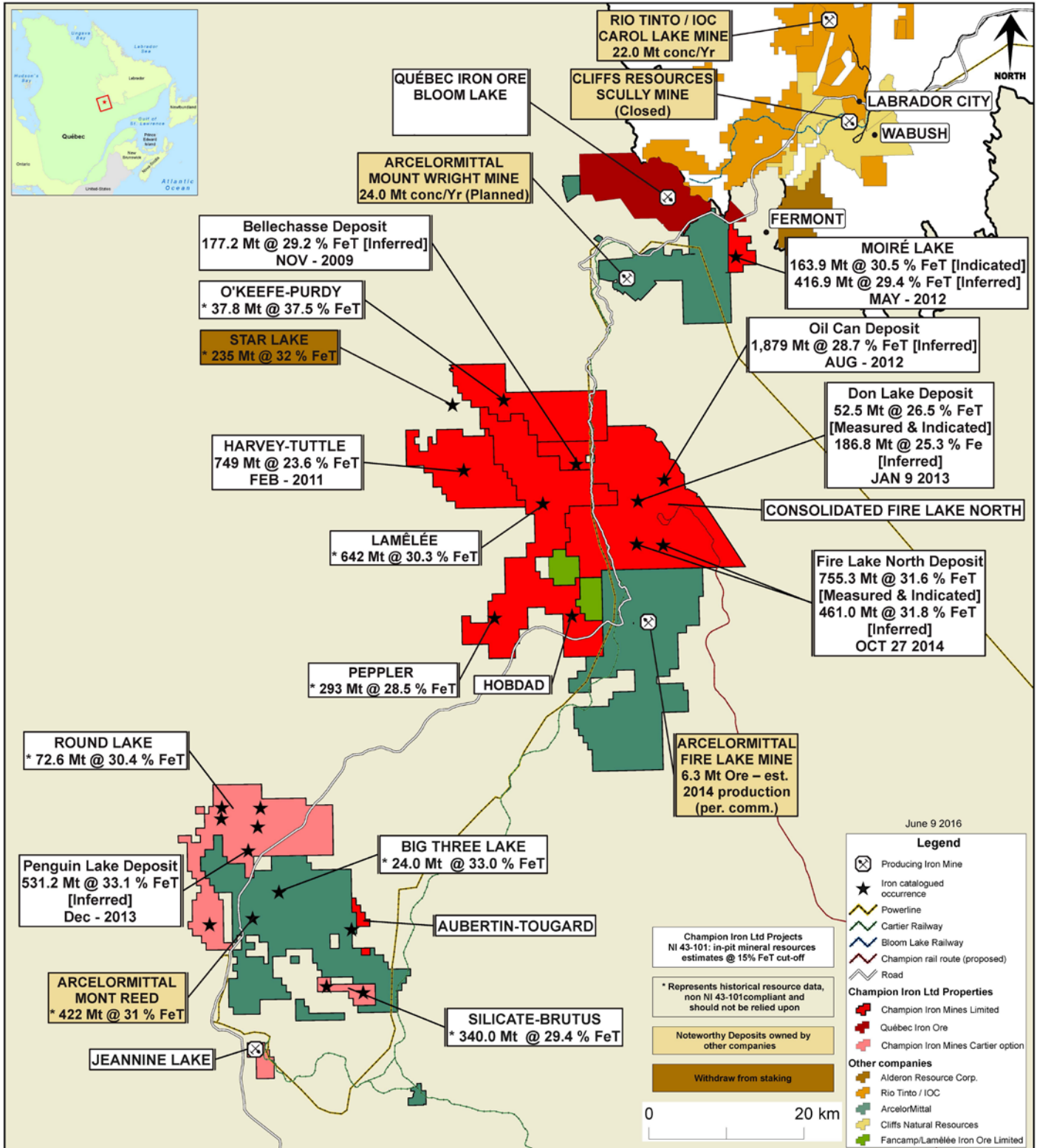
Property	Cluster	Deposit	Current Mineral Resources Estimates at 15% Iron Cut-Off					
			Measured		Indicated		Inferred	
			tonnes	grade	tonnes	grade	tonnes	grade
			millions	FeT%	millions	FeT%	millions	FeT%
Moire Lake	1	Lac Moire	-	-	163.9	30.5	416.9	29.4
Consolidated Fire Lake North	2	Fire Lake North-West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

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

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

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Map 1 – Fermont Holdings



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

Consolidated Fire Lake North

2013 Prefeasibility Study

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.

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

Exploration and Development Activity

The Company is planning on completing a full feasibility study ("CFLN Feasibility Study") for the development of a long-life, low-cost operation at the Consolidated Fire Lake North Property ("Consolidated Fire Lake North" or "CFLN") yielding 9.3Mtpa of concentrate at 66% Fe. The Company continued work on reviewing and preparing the CFLN Feasibility Study. The major improvements targeted are the increase in iron recovery with a better recovery circuit and the decrease in stripping ratio resulting from the data from the 2014 geotechnical drill hole campaign. Champion has also had discussions with major equipment suppliers to develop a long term partnership from the Feasibility Study to the start-up/ramp-up phases of the CFLN project.

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

	2016	2015
	\$	\$
Expenditure		
Data acquisition	97,868	200,641
Exploration facilities and supplies	74,330	100,226
Exploration transportation	–	10,200
Exploration expenditures	–	9,425
Mineral processing tests		9,562
Environmental	–	8,257
Community, investor and public relations	135,494	70,000
Rail study	3,730	–
Project management	186,642	276,805
Other	2,340	8,854
	500,222	695,970

With the completion of the PFS in early 2013 (see Consolidated Fire Lake North Property – Preliminary Feasibility Study above) and the exploration phase of CFLN, the Company has significantly curtailed exploration and development expenditures at CFLN. Expenditures in the current year were undertaken primarily to maintain current claim holdings. The exploration camp was been dismantled in order to minimize costs.

The Company intends to finance its CFLN Feasibility Study from its working capital resources.

Previously, on October 27, 2014, the Company announced that P&E Mining Consultants completed an independent audit of the CFLN project database and produced an updated Mineral Resource Estimate of over 1.2 billion tonnes, including

755 million tonnes of Measured and Indicated metallurgical coarse grained hematite mineralization for CFLN in compliance with Joint Ore Reserves Committee (“JORC”)¹ and National Instrument 43-101 (“NI 43-101”) guidelines.

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

Rail Solution

The Company is the general partner and a limited partner in La Société ferroviaire du Nord québécois, société en commandite (“SFNQ”). The other limited partners in SFNQ are the Government of Québec and Lac Otnuk Mining Ltd., a joint arrangement between Adriana Resources Inc. and WISCO International Resources Development & Investment Limited. SFNQ was formed as a partnership of government and industry to complete a feasibility study for the construction of a new multi-user rail link giving mining projects in the Labrador Trough access to the port at Sept-Îles at the lowest possible cost. The Government of Québec has set aside a maximum of \$20,000,000 from its Plan Nord Fund to contribute to SFNQ, while the Company’s contribution consisted of previously incurred costs of \$5,576,823.

SFNQ completed the tender process for a Feasibility study on the first phase of a new multi-user railway that would link the new Pointe Noire port facilities at the Port of Sept-Îles to Fire Lake North and other miners in the Fermont area. The contract was awarded to Canarail Consultants Inc. (“Canarail”). The contract was amended to include the phase 1B segment extending the proposed rail from Fire Lake North to Bloom Lake allowing access to a greater number of potential users in the Labrador Trough.

The Feasibility Study for both Phase 1A and Phase 1B are scheduled to be delivered before year-end.

Sept-Îles Port Authority

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

On June 28, 2013, the Company sent to the Port a notice of termination of the Agreement and requested the repayment of the \$6,000,000 that had already been advanced (“Advances”). The termination was made under the Renunciation provision of the Quebec Civil Code. The Renunciation provision allows cancellation of a contract if one party cannot perform under the contract. The Company terminated under this provision given that the Port could not provide access as contemplated in the Agreement at the time the payments were due. The Port subsequently issued the Company a notice of default with respect to the Company missing the payment due in July 2013.

The Port registered a notice of hypothecary recourse dated August 22, 2013 (“Notice”) that requested the Company to surrender the Mining Rights and advised of its intention to have the Mining Rights sold under judicial authority. The Notice alleges that the Company is in default of a payment of \$19,581,000, accrued interest of \$4,522,182 up to August 22, 2013, and thereafter, *per diem* interest of \$10,729.

On May 9, 2016, the Port delivered a notice that they consider the port facilities have been delivered and are operational and in accordance with the Agreement and that the Company must pay take-or-pay payments as an advance on the Company’s future shipping, wharfage and equipment fees.

The Port is disputing the Company’s entitlement to terminate the Agreement and on June 21, 2016, the Port sent the Company a notice of arbitration to have the dispute between the Company and Port referred to arbitration pursuant to the terms of the Agreement. As part of this arbitration, it is expected that the Port will be seeking an order forcing the payment of the unpaid advances of \$19,581,000 plus interest, while the Company will contest this claim and ask for the reimbursement of the Advances paid plus interest.

¹ The Company is not aware of any new information or data that materially affects the information included in the JORC report and confirms that all material assumptions and technical parameters underpinning the estimates in the JORC Resource & Reserve statement continue to apply and have not materially changed.

The arbitration process is involved and will take some months to complete. The actual hearing is not scheduled to take place until May or June of 2017 and it will not be until then that the outcome of the process will be known. The arbitration process is at an early stage and it is not possible now to make any realistic prediction about the outcome of the arbitration proceedings. The outcome will be influenced by various things which may include matters or issues identified during the arbitration process of which the parties to the arbitration are unaware at this stage. Accordingly, no amount has been recorded as a liability in these consolidated financial statements.

Other Fermont Holdings

Cluster 1 - Moire Lake Property

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

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

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

Cluster 2 - Harvey-Tuttle Property and Other Properties

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

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

Cluster 3- Cartier Iron Corporation Option

On September 28, 2012, the Company granted an option to Cartier Iron Corporation ("Cartier") to acquire a 65% interest in Aubertin-Tougard, Audrey-Ernie, Black Dan, Jeannine Lake, Penguin Lake, Silicate-Brutus and Three Big Lakes ("Cluster 3 Properties").

In order to reduce land maintenance expenditure commitments, the Company and Cartier agreed to an approximate 40% reduction in the acreage of the original Cluster 3 Properties, abandoning Aubertin-Tougard, Silicate-Brutus and Three Big Lake properties within Cluster 3.

At March 31, 2016, the Company and Cartier were in discussions with respect to the unpaid option payment of \$200,000 that was due on December 10, 2015.

On May 17, 2016, the Company and Cartier amended the option for the Cluster 3 Properties. In order to earn a 55% interest (reduced from a 65% interest), Cartier must:

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

	Option payments \$	Common shares		Exploration expenditures \$
		Number	Fair value \$	
Upon execution of agreement (received)	–	1,000,000	250,000	–
Upon conditional approval from a stock exchange for the listing of the common shares of Cartier (received)	100,000	–	–	–
December 10, 2013 (paid, issued and incurred)	150,000	500,000	80,000	500,000
December 10, 2014 (issued and incurred)	–	500,000	80,000	750,000
Extended from December 10, 2014 to the date that Cartier received its refundable tax credit on eligible expenditures incurred in Québec for the year ended December 31, 2013 (paid)	250,000	–	–	–
December 10, 2015 (paid and issued)	50,000 (Note 1)	500,000	12,500	–
December 10, 2016 (incurred)		–	–	1,800,000 (note 3)
December 10, 2016	450,000 (Note 2)	–	–	–
	1,000,000	2,500,000	422,500	3,050,000 (note 4)

Note 1: reduced to \$50,000 from \$250,000.

Note 2: increased from \$250,000 to \$450,000.

Note 3: reduced from \$4,750,000 to \$1,800,000.

Note 4: reduced from \$6,000,000 to \$3,050,000.

b) repay the Term Loan.

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

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

At June 30, 2016, 2016, the Company held 11,519,970 common shares of Cartier, representing 34% of the issued and outstanding common shares of Cartier and 6,176,470 warrants entitling the Company to purchase one common share of Cartier for \$0.22 until April 17, 2016. If the average closing price of common shares of Cartier is greater than \$0.40 for 20 consecutive business days, the warrants must be exercised within 10 calendar days of Cartier providing written notice (or such longer period as Cartier may provide), or they will be cancelled. The warrants expired on April 17, 2016 and there was no financial impact on the Company.

The holdings of the Company in Cartier are subject to the terms of a pre-emptive rights agreement and an agreement respecting board representation rights and standstill obligations entered into on December 10, 2012.

Until December 31, 2017, the Company shall not sell common shares of Cartier without the prior written consent of Cartier, and thereafter, the Company shall not sell more than 2,000,000 common shares during any 30-day period.

Until December 31, 2017, provided that the Company owns at least 10% of the outstanding common shares of Cartier:

- Cartier shall take all commercially reasonable steps to have a nominee of the Company elected as a director ("Nominee") the board of directors of the Company ("Board").
- The Company shall not vote against any shareholder resolution recommended by the Board, except in the event that the Nominee dissented when the Board approved a shareholder resolution that proposes to: (i) reduce the voting or dividend rights of the common shares; (ii) issue shares which carry a number of votes proportionately greater than the capital to be represented thereby or which carry dividend rights at a rate which would substantially impair the dividends ordinarily payable on the common shares; and (iii) approve a transaction with an arm's length third party, which must be passed by at least two-thirds of the votes cast and in respect of which a shareholder has dissent rights.
- The Company shall not vote in favour of the election of nominees to the Board who are not proposed by the then Board.

- d) The Company shall not (i) participate in a take-over bid for any securities of Cartier; (ii) solicit proxies from any shareholder or attempt to influence the voting by any shareholders other than in support of initiatives recommended by the Board or (iii) seek to influence or control the management, Board or the policies or affairs of Cartier; or (iv) make any public or private announcement or disclosure with respect to the foregoing.

On December 19, 2013, Cartier announced an initial Mineral Resource Estimate for the Penguin Lake Project. As reported by Cartier, the Mineral Resource Estimate reported 531.1 million tonnes grading 33.1% FeT of In-pit Inferred Resources at a 15% FeT cut-off grade. The Mineral Resource Estimate was based on 10 drill holes totalling 3,315 m, completed by Cartier in early 2013. A summary of the Mineral Resource Estimate and resource estimation methodology can be found in Cartier's press release dated December 19, 2013, which is available on their corporate website at www.cartieriron.com and is also be posted under Cartier's filings at www.sedar.com.

Significantly, the 10 drill holes that define the Mineral Resource Estimate drilled only the southern portion of the deposit. The deposit occurs in the form of a multiply refolded tightly overturned synform that produces a bowl-like shape of shallow dipping iron formation host rock. No recent drilling has been completed in the northern portion of the deposit; however, the strong correlation of magnetic response to where iron formation surfaces and a historic drill hole located in the northwest portion of the deposit allow for projection of the modelled iron formation and an estimate of the exploration target potential². The interpreted 3D model of iron formation includes an additional 700 to 900 million tonnes of similar grade as suggested by the current Inferred Resource, predominantly in the undrilled portion of the deposit to the north and northwest where additional resources might be identified. Additional work to be undertaken by Cartier in the near-term at Penguin Lake includes metallurgical studies followed by a Preliminary Economic Assessment to establish the parameters required for the future development of the project.

On March 24, 2014, Cartier announced that it had engaged BBA Inc. to complete a Preliminary Economic Assessment ("PEA") of the Penguin Lake Project. On November 28, 2014, Cartier announced that with the responsible allocation of capital funds at the forefront of its exploration strategies, it was re-scoping its current PEA study in order to incorporate the forthcoming findings from the multi-user rail feasibility study. While the rail study proceeds, Cartier will continue with metallurgical testwork studies and focus on base-case process flowsheet aspects for the Penguin Lake deposit. Metallurgical test results announced by the Cartier on April 28, 2015, indicate that the iron at the Penguin Lake deposit will be most efficiently liberated by a 2-stage process designed to yield iron-fines to produce a final sinter product.

The metallurgical tests were targeted towards producing a concentrate of 65% iron (Fe) and 4.5% silica (SiO₂) from an average sample-grade of 30% Fe. Stage-1 gravimetric separation tests by Wilfley Table on 18 samples returned average grades of 65.3% Fe, 4.5% SiO₂ and 1.1% MgO. Iron concentrate of similar grade (65% Fe / <4.5% SiO₂) will be sought from the second-stage regrinding and magnetic separation process. Additional tests to determine the process model for optimal second-stage iron recovery are on-going. Overall iron recoveries of >80% are targeted for the 2-stage circuit. The maximum 4.5% SiO₂ content for the Penguin Lake concentrate is a value imposed by Cartier, guided by today's selective-market requirement for the highest-quality iron concentrate.

On November 17, 2015, Cartier Iron announced the results of a helicopter-supported, four hole diamond-drilling programme on the Round Lake property designed to test magnetite/hematite-rich members of the Sokoman (iron) Formation that underlie the property at the Black Dan, Hearts Lake, Thémines #2 and Lac Penguin West occurrences. Results reported iron formation intersections totaling 400 metres grading 29.7% Total Iron, including 117 metres of 31.7% Iron at the Penguin Lake Project.

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

One director of the Company is a director of Cartier.

Risks and Uncertainties

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

² Exploration Target Potential is not a Mineral Resource. There is insufficient work completed to estimate the quantity and grade or quality of the exploration target on the basis of geological evidence and sampling. There is no guarantee that further exploration will define additional mineral resources from any portion of the exploration target potential.

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

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

Results of Operations

	3 months ended September 30,		6 months ended September 30,	
	2016	2015	2016	2015
	\$	\$	\$	\$
Other income				
Interest	82,732	8,223	147,604	76,087
Other	46,601	141,005	47,801	290,824
	129,333	149,228	195,405	366,911
Expenses				
Professional fees	12,642	132,162	121,495	148,412
Salaries	81,950	95,670	175,026	195,502
Consulting fees	150,901	140,420	287,192	277,367
Share-based compensation	56,730	66,835	1,163,460	132,232
General and administrative	258,170	203,452	581,181	413,159
Investor relations	8,618	15,747	13,468	29,068
Travel	62,575	94,077	197,711	152,808
Exploration	11,548	13,250	24,223	14,150
Care and maintenance of Bloom Lake	4,855,858	-	8,208,183	-
Depreciation	545,489	-	1,214,777	-
Accretion of rehabilitation obligation	165,000	-	302,500	-
Foreign exchange loss (gain)	(44,705)	11,570	4,957	16,431
Gain on sale of property, plant and equipment	-	-	(37,500)	-
Unrealized loss on investments	412,300	219,600	(211,000)	553,500
Impairment of investment in associate	-	512,000	-	512,000
Transaction costs	1,283,880	-	2,623,874	-
	7,860,957	1,504,784	14,669,546	2,444,628
Loss before share of net loss of an associate	(7,731,624)	(1,355,556)	(14,474,140)	(2,077,718)
Share of net loss of associate accounted for using the equity method	-	(129,941)	-	(209,615)
Loss	(7,731,624)	(1,485,497)	(14,474,140)	(2,287,333)

6 months ended September 30

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

- an increase in stock-based compensation in respect of 7,500,000 stock options issued to employees of the Company in connection with the acquisition of Bloom Lake.
- an increase in care and maintenance of Bloom Lake, depreciation, accretion of rehabilitation obligation and transaction costs as a result of the acquisition of Bloom Lake on April 11, 2016.

3 months ended September 30

- an increase in stock-based compensation in respect of 7,500,000 stock options issued to employees of the Company in connection with the acquisition of Bloom Lake.
- an increase in care and maintenance of Bloom Lake, depreciation, accretion of rehabilitation obligation and transaction costs as a result of the acquisition of Bloom Lake on April 11, 2016.

Summary of Quarterly Results

	Q3 2015 \$	Q4 2015 \$	Q1 2016 \$	Q2 2016 \$	Q3 2016 \$	Q4 2016 \$	Q1 2017 \$	Q2 2017 \$
Other income	2,174	256,722	217,682	149,288	159,369	199,328	66,073	129,333
Loss								
- Total	1,424,398	5,007,011	801,837	1,485,496	866,743	4,273,161	6,742,516	7,731,624
- Per share	0.01	0.03	0.004	0.007	0.004	0.022	0.019	0.02

The decrease in the loss for Q1 2016 reflects the Company's efforts to reduce expenditures to conserve cash.

The increase in the loss for Q1 2017 reflects care and maintenance of Bloom Lake, depreciation, accretion of rehabilitation obligation and transaction costs as a result of the acquisition of Bloom Lake on April 11, 2016.

In, addition, the variation in the total loss from quarter to quarter is primarily a result of variations in the following items:

	Q3 2015 \$	Q4 2015 \$	Q1 2016 \$	Q2 2016 \$	Q3 2016 \$	Q4 2016 \$	Q1 2017 \$	Q2 2017 \$
Stock-based compensation	87,244	220,081	65,397	66,385	69,711	69,711	1,106,730	56,730
Unrealized loss (gain) on investments	527,600	(14,500)	333,900	219,600	(37,400)	167,700	(623,300)	412,300
Impairment of investment in associate	—	794,000	—	512,000	—	—	—	—
Impairment of exploration and evaluation	—	(2,933,664)	—	—	—	1,906,806	—	—
Transaction costs	—	—	—	—	—	2,123,588	1,339,994	1,283,880

Liquidity and Capital Resources

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

The Company's monthly "burn rate" is approximately \$235,000 for expenses, \$100,000 for exploration and evaluation and \$1,250,000 for care and maintenance costs related to Bloom Lake.

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

Related Party Transactions

	6 months ended September 30, 2016 \$	Outstanding as at September 30, 2016 \$
General and administrative-office rent in Australia		
Welcome Hotel, a company controlled by Michael O'Keeffe, a director	27,270	—

See Cluster 3 on page 7 for related party transactions with Cartier.

The Company recorded other income of \$nil for management services provided in its capacity of general partner of SFNQ. As at September 30, 2016, \$51,708 was due from SFNQ.

Remuneration of key management personnel

6 months ended September 30, 2016	Short term \$				Termination payments \$	Post employment \$	Equity settled share based \$	Total \$	Performance related	Consisting of shares and options
	Salary	Consulting fees	Bonus	Non- monetary						
Michael O'Keeffe	100,002	—	—	52,410	—	(g) 7,452	476,753	636,617	—	74.9%
Gary Lawler	37,500	—	—	—	—	(g) 3,564	—	41,064	—	—
Andrew Love	37,500	—	—	—	—	(g) 3,564	—	41,064	—	—
Paul Ankcorn (a)	10,000	—	—	—	—	(h) 495	—	10,495	—	—
Michelle Cormier (b)	—	—	—	—	—	—	—	—	—	—
Alexander Horvath (c)	—	120,000	—	—	—	—	8,334	128,334	—	6.5%
David Cataford	120,000	—	—	5,148	—	(h) 2,691	280,000	482,839	15.5%	58.0%
Miles Nagamatsu (d)	—	45,000	—	3,486	—	—	—	48,486	—	—
Jorge Estepa (e)	—	36,000	—	3,486	—	—	—	39,486	—	—
Pradip Devalia	40,002	—	—	—	—	(g) 3,798	—	43,800	—	—
Beat Frei (f)	—	120,000	—	—	—	—	358,334	578,334	17.3%	62.0%
	354,004	321,000	—	64,530	—	12,375	1,123,421	2,050,519		

(a) Resigned on June 15, 2016.

(b) Appointed on April 13, 2016.

(c) Paid to A.S. Horvath Engineering Inc., a company controlled by Alexander Horvath.

(d) Paid to Marlborough Management Limited, a company controlled by Miles Nagamatsu.

(e) Paid to J. Estepa Consulting Inc., a company controlled by Jorge Estepa.

(f) Paid to Comforta GmbH, a company controlled by Beat Frei.

(g) Amount relates to superannuation.

(h) Amount relates to employer portion of contributions to the Canada Pension Plan.

Changes in Accounting Policies including Initial Adoption

New standards and interpretations not yet adopted

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

IFRS 9, Financial Instruments ("IFRS 9")

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

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

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

Critical Accounting Estimates

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

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

Estimates

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

Estimates of mining tax credit receivables

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

Fair value of investment in options and warrants

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

Estimates of mineral resources

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

Impairment of exploration and evaluation

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

Estimate of royalty payable

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

Share-based payments

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

Financial instruments and risk management

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

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

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

Investments

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

Stock options

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

Classification of fair value of financial instruments

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

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

As at September 30, 2016

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial asset at fair value through profit and loss				
Cash and cash equivalents and short-term investments	27,367,817	–	–	27,367,817
Investments				
Common shares	1,155,500	–	–	1,155,500

Financial risk management

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

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

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

Credit risk

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

Liquidity risk

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

Market risk

Market risk is the risk that changes in market prices, such as equity prices, foreign exchange rates and interest rates will affect the Company's income or the value of its financial instruments. The Company is exposed to equity price risk with respect to investments. The Company estimates that if the fair value of its investment as at September 30, 2016 had changed by 10%, with all other variables held constant, the loss would have decreased or increased by approximately \$115,000.

Interest rate risk

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

Capital management

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

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

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

Controls and Procedures

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

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

Shares Outstanding at November 14, 2016

Ordinary Shares

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

Outstanding: 385,929,932 Ordinary Shares.

Exchangeable Shares

The Company has 4,407 exchangeable shares issued and outstanding. Each exchangeable share will be exchanged into an ordinary share at no cost to the holder. All exchangeable shares in existence on March 31, 2017 will be automatically converted into ordinary shares on that date.

Share Incentive Plan and Stock Option Replacement Plan

Stock Option Replacement Plan - Authorized:

Pursuant to the Replacement Plan, stock options were granted to persons whose options in Champion Iron Mines Limited were outstanding on March 31, 2014, after which, no further stock options under can be issued.

Stock Option Replacement Plan - Outstanding:

Exercise price	Expiry date	Options outstanding	Options exercisable
\$0.5455	December 20, 2016	1,173,333	1,173,333
\$1.7728	December 23, 2016	661,833	661,833
		1,835,166	1,835,166

Share Incentive Plan - Authorized:

The Company is authorized to issue stock options equal to 20% of the issued and outstanding ordinary shares (77,185,986 shares as of the date of this MD&A) for issuance to participants under the Share Incentive Plan. The ordinary shares issuable under the Replacement Plan are not counted towards the number of ordinary shares issuable under the Share Incentive Plan.

Share Incentive Plan - Outstanding:

Exercise price	Expiry date	Options outstanding	Options exercisable
A\$0.50	April 9, 2017	1,000,000	1,000,000
A\$0.50	June 18, 2017	150,000	150,000
A\$0.30	October 31, 2017	1,000,000	333,333
A\$0.30	December 11, 2017	2,000,000	2,000,000
A\$0.30	August 20, 2018	1,000,000	—
A\$0.50	November 29, 2018	2,300,000	800,000
A\$0.20	April 11, 2020	7,500,000	7,500,000
		14,950,000	11,783,333

On September 1, 2014, 1,000,000 options were granted outside of the Company's Share Incentive Plan, each exercisable to purchase one ordinary share at an exercise price of \$0.45 expiring on September 1, 2018.

Compensation options

On April 11, 2016, 15,000,000 Compensation Options were issued in connection with the Private Placement, each exercisable to purchase one ordinary share at an exercise price of \$0.25 expiring on February 1, 2020.

On April 11, 2016, 6,000,000 Compensation Options were issued to Ressources Québec Inc. in connection with the private placement completed by QIO, each exercisable to purchase one ordinary share at an exercise price of \$0.25 expiring on February 1, 2020.