

# ***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 (formerly Mamba Minerals Limited)(the "Company") for the year ended March 31, 2014 and should be read in conjunction with the audited financial statements and the accompanying notes. The MD&A is the responsibility of management and is dated as of June 27, 2014.

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](http://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 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 common shares are listed for trading on the Australian Stock Exchange and the Toronto Stock Exchange under the symbol CIA.

### **Overall Performance**

#### ***Arrangement between Mamba Minerals Limited and Champion Iron Mines Limited***

On March 31, 2014, pursuant to an Arrangement Agreement ("Arrangement"), Mamba Minerals Limited ("Mamba"): (a) acquired all of the issued and outstanding common shares of Champion Iron Mines Limited ("Champion") on the basis of an exchange ratio of 0.733333 Mamba share and/or Exchangeable share (or combination thereof) for each outstanding Champion common share, and (b) replaced each outstanding Champion warrant and Champion stock option on the basis that the holder will be entitled to acquire 0.733333 Mamba share on the same terms and conditions ("Replacement Warrants" and "Replacement Stock Options").

Prior to the closing of the Arrangement, Mamba:

- a) issued 3,200,000 shares in exchange for 32,000,000 Mamba performance shares outstanding.
- b) issued 3,560,448 shares with a fair value of \$1,830,000, based on a price of A\$0.50 per share, to remove provisions from Champion consulting contracts regarding payments on termination in the event of a change of control subsequent to completion of the Arrangement ("Change of Control Payments").
- c) completed a private placement consisting of 20,000,000 shares at a price of A\$0.50 per share for gross proceeds of A\$10,000,000 and paid a financing fee of 5% of the gross proceeds equal to A\$500,000.

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

The Company's shares are now quoted on the Australian Stock Exchange and the Toronto Stock Exchange under the symbol CIA.

## Fermont Property Holdings

The Company owns a 100% interest in 14 properties (each a “Property”), covering 747 square kilometres (collectively, the “Fermont Holdings”) located in the Fermont Iron Ore District of northeastern Quebec, which is 250 km north of the St. Lawrence River port town of Port-Cartier, and ranging from 6 to 80 kilometres southwest of Fermont. The Consolidated Fire Lake North Property (“Consolidated Fire Lake North” or “CFLN”) is the Company’s flagship project.

The Fermont Holdings are subject to a 3% royalty (“Royalty”) payable to two arm’s length parties on a 50/50 basis, of which the Company has the option to purchase a 0.5% interest from one of the parties for \$1,500,000, which would reduce the Royalty to 2.5%.

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 3.

The Fermont Holdings are located in proximity to and locally contiguous to an operating iron mine and a number of former operating iron mines and projects currently being developed for iron mining.

Table 1 sets out the current NI 43-101 compliant In-Pit Mineral Resource Estimates for the Fermont Holdings by Property<sup>1</sup>:

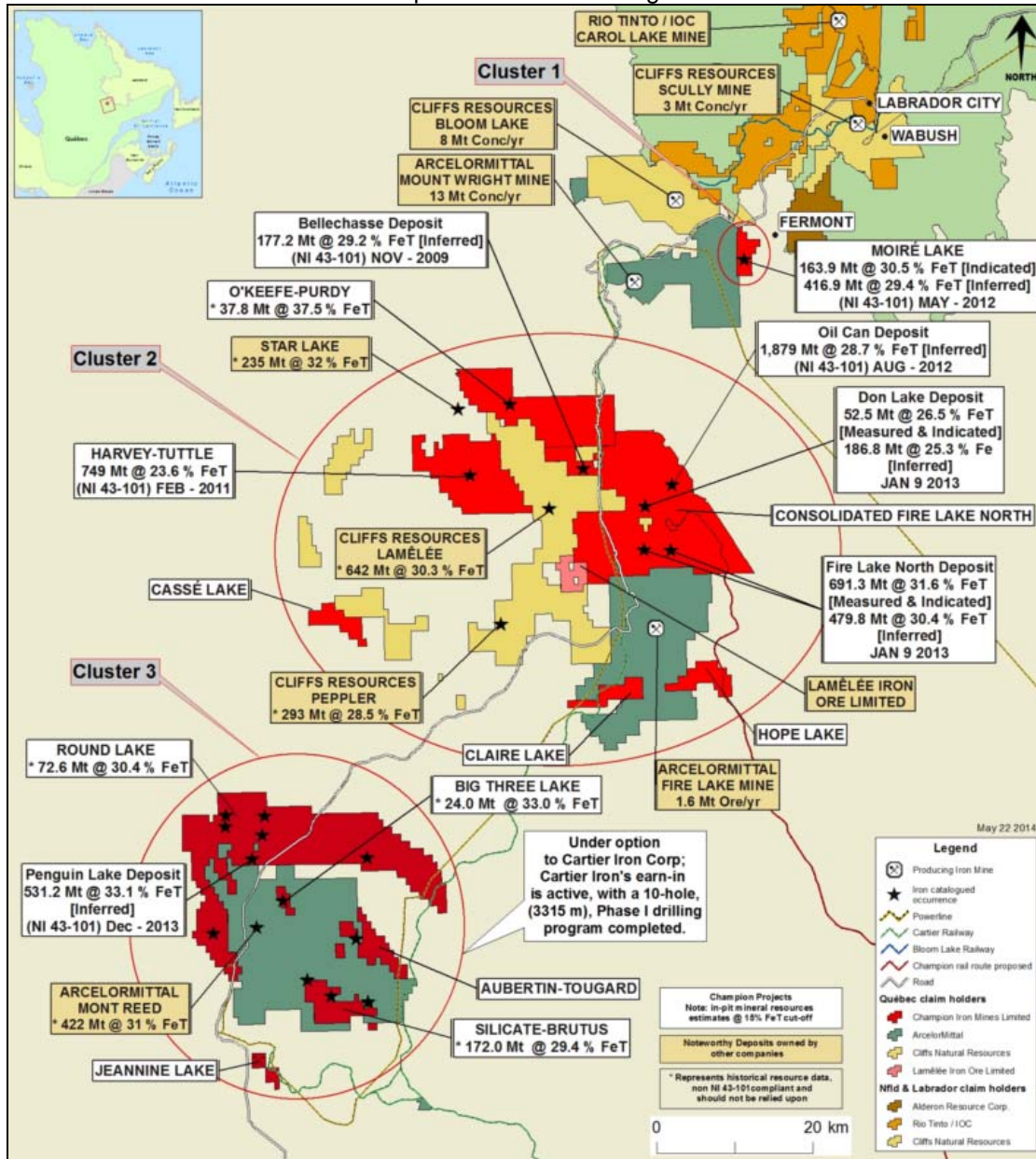
Table 1: In-Pit Mineral Resource Estimates – Fermont Holdings

Property	Cluster	Deposit	Current Mineral Resources Estimates at 15% Iron Cut-Off					
			Measured		Indicated		Inferred	
			tonnes millions	grade FeT%	tonnes millions	grade FeT%	tonnes millions	grade FeT%
Moire Lake	1	<b>Lac Moire</b>	-	-	<b>163.9</b>	<b>30.5</b>	<b>416.9</b>	<b>29.4</b>
Consolidated Fire Lake North	2	Fire Lake North-West	23.5	35.4	403.6	32.6	301.1	31.2
		Fire Lake North-East	3.0	34.2	261.2	29.6	178.7	29.0
		Fire Lake North-Don Lake	0.4	21.4	52.1	26.5	186.8	25.3
		<b>Subtotal-Fire Lake North</b>	<b>26.9</b>	<b>35.1</b>	<b>716.9</b>	<b>31.1</b>	<b>666.6</b>	<b>29.0</b>
		Oil Can (Oxide)	-	-	-	-	967.0	33.2
		Oil Can (Mixed)	-	-	-	-	912.0	24.1
		Bellechasse	-	-	-	-	177.2	29.2
		Midway	-	-	-	-	-	-
		<b>Total -CFLN</b>	<b>26.9</b>	<b>35.1</b>	<b>716.9</b>	<b>31.1</b>	<b>2,722.8</b>	<b>28.9</b>
Harvey-Tuttle	2	<b>Harvey-Tuttle</b>	-	-	-	-	<b>749.0</b>	<b>23.6</b>
O’Keefe-Purdy	2		-	-	-	-	-	-
Hope Lake	2		-	-	-	-	-	-
Casse Lake	2		-	-	-	-	-	-
Claire Lake	2		-	-	-	-	-	-
Audrey-Ernie <sup>2</sup>	3		-	-	-	-	-	-
Three Big Lakes <sup>2</sup>	3		-	-	-	-	-	-
Aubertin-Tougard Lakes <sup>2</sup>	3		-	-	-	-	-	-
Jeannine Lake <sup>2</sup>	3		-	-	-	-	-	-
Silicate-Brutus Lakes <sup>2</sup>	3		-	-	-	-	-	-
Penguin Lake <sup>2</sup>	3	<b>Penguin Lake</b>	-	-	-	-	<b>531.2</b>	<b>33.1</b>
Black Dan <sup>2</sup>	3		-	-	-	-	-	-
<b>Fermont Holdings In-Pit Resource Totals</b>			<b>26.9</b>	<b>35.1</b>	<b>880.8</b>	<b>31.0</b>	<b>4,419.9</b>	<b>28.5</b>

<sup>1</sup> 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.

<sup>2</sup> Currently under option to Cartier Iron Corporation.

Map 1 – Fermont Holdings



Copies of the NI 43-101 Mineral Resource Estimate reports for Consolidated Fire Lake North, Moiré Lake, Bellechasse and Harvey-Tuttle are available under Champion's filings on SEDAR at [www.sedar.com](http://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 Cliffs Natural Resources Inc.'s operating 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 within 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. The study is based on an initial 20-year mine life and produced a Net Present Value ("NPV") of \$3.295 billion using an 8% discount rate. The financial model shows an Internal Rate of Return ("IRR") of 30.9% and a capital payback period of 3.4 years.

The PFS reports that the iron process recovery of 82% yields an average production of 9.3 million tonnes per year ("Mtpa") of iron concentrate grading 66% total Iron ("FeT") during a 19.6-year mine life. The current optimized engineered pits used in the PFS yield reserves of 464.6 M tonnes grading 32.37% FeT at a 15% FeT cut-off grade with a weight recovery of 39.9%. The first five years of production will average 9.8 Mtpa of concentrate. The engineered pits recover 67% of the current In-pit Optimized Measured and Indicated Resources totalling 691.3 Mt grading 31.5% FeT. The engineered pits limit the inclusion of In-pit Inferred resources to 45.8 Mt which are categorized as waste.

The financial model illustrates the robust economics of the Fire Lake North West and East iron ore deposits on their own merit. With the adjacent resources within the CFLN project boundaries, the mid-term and long-term growth profile of this project are promising.

The financial analysis in the PFS study used a sale price of \$115 per tonne of iron concentrate (\$/tonne is FOB Sept-Îles) for the first 5 years, and \$110 per tonne for years 6 to 20. The PFS study has an accuracy of +15/-10%, which is considered industry standard for capital and operating cost estimates in a feasibility study. The only component that was not at a feasibility study precision level in the PFS is a proposed multi-user rail infrastructure component.

In order to complete the PFS in a timely manner, Champion included the metrics from its Rail Cantech feasibility study completed in August 2012. This study is based on a 310 km railway designed for an initial capacity of 20 Mtpa that is located on the east side of the Ste. Marguerite River, starting at the CFLN project loading station and ending in the Pointe Noire area of the Sept-Îles port. Therefore, the PFS includes an estimated cost of \$9.47/tonne of concentrate for rail debt service in addition to \$4.80/tonne for operations, totalling \$14.27/tonne based on 9.3 Mtpa mine-life average production of iron concentrate. This is a higher cost than the estimated rates for a multi-user rail transportation solution. Nonetheless, it shows that the project economics are strong enough to support the construction of a new 310 km railway on its own.

Excluding the rail transportation capital cost component, the total capital expenditures during the pre-production period were estimated at \$1.39 billion of which \$227.3 million is allocated to the Pointe Noire concentrate stockyard facilities. The cost to develop the CFLN concentrator and site facilities near Fermont totals \$1.167 billion, which equates to a capital intensity of \$125/tonne for the 9.3 million tonnes of annualized production of iron ore concentrate.

This PFS study takes into consideration the usage of the Sept-Îles multi-user Port facility project that is currently in construction and planned for completion in 2014. However, 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 (see Sept-Îles Port Authority section below).

Table 2 below details the PFS pre-production capital costs:

<b>Table 2: Pre-production Capital Costs</b>	
	<b>C\$ million</b>
Mine equipment and pre-stripping	133.7
Site infrastructure	192.0
Concentrator including load out facilities	410.7
Environmental and Tailings Management	85.0
Other Pre-production Costs (rail rolling stock lease)	13.4
Port Facilities: Car dumper, stacker/reclaimer, stockyard	158.3
Railway (Owner's cost for 310 km distance including turnaround loop and sidings)	200.0
Sub Total	1,193.2
Indirect Costs (including Owner's Costs)	300.2
Contingency (10%)	114.6
Grand Total (100% of the project)	1,607.9

Operating costs as per the PFS are outlined in Table 3:

<b>Table 3: Operating Costs</b>		<b>(\$/Tonne of Concentrate)</b>	
<b>Cost Parameters</b>		<b>Average 20 years</b>	<b>Average years 1 to 5</b>
Mining		18.89	12.76
Concentrator crushing and processing		4.38	3.89
Site Infrastructure Maintenance, & General Administration		4.05	3.66
Environmental Tailings and Management		0.13	0.12
Rail Transport including lease for rolling stock		4.80	5.42
Port facilities <sup>1</sup>		2.34	2.14
Total Direct Operating Cost		34.58	27.99
Railway capital repayment ( \$1,133.6 million)		6.22	7.40
Railway interest payment (\$592.6 million)		3.25	7.29
Total operating cost		44.05	42.68

<sup>1</sup> 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.

Optimization of the mine-life production schedule resulted in a strip ratio of 1.56:1 (waste/ore) for the first three years of production, 2.02:1 for the first five years of operation; and a 2.74:1 strip ratio for the current 20-year mine-life.

Results from the PFS indicate that the CFLN project is a very technically feasible and economically robust project with a Base Case scenario including one production line yielding 9-10 Mtpa of concentrate from 464.6 M tonnes of in-pit reserves processed over a 20 year mine-life. The PFS study is based on a stand-alone operation at CFLN and does not consider the current Mineral Resources identified at other iron deposits located on the CFLN Property. The outstanding mid-term and long-term growth profiles for the Company are evident from mineral resources identified within the CFLN Property and surrounding Fermont Holdings.

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.

#### *Work towards a Rail Solution*

The Company remains committed to formulating and finalizing a suitable rail solution for CFLN and its Fermont Holdings projects. On June 6, 2014, the Company reported that it welcomed the decision by the Quebec government to commit up to \$20 million towards the funding of a Feasibility Study to determine the optimum rail option of a new rail link for iron ore miners in the Labrador Trough to access global markets. The Company viewed this announcement as a significant step towards demonstrating a cost-effective solution for iron ore developers to transport ore to the Port of Sept-Îles, including from the Fermont Holdings projects.

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

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

#### *Consolidated Fire Lake North – Ongoing Development*

During the years ended March 31, Champion made the following expenditures on CFLN:

	<b>2014</b>	<b>2013</b>
	\$	\$
<b>Expenditure</b>		
Drilling	1,643,497	6,773,943
Geology and geophysics	728,576	2,335,680
Assays	–	357,145
Camp and supplies	478,010	1,044,541
Helicopter, vehicles and fuel	397,272	592,801
Access road	–	1,693,363
Bulk sample and testing	67,814	820,692
Environmental impact assessment	–	1,165,240
Railroad study and development	559,284	524,472
Feasibility study	–	2,409,560
Geotech hydro study	23,523	929,963
Project management	747,880	621,090
Engineering	191,862	363,141
Other	719,508	3,202,211
	<b>5,553,225</b>	<b>22,833,843</b>

With the completion of the PFS in early 2013 (see Consolidated Fire Lake North Property – Preliminary Feasibility Study above), Champion has significantly curtailed development and exploration-related expenditures at CFLN. Expenditures for the year ended March 31, 2014 totaled \$5,553,225 which represents a substantial reduction to the comparable period in 2013 (\$22,833,843) when the Company was undertaking exploratory and development work related to the completion of the PFS. The Company anticipates that it will continue to implement cash conservation measures while remaining 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.

Development of several of the Cluster 2 properties – namely the CFLN project is on-going. 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. It is for this reason that the Company remains dedicated to 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.

On February 6, 2014 the Company announced that drilling had resumed at the CFLN Property as part of the plan to complete a Feasibility Study for the project by year end. The Company intends to finance its Feasibility Study from its working capital resources.

#### **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.

Moire Lake is not currently designated as a priority for the Company and the Company has not budgeted and does not anticipate incurring any significant expenditures at Moire Lake.

### **Cluster 2 - Harvey-Tuttle Property**

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 same cut-off used for the Fire Lake North PEA.

Further exploration at Harvey Tuttle has been deferred in order to better allocate available capital resources on the Company's higher priority project at CFLN.

### **Cluster 3- Cartier Iron Corporation Option**

On September 28, 2012, the Champion granted an option to Cartier Iron Corporation ("Cartier") to acquire a 65% interest in Aubertin-Tougaard, Audrey-Ernie, Black Dan, Jeannine Lake, Penguin Lake, Silicate-Brutus and Three Big Lakes ("Cluster 3 Properties"). In order to earn its interest, Cartier must make option payments, issue common shares and incur exploration expenditures, as follows:

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

Upon Cartier earning its 65% interest, a joint venture will be formed to incur additional exploration expenditures. If Champion 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 Champion 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.

The Company has not received the option payment or common shares due on December 10, 2013 and is currently in discussions with Cartier to resolve the matter.

The Company currently owns common shares of Cartier, representing approximately 19.9% of its issued and outstanding shares. The Company has an amount due from Cartier of \$2,100,000 in connection with advances made to Cartier. Of the amount due from Cartier, \$100,000 is unsecured, bears interest at the rate of LIBOR plus 2% and is due on September 13, 2014. The remainder of the amount due is unsecured, non-interest bearing and is due on demand. One director and one officer of the Company are directors of Cartier.

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

Following the closing of the Private Placement, the remainder of the amount due from Cartier will be converted to a demand loan, which is unsecured, bears interest at the rate of LIBOR plus 2% and is due 6 months after the Company demands repayment (the "Demand Loan"). The Company will have the right to convert the Demand Loan plus accrued but unpaid interest into Cartier common shares at a conversion price equal to the lowest subscription price per Cartier common share paid for the most recent capital raising undertaken by Cartier at the time of the conversion, subject to the minimum pricing rules and stock exchange approval.



Pursuant to a Pre-emptive Rights Agreement, Cartier granted Champion the right to participate in any private placement of Cartier shares until December 31, 2014 in order for Champion to maintain its proportionate interest in the issued and outstanding shares of Cartier. Champion also reserved the right to participate in any private placement of Cartier shares to increase its holdings of Cartier issued and outstanding shares up to 38% until Cartier has at least 30,000,000 shares issued and outstanding. Pursuant to a Board Representation and Standstill Agreement, until December 31, 2017, Champion will have the right to nominate one director to Cartier's board of directors and will be restricted from voting in certain circumstances, including not voting against the election of any nominee to the board of directors proposed by Cartier or against any resolutions supported by Cartier's board of directors, subject to certain exceptions. The agreement also provides for restrictions on sales of Cartier shares not acquired in the open market by Champion without Cartier's consent until December 31, 2017 and then limited monthly sales thereafter.

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](http://www.cartieriron.com) and is also be posted under Cartier's filings at [www.sedar.com](http://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 potential<sup>1</sup>. 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.

Two officers of the Company are directors of Cartier.

### **Snelgrove Lake**

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

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

Up to March 31, 2014, Mamba has incurred exploration expenditures of approximately \$6,400,000.

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

<sup>1</sup> *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.*



## **Attikamagen**

The Company owned a 100% interest in 946 claims covering 310 square kilometres in Labrador and Quebec. The Company originally acquired 4 licences covering 52 claims ("Original Claims") and acquired an additional 894 claims primarily by staking. The Original Claims are encumbered with an aggregate royalty of \$1.50 per tonne of iron content in any and all iron ore, pellets or other products produced from those claims, which royalty may be purchased for \$2,500,000.

On May 12, 2008, the Company granted an option to Labec Century Iron Ore Inc. ("Labec") to earn up to a 60% interest in Attikamagen. Effective November 29, 2013, the Company sold its remaining interest in Attikamagen to Labec, a subsidiary of Century Iron Mines Corporation ("Century"), for 2,000,000 Century common shares with a fair value of \$1,000,000 and 1,000,000 Century warrants entitling the Company to purchase one million common shares of Century at exercise prices ranging from \$0.75 to \$2.50 with corresponding exercise period commencing in November 2013 and expiring November 2018.

The Century shares are subject to a hold period ending on November 29, 2015, after which, in the event that the Company seeks to sell Century shares, Century will have a right of first refusal to arrange sales.

Century assumed the existing royalty on Attikamagen and granted the Company a 1% royalty on the sale of minerals mined from Attikamagen until \$2,500,000 has been paid, and thereafter, a 2% royalty on the sale of minerals mined from Attikamagen.

In connection with the sale, the Company paid a 7% finder's fee consisting of 140,000 Century common shares and 70,000 Century warrants. On the date of the sale, the carrying value of Attikamagen was \$505,191 and the Company recorded a gain of \$553,398.

## **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.

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 March 31,		Years ended March 31,	
	2014	2013	2014	2013
	\$	\$	\$	\$
<b>Other income</b>				
Interest	25,685	18,498	236,425	250,281
Gain on sale of exploration and evaluation	(64,851)	-	553,398	-
Gain on waiver of right of first refusal	-	-	440,000	-
Other income	-	54,928	-	113,328
	(39,166)	73,426	1,229,823	363,609
<b>Expenses</b>				
Professional fees	60,093	376,044	687,749	627,394
Consulting fees	350,500	300,500	1,689,025	1,326,792
Share-based compensation	-	-	239,000	-
General and administrative	210,975	270,645	804,792	1,111,789
Investor relations	431,315	412,375	1,595,602	1,421,215
Travel	144,702	81,667	544,633	333,842
Interest	-	-	12,263	-
Unrealized loss (gain) on investments	(1,867,865)	802,296	(739,524)	3,446,910
Reverse acquisition transaction cost	44,989,182	-	44,989,182	-
	44,318,902	2,243,526	49,822,721	8,267,941
Loss and comprehensive loss	(44,358,068)	(2,170,100)	(48,592,898)	(7,904,332)

### Years ended March 31

Factors that affected the loss compared to the comparative year include the following:

- gains on sale of exploration and evaluation and waiver of right of first refusal.
- decrease in other income as no management fees were earned on Attikamagen.
- increase in consulting fees for as a result of \$400,000 paid to Kingsdale Shareholder Services Inc. for services related to a potential dissident shareholder action.
- Increase in stock-based compensation for stock options issued during the year.
- decrease in general and administrative due to efforts to conserve cash.
- an unrealized gain on investments compared to an unrealized loss in the previous year.
- reverse acquisition loss on the Arrangement between the Company and Mamba.

### 3 months ended March 31

- decrease in professional fees for legal fees related to corporate governance and transactional matters.
- an unrealized gain on investments compared to an unrealized loss in the comparative period.
- reverse acquisition loss on the Arrangement between the Company and Mamba.

## Summary of Quarterly Results

	Q1 2013 \$	Q2 2013 \$	Q3 2013 \$	Q4 2013 \$	Q1 2014 \$	Q2 2014 \$	Q3 2014 \$	Q4 2014 \$
Other income	152,832	100,308	37,043	73,426	16,878	156,504	1,095,486	(39,166)
Loss								
- Total	2,464,989	1,578,350	1,690,893	2,170,101	2,132,450	1,760,191	342,188	44,358,068
- Per share	0.01	-	-	0.01	0.01	-	-	0.44

The variation in the total loss from quarter to quarter is primarily a result of variations in gains, stock-based compensation, bonuses and unrealized loss on investments:

	Q1 2013 \$	Q2 2013 \$	Q3 2013 \$	Q4 2013 \$	Q1 2014 \$	Q2 2014 \$	Q3 2014 \$	Q4 2014 \$
Gain on sale of exploration and evaluation	—	—	—	—	—	—	618,249	—
Gain on waiver of right of first refusal	—	—	—	—	—	—	440,000	—
Stock-based compensation	—	—	—	—	—	—	239,000	—
Unrealized loss (gain) on investments	1,464,000	475,614	705,000	802,296	826,130	374,895	(72,684)	(1,867,865)
Reverse acquisition transaction cost	—	—	—	—	—	—	—	(3,811,438)
Impairment of goodwill	—	—	—	—	—	—	—	(41,177,744)

### 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 \$300,000.

As reported in the Company's audited financial statements for the year ended March 31, 2013, the Company has filed for years ended March 31, 2011 and 2012, and will file for the year ended March 31, 2013, Quebec Corporation Income Tax Returns with Revenu Québec claiming a refundable tax credit on exploration expenditures and Quebec Mining Duties Returns with Ressources naturelles et Faune Québec claiming a credit on duties refundable for losses for a total of \$24,535,089. These claims are subject to audit by Revenu Québec and Ressources naturelles et Faune Québec.

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

	Year ended March 31, 2014 \$	Outstanding as at March 31, 2014 \$
<b>Exploration and evaluation, geological consulting services</b>		
Alex Horvath, Executive Vice President, Exploration and Project Development and a director, and A.S. Horvath Engineering Inc., a company controlled by him	187,500	—
MRB & Associates, a company controlled by Martin Bourgoïn, Executive Vice President, Operations	1,570,758	276,660
Jeff Hussey & Associates Inc., a company controlled by Jeff Hussey, Vice President, Development	275,000	—
<b>Common shares</b>		
Sheldon Huxtable Professional Corporation, a law firm controlled by Donald A. Sheldon, a director	25,020	—

**Legal fees**

Sheldon Huxtable Professional Corporation, a law firm controlled by Donald A. Sheldon, a director

474,192

51,372

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

**Remuneration of key management personnel**

Year ended March 31, 2014	\$ Salary and fees	Short term \$ Bonus	\$ Non- monetary	Consulting fees \$	Post employment \$	Equity settled share based \$	Total \$
Thomas Larsen (a)	—	60,000	13,956	465,891	—	600,000	1,139,847
Paul Ankcorn	32,000	—	—	—	(h) 1,496	14,667	48,163
Harry Burgess	46,645	—	—	—	—	44,000	90,645
William Harding (b)	78,000	—	—	188,391	(h) 3,352	44,000	313,743
Alexander Horvath	—	—	—	180,000	—	180,000	360,000
Francis Sauve	12,000	—	—	—	(h) 558	14,667	27,225
Donald Sheldon (c)(d)	—	—	—	69,939	—	—	69,939
James Wang	—	—	—	—	—	44,000	44,000
Miles Nagamatsu (e)	—	—	13,956	207,648	—	360,000	581,604
Jorge Estepa (f)	—	—	13,956	207,648	—	360,000	581,604

**Notes:**

(a) Paid to Gambier Holdings Corp., a company controlled by Thomas Larsen.

(b) Paid to William Harding or Vanctor Investments Limited, a company controlled by William Harding.

(c) Paid to Sheldon Executive Services Inc., a company controlled by Donald Sheldon.

(d) In addition to the remuneration, legal fees of \$499,212 were paid to Sheldon Huxtable Professional Corporation, a corporation controlled by Donald Sheldon.

(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.

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

**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, 2015:

***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:

#### ***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***

Expenditures on exploration and evaluation are initially capitalized with the intent to establish commercially viable reserves. The Company makes estimates and applies judgment about future events and circumstances in determining whether the carrying amount of exploration and evaluation exceeds its recoverable amount.

#### ***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.

#### ***Deferred income taxes***

Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates at the reporting date in effect for the period in which the temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized as part of the provision for income taxes in the period that includes the enactment date. The recognition of deferred income tax assets is based on the assumption that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

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

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

### *Stock options*

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

### *Classification of fair value of financial instruments*

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

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

### *As at March 31, 2014*

	<b>Level 1</b> \$	<b>Level 2</b> \$	<b>Level 3</b> \$	<b>Total</b> \$
<b>Financial asset at fair value through profit and loss</b>				
Cash and cash equivalents and short-term investments	16,287,821	—	—	16,287,821
Investments				
Common shares	4,651,865	—	—	4,651,865
Warrants	—	324,000	—	324,000
<b>Loans and receivables</b>				
Royalty payable	—	—	9,000,000	9,000,000

### *As at March 31, 2013*

	<b>Level 1</b> \$	<b>Level 2</b> \$	<b>Level 3</b> \$	<b>Total</b> \$
<b>Financial asset at fair value through profit and loss</b>				
Cash and cash equivalents and short-term investments	4,601,089	—	—	4,601,089
Investments				
Common shares	2,334,090	—	—	1,798,890
Warrants	—	111,000	—	111,000

### **Financial risk management**

The Company's activities expose it to a variety of financial risks that arise as a result of its exploration, development, production 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 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 March 31, 2014 had changed by 10%, with all other variables held constant, the loss would have decreased or increased by approximately \$497,000.

***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 common 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 June 25, 2014

### 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: 196,508,539 Ordinary Shares.

### Warrants

Outstanding:

Exercise price	Expiry date	Warrants outstanding
\$4.0909	May 17, 2015	5,133,333
\$0.3409	July 31, 2015	11,000,000
		16,133,333

The 5,133,333 common share purchase warrants entitling Fancamp to purchase one common share for \$4.0909 are non-transferable and can be exercised only between November 17, 2014 and May 17, 2015, provided that if the weighted-average closing price of the common shares is over \$5.45 for 20 consecutive trading days, the warrants must be exercised within 30 calendar days of the Company providing written notice to Fancamp to accelerate the expiry date, or they will be cancelled. In the event that Fancamp provides notice within 10 days of the receipt of the Company's notice that Fancamp does not have sufficient funds to exercise the Champion Warrants, the Company will advance a loan to Fancamp to fund the exercise of such warrants. The loan will be secured by Fancamp's interest in the Royalty on the Fermont Holdings and the shares acquired on exercise of the warrants.

In the event that Fancamp is not able to obtain shareholder approval for a change in control in the event that the Company exercises the Fancamp Warrants, Fancamp has agreed that it will only exercise warrants equal to the number of Fancamp Warrants exercisable by the Company divided by 5.

### Stock options

Outstanding:

Exercise price	Expiry date	Options outstanding and exercisable
\$0.4091	September 16, 2014	839,667
\$0.4501	September 24, 2014	111,833
\$0.5523	November 9, 2014	36,667
\$1.0910	January 14, 2015	1,008,333
\$1.1591	February 2, 2015	36,667
\$1.3637	March 2, 2015	256,667
A\$0.25	August 8, 2015	17,000,000
\$1.3637	October 3, 2015	1,466,667
\$1.3637	October 4, 2015	183,333
\$2.0455	October 4, 2015	366,667
\$2.9591	January 10, 2016	73,333
A\$0.50	December 15, 2015	500,000
\$2.0455	September 9, 2016	715,000
\$0.5455	December 20, 2016	1,173,333
\$1.7728	December 23, 2016	676,500
A\$0.50	November 29, 2018	2,300,000
A\$0.50	April 9, 2017	1,000,000
A\$0.50	June 17, 2017	150,000
		27,894,667