



FINANCIAL REPORT

For the half year ended
30 September 2015

COMPANY DIRECTORY

| | |
|--|---|
| DIRECTORS | Michael O’Keeffe (Executive Chairman and Chief Executive Officer) Gary Lawler (Non-Executive Director) Andrew Love (Non-Executive Director) Paul Ankcorn (Non-Executive Director) |
| COMPANY SECRETARIES | Jorge Estepa and Pradip Devalia |
| REGISTERED & PRINCIPAL OFFICE | Level 1, 91 Evans Street Rozelle NSW 2039 Telephone: +61 2 9810 7816 Facsimile: +61 2 8065 5017 Website: http://www.championiron.com ACN 119 770 142 |
| AUDITORS | Ernst & Young 680 George Street Sydney 2000 NSW |
| SHARE REGISTRIES | Security Transfer Registrars Pty Ltd Suite 1, Alexandria House 770 Canning Highway Applecross WA 6153 Telephone: +61 8 9315 2333 Facsimile: +61 8 9315 2233 TMX Equity Transfer Services 200 University Avenue, Suite 300 Toronto, ON, Canada M5H 4H1 Telephone: (416) 361-0930 Facsimile: (416) 361-0470 |
| STOCK EXCHANGES | The Company’s shares are listed on the Australian Stock Exchange (ASX) and Toronto Stock Exchange (TSX) |
| ASX CODE AND TSX SYMBOL | CIA (Fully Paid Ordinary Shares) |

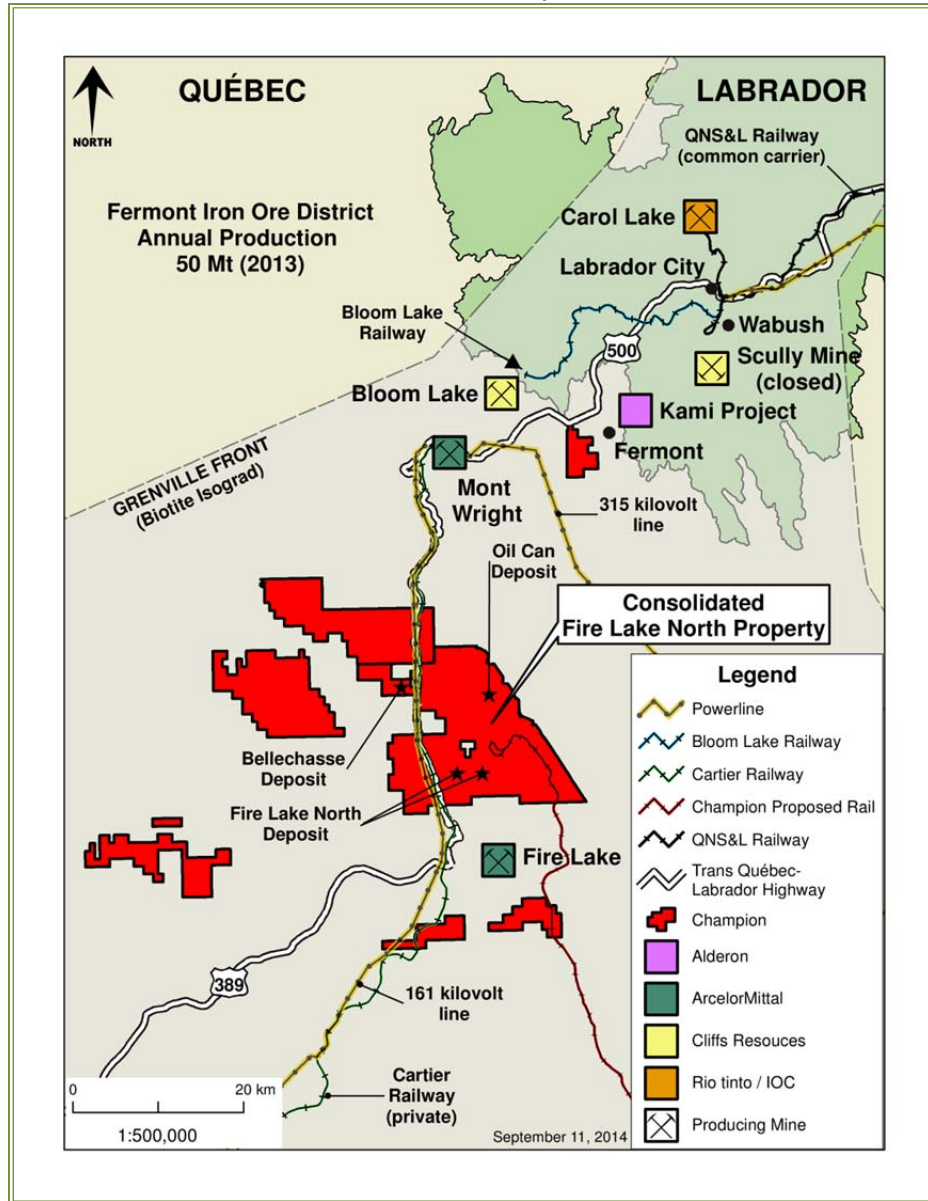
DIRECTORS' REPORT

Your directors present their report on Champion Iron Limited and its controlled entities (collectively, the "Company") for the 6 months ended September 30, 2015.

Consolidated Fire Lake North Project ("CFLN")

The Company continued exploration activity on the CFLN and spent \$695,000 in the 6 months ended September 30, 2015.

Consolidated Fire Lake North Project, Quebec, Canada



Reduction of Royalty

On June 25, 2015, the Company completed an arrangement to reduce the net smelter royalty on the Ferment Holdings, including CFLN, from 3% to 1.5% by paying \$50,000 on closing and \$250,000 on October 25, 2015.

Société ferroviaire du Nord Québécois – Rail Feasibility Study

The Company continues to participate with the Québec government in the advancement of a multi-user railway solution to connect mine developers and producers in the Labrador Trough with the Port of Sept-Ile's new multi-user ship loading facilities at Pointe Noire. This remains the Company's preferred railway and port solution following evaluation and consideration of alternatives including several independent rail options to Pointe Noire and alternatives to access Baie-Comeau.

Other Projects

There were minimal activities at the Company's other exploration projects primarily undertaken to maintain current, significant mineral claim holdings.

Operational Update

Annual General Meeting

The Company held its Annual General Meeting of Shareholders on August 8, 2015 at which all resolutions put before the shareholders were passed.

Securities

At September 30, 2015, the Company had the following securities on issue:

- 198,319,784 Ordinary shares
- 114,555 Exchangeable shares
- 13,223,499 unlisted stock options

PRESENTATION OF HALF-YEARLY FINANCIAL REPORT

The Board of Directors of Champion Iron Limited present herewith the consolidated financial report of the entity for the half year ended September 30, 2015. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

Directors

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

| Director | Position |
|------------------|--|
| Michael O'Keeffe | Executive Chairman and Chief Executive Officer |
| Gary Lawler | Non-executive Director |
| Andrew Love | Non-executive Director |
| Paul Ankorn | Non-executive Director |

Company Secretaries

| | |
|----------------|-----------------------------|
| Pradip Devalia | Company Secretary-Australia |
| Jorge Estepa | Company Secretary-Canada |

Principal Activity

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

Results of Operation

The Company incurred an after tax operating loss for the half year ended September 30, 2015 of \$2,287,333 (2014: \$5,408,700).

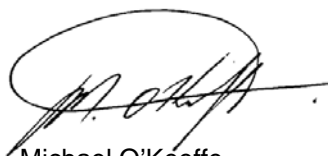
Consolidation

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

Auditor's Independence Declaration

Ernst & Young are the auditors of the Company. A copy of their auditor's independence declaration for the half-year ended September 30, 2015 as required under section 307C of the *Corporations Act 2001* is set out on page 5 and forms part of this Directors' Report.

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



Michael O'Keeffe
Executive Chairman
Sydney
November 13, 2015

DIRECTORS' DECLARATION

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

In the Opinion of the Directors:

- a) the financial statements and notes of the Company are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position as at September 30, 2015 and the performance for the half year ended on that date, and
 - (ii) complying with Accounting Standard AASB 134: *"Interim Financial Reporting"*.
- b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors



Michael O'Keeffe, Executive Chairman

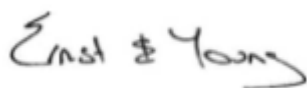


Andrew Love, Non-Executive Director

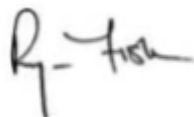
Sydney, New South Wales
November 13, 2015

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

In relation to our review of the financial report of Champion Iron Limited for the half year ended 30 September 2015, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Ernst & Young



Ryan Fisk
Partner
Sydney
13 November 2015

To the members of Champion Iron Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Champion Iron Limited, which comprises the consolidated statement of financial position as at September 30, 2015, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at September 30, 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Champion Iron Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

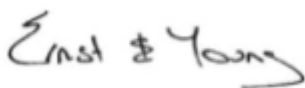
Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

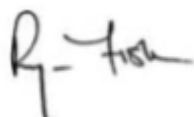
Conclusion

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

- a) giving a true and fair view of the consolidated entity's financial position as at September 30, 2015 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Ernst & Young



Ryan Fisk
Partner
Sydney
13 November 2015

Champion Iron Limited

Condensed Interim Consolidated Financial Statements

September 30, 2015

(expressed in Canadian dollars)

(unaudited)

Champion Iron Limited

Consolidated Statements of Financial Position

(expressed in Canadian dollars)
(unaudited)

| | Notes | As at September 30, 2015 \$ | As at March 31, 2015 \$ |
|---|-------|--------------------------------------|----------------------------------|
| Assets | | | |
| Current | | | |
| Cash and cash equivalents | | 717,444 | 1,346,685 |
| Short-term investments | 3 | 3,100,000 | 1,300,000 |
| Receivables | 4 | 1,061,529 | 5,303,658 |
| Due from SFNQ | 8 | 152,852 | 124,533 |
| Prepaid expenses | | 287,989 | 188,034 |
| Deposit | | 1,600,000 | 1,000,000 |
| | | 6,919,814 | 9,262,910 |
| Non-current | | | |
| Receivables | 4 | 4,692,659 | 4,355,082 |
| Due from Cartier Iron Corporation | 5 | 1,076,324 | 1,063,036 |
| Investments | 6 | 1,074,800 | 1,628,300 |
| Investment in associate | 7 | 441,288 | 1,162,903 |
| Investment in SFNQ | 8 | - | 100 |
| Long-term advance | 9 | 6,000,000 | 6,000,000 |
| Property and equipment | | 30,967 | 46,665 |
| Exploration and evaluation | 10 | 70,305,551 | 69,845,118 |
| | | 90,541,403 | 93,364,114 |
| Liabilities | | | |
| Current | | | |
| Accounts payable and accrued liabilities | | 794,040 | 1,421,590 |
| Consideration due on acquisition of royalty | 11 | 250,000 | - |
| | | 1,044,040 | 1,421,590 |
| Non-current | | | |
| Royalty payable | 11 | 300,000 | 600,000 |
| | | 1,344,040 | 2,021,590 |
| Shareholders' equity | | | |
| Capital stock | 12 | 174,509,902 | 171,420,382 |
| Warrants | 12 | - | 3,089,520 |
| Contributed surplus | | 16,129,152 | 15,996,920 |
| Foreign currency translation reserve | | (419,158) | (429,098) |
| Accumulated deficit | | (101,022,533) | (98,735,201) |
| | | 89,197,363 | 91,342,524 |
| | | 90,541,403 | 93,364,114 |

On behalf of the Board:


Director


Director

Champion Iron Limited

Consolidated Statements of Loss and Comprehensive Loss

(expressed in Canadian dollars)
(unaudited)

| | Notes | 3 months ended September 30, | | 6 months ended September 30, | |
|--|-------|---------------------------------|-------------|---------------------------------|-------------|
| | | 2015 | 2014 | 2015 | 2014 |
| | | \$ | \$ | \$ | \$ |
| Other income | | | | | |
| Interest | | 8,223 | 35,478 | 76,087 | 57,808 |
| Other | 8 | 141,005 | - | 290,824 | - |
| | | 149,228 | 35,478 | 366,911 | 57,808 |
| Expenses | | | | | |
| Professional fees | | 132,162 | 177,262 | 148,412 | 238,389 |
| Salaries | | 95,670 | 256,294 | 195,502 | 559,775 |
| Consulting fees | | 140,420 | 516,204 | 277,367 | 864,414 |
| Share-based compensation | | 66,835 | 122,700 | 132,232 | 407,426 |
| General and administrative | | 203,452 | 579,147 | 413,160 | 904,646 |
| Investor relations | | 15,747 | 122,275 | 29,068 | 346,836 |
| Travel | | 94,077 | 152,371 | 152,808 | 434,748 |
| Exploration | | 13,250 | - | 14,150 | - |
| Foreign exchange loss (gain) | | 11,570 | (124,661) | 16,431 | (310,902) |
| Unrealized loss on investments | | 219,600 | 569,600 | 553,500 | 2,008,113 |
| Impairment of investment in associate | 7 | 512,000 | - | 512,000 | - |
| | | 1,504,783 | 2,371,192 | 2,444,628 | 5,453,445 |
| Loss before share of net loss of an associate | | (1,355,555) | (2,335,714) | (2,077,718) | (5,395,637) |
| Share of net loss of associate accounted for using the equity method | 7 | (129,941) | (13,063) | (209,615) | (13,063) |
| Loss | | (1,485,496) | (2,348,777) | (2,287,333) | (5,408,700) |
| Item that may be reclassified in to the statement of loss | | | | | |
| Net movement in foreign currency | | 8,155 | (127,505) | 9,940 | (275,106) |
| Total comprehensive loss | | (1,477,341) | (2,476,282) | (2,277,393) | (5,683,806) |
| Loss per share - basic and diluted | | (0.007) | (0.012) | (0.011) | (0.027) |
| Weighted average number of shares outstanding - basic and diluted | | 198,311,833 | 196,620,826 | 197,489,430 | 196,557,345 |

Champion Iron Limited

Consolidated Statements of Changes in Equity

(expressed in Canadian dollars)
(unaudited)

| | Capital stock \$ | Warrants \$ | Contributed surplus \$ | Foreign currency translation reserve \$ | Deficit \$ | Total \$ |
|------------------------------------|------------------------|----------------|------------------------------|---|---------------|-------------|
| Balance, March 31, 2015 | 171,420,382 | 3,089,520 | 15,996,920 | (429,098) | (98,735,201) | 91,342,524 |
| Loss | - | - | - | - | (2,287,333) | (2,287,333) |
| Other comprehensive loss | - | - | - | 9,940 | - | 9,940 |
| Total comprehensive loss | - | - | - | 9,940 | (2,287,333) | (2,277,393) |
| Share-based compensation | - | - | 132,232 | - | - | 132,232 |
| Fair value of warrants expired | 3,089,520 | (3,089,520) | - | - | - | - |
| Balance, September 30, 2015 | 174,509,902 | - | 16,129,152 | (419,158) | (101,022,533) | 89,197,363 |
| Balance, March 31, 2014 | 171,420,382 | 3,089,520 | 15,282,169 | - | (86,895,091) | 102,896,980 |
| Loss | - | - | - | - | (5,408,700) | (5,408,700) |
| Other comprehensive loss | - | - | - | (275,106) | - | (275,106) |
| Total comprehensive loss | - | - | - | (275,106) | (5,408,700) | (5,683,806) |
| Share-based compensation | - | - | 407,426 | - | - | 407,426 |
| Balance, September 30, 2014 | 171,420,382 | 3,089,520 | 15,689,595 | (275,106) | (92,303,791) | 97,620,600 |

Champion Iron Limited

Consolidated Statements of Cash Flows

(expressed in Canadian dollars)
(unaudited)

| | 6 months ended September 30, | |
|--|------------------------------|--------------|
| | 2015 | 2014 |
| Notes | \$ | \$ |
| Cash provided by (used in) | | |
| Operating activities | | |
| Loss | (2,287,333) | (5,408,700) |
| Items not affecting cash | | |
| Interest not paid | (13,288) | - |
| Share-based compensation | 132,232 | 407,426 |
| Depreciation | 15,698 | 20,027 |
| Unrealized loss on investments | 553,500 | 2,008,112 |
| Impairment of investment in associate | 7 512,000 | - |
| Share of net loss of associate accounted for using the equity method | 7 209,615 | 13,063 |
| | (877,576) | (2,960,072) |
| Changes in non-cash operating working capital | | |
| Receivables | (167,209) | (31,446) |
| Due from SFNQ | (28,319) | - |
| Prepaid expenses | (99,954) | (43,679) |
| Deposit | (600,000) | - |
| Accounts payable and accrued liabilities | (627,550) | (633,451) |
| | (2,400,608) | (3,668,648) |
| Investing activities | | |
| Receipt of refundable tax credit on exploration | 1,135,539 | 1,649,157 |
| Receipt of credit on duties refundable | 2,936,222 | 1,325,433 |
| Investment in term deposits | (1,800,000) | (100,000) |
| Advances to Cartier Iron Corporation | - | (15,076) |
| Purchase of property and equipment | - | (1,864) |
| Exploration and evaluation | (460,334) | (5,163,105) |
| Acquisition of royalty | 11 (50,000) | - |
| Arrangement costs | - | (4,372,818) |
| | 1,761,427 | (6,678,273) |
| Net decrease in cash and cash equivalents | (639,181) | (10,346,921) |
| Cash and cash equivalents, beginning of period | 1,346,685 | 16,221,821 |
| Effects of exchange rate changes | 9,940 | (275,106) |
| Cash and cash equivalents, end of period | 717,444 | 5,599,794 |

Champion Iron Limited

Notes to Condensed Interim Consolidated Financial Statements

September 30, 2015

(unaudited)

1. Basis of presentation

Statement of compliance

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

These condensed interim consolidated financial statements do not include certain information and disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") and should be read in conjunction with the Company's annual financial statements for the year ended March 31, 2015, which were prepared in accordance with IFRS as issued by the International Accounting Standards Board.

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on November 13, 2015.

2. Significant accounting policies and future accounting changes

The accounting policies used in these condensed interim consolidated financial statements are consistent with those disclosed in the Company's audited financial statements for the year ended March 31, 2015.

New standards and interpretations not yet adopted

Australian Accounting Standards and International Financial Reporting Standards that have been issued but are not yet effective have not been adopted by the Company. The Company has not determined the extent of the impact of these standards and does not plan to early adopt these new standards.

3. Short-term investments

| Maturity | Interest rate | \$ |
|-------------------|---------------|-----------------|
| December 15, 2015 | Prime-1.8% | 200,000 |
| June 1, 2016 | Prime-1.8% | 2,800,000 |
| October 13, 2016 | 1.1% | 100,000 |
| | | <hr/> 3,100,000 |

4. Receivables

The Company files a Québec Corporation Income Tax Return claiming a refundable tax credit on eligible exploration expenditures incurred in Québec ("Refundable Tax Credits") and a Québec Mining Duties Return claiming a credit on duties refundable for losses ("Credit on Duties").

| | Claims for years ended March 31, | | | September 30, | Receivable as at March 31, |
|--|----------------------------------|-----------|-----------|---------------|-------------------------------|
| | 2015 | 2014 | 2013 | 2015 | 2015 |
| Refundable Tax Credits | | | | | |
| As filed | 1,697,062 | 1,410,115 | 7,555,705 | | |
| Receivable | | | | | |
| Current | – | 901,483 | – | 901,483 | 3,837,705 |
| Non-current | 1,357,650 | 226,609 | 3,108,400 | 4,692,659 | 4,355,082 |
| | 1,357,650 | 1,128,092 | 3,108,400 | 5,594,142 | 8,192,787 |
| Credit on Duties | | | | | |
| As filed | 329,731 | 209,515 | 1,122,562 | | |
| Receivable | | | | | |
| Current | – | – | – | – | 1,135,539 |
| Harmonized and Quebec sales taxes | | | | | |
| Receivable | | | | | |
| Current | | | | 160,045 | 330,414 |
| Total | | | | 5,754,187 | 9,658,740 |
| Current | | | | 1,061,528 | 5,303,658 |
| Non-current | | | | 4,692,659 | 4,355,082 |
| | | | | 5,754,187 | 9,658,740 |

It is the Company's policy to record an estimate of amounts to be received for unassessed claims for Refundable Tax Credits and Credits on Duties as a receivable and a reduction to exploration and evaluation assets when there is reasonable assurance that the Company has complied with all conditions needed to obtain the credits. Due to the assessment process and the length of time involved, the Company estimates the amount of the receivables that it does not expect to receive in the next 12 months and classifies the amount as a non-current receivable.

5. Due from Cartier Iron Corporation

The principal amount of \$1,050,000 due from Cartier Iron Corporation ("Cartier") is 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 has 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.

One director of the Company is a director of Cartier.

6. Investments

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

| | As at September 30, 2015 \$ | As at March 31, 2015 \$ |
|--|--------------------------------------|----------------------------------|
| Fancamp Exploration Ltd. ("Fancamp") | | |
| Common shares | 660,000 | 880,000 |
| Century Iron Mines Corporation ("Century") | | |
| Common shares | 334,800 | 567,300 |
| Warrants | – | 18,000 |
| Lamêlée Iron Ore Ltd. ("Lamêlée") | | |
| Common shares | 80,000 | 160,000 |
| Warrants | – | 3,000 |
| | 1,074,800 | 1,628,300 |

Investments in common shares are classified as financial assets at fair value through profit or loss and investment in warrants are classified as derivative financial assets at fair value through profit or loss.

For the 6 months ended September 30, 2015, the decrease in the fair value of investments of \$553,500 comprised of \$532,500 for investment in common shares and \$21,000 for investments in warrants, has been recorded as an unrealized loss on investments in the consolidated statement of loss and comprehensive loss.

Fancamp

The Company and Fancamp have entered into a reciprocal rights agreement governing certain investor rights and obligations as between them. The Company and Fancamp will each be restricted from transferring securities of the other until May 17, 2018, after which time, transfers will be permitted subject to certain restrictions.

As at March 31, 2015, the Company held 10,000,000 warrants entitling the Company to purchase one common share of Fancamp for \$0.60 between November 17, 2014 and May 17, 2015 ("Fancamp Warrants"). The Fancamp Warrants expired on May 17, 2015 and there was no financial impact on the Company.

Century

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

The Company holds 930,000 warrants entitling it to purchase one common share of Century for:

| Exercise price | Exercise period |
|-----------------------|--|
| \$0.75 | November 29, 2013 to November 29, 2014 |
| \$1.00 | November 30, 2014 to November 29, 2015 |
| \$1.50 | November 30, 2015 to November 29, 2016 |
| \$2.00 | November 30, 2016 to November 29, 2017 |
| \$2.50 | November 30, 2017 to November 29, 2018 |

Lamêlée

The Company holds 930,000 warrants entitling it to purchase one common share of Lamêlée for \$0.15 until December 20, 2015.

7. Investment in associate

| | \$ |
|-------------------------------|-----------|
| Balance at March 31, 2015 | 1,162,903 |
| Share of net loss | (209,615) |
| Impairment | (512,000) |
| Balance at September 30, 2015 | 441,288 |

At September 30, 2015, the Company compared the carrying value of investment in Cartier to the fair value less costs to sell of the common shares of Cartier as indicated by the trading price on the Canadian Securities Exchange. As the carrying value exceeded the fair value, the Company recorded an impairment loss of \$512,000.

At March 31, 2015 and September 30, 2015, the Company held 11,019,970 common shares of Cartier, representing 33% 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.

A director of the Company was appointed to the board of directors of Cartier on June 30, 2014 and the Company determined that it obtained significant influence over Cartier as of July 1, 2014. Accordingly, from that date onward, the investment in Cartier has been accounted for as an associate using the equity method of accounting.

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

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

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

- a) Cartier shall take all commercially reasonable steps to have a nominee of the Company elected as a director ("Nominee") the board of directors of the Company ("Board").
- b) The Company shall not vote against any shareholder resolution recommended by the Board, except in the event that the Nominee dissented when the Board approved a shareholder resolution that proposes to: (i) reduce the voting or dividend rights of the common shares; (ii) issue shares which carry a number of votes proportionately greater than the capital to be represented thereby or which carry dividend rights at a rate which would substantially impair the dividends ordinarily payable on the common shares; and (iii) approve a transaction with an arm's length third party, which must be passed by at least two-thirds of the votes cast and in respect of which a shareholder has dissent rights.
- c) The Company shall not vote in favour of the election of nominees to the Board who are not proposed by the then Board.
- d) The Company shall not (i) participate in a take-over bid for any securities of Cartier; (ii) solicit proxies from any shareholder or attempt to influence the voting by any shareholders other than in support of initiatives recommended by the Board or (iii) seek to influence or control the management, Board or the policies or affairs of Cartier; or (iv) make any public or private announcement or disclosure with respect to the foregoing.

8. Investment in SFNQ

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 Otelnuk 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.

The Company will account for previously incurred costs of \$5,576,823, investment in SFNQ of \$100 and future advances to SFNQ as expenditures on exploration and evaluation.

Other income includes \$264,000 for management services provided the Company in its capacity of general partner of SFNQ. As at September 30, 2015, \$152,852 was due from SFNQ.

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

On July 13, 2012, the Company signed an agreement ("Agreement") with the Sept-Îles Port Authority ("Port") to reserve annual loading capacity of 10 million metric tons of iron ore for an initial term of 20 years with options to renew for 4 additional 5-year terms. Pursuant to the Agreement, 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 legal action.

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

10. Exploration and evaluation assets

| | March 31, 2015 \$ | Acquisition costs \$ | Exploration \$ | Mining tax credits \$ | September 30, 2015 \$ |
|------------------------------|-------------------------|----------------------------|-------------------|-----------------------------|-----------------------------|
| Fermont | | | | | |
| Consolidated Fire Lake North | 53,904,908 | 100,000 | 695,970 | (337,644) | 54,363,234 |
| Harvey-Tuttle | 6,574,186 | — | 257 | — | 6,574,443 |
| Moire Lake | 2,930,272 | — | — | — | 2,930,272 |
| O'Keefe Purdy | 3,204,922 | — | 350 | — | 3,205,272 |
| Other | 3,230,830 | — | 1,500 | — | 3,232,330 |
| | 69,845,118 | 100,000 | 698,077 | (337,644) | 70,305,551 |

Fermont

The Company owns a 100% interest in Fermont consisting of 12 mineral concessions covering an area of 795 square kilometres situated in northeastern Quebec ("Fermont"). For reporting purposes, Fire Lake North, Oil Can, Bellechasse and Midway properties were consolidated into one property known as Consolidated Fire Lake North.

Other properties include the Hope Lake, Casse Lake, Claire Lake, Audrey-Ernie, Big Three Lake, Aubertin-Tougard Lakes, Jeannine Lake, Silicate-Brutus Lakes, Penguin and Black Dan properties.

At March 31, 2015, Fermont was subject to a 3% net smelter return royalty ("3% NSR"). On June 25, 2015, the 3% NSR was reduced to a 1.5% net smelter return royalty ("1.5% NSR"). See note 11.

Grant of option for Cluster 3 Properties to Cartier Iron Corporation

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

| | Option payments \$ | Common shares Number | Fair value \$ | Exploration expenditures \$ |
|---|--------------------------|-------------------------|------------------|-----------------------------------|
| Upon execution of agreement (received) | — | 1,000,000 | 250,000 | — |
| Upon conditional approval from a stock exchange for the listing of the common shares of Cartier (received) | 100,000 | — | — | — |
| December 10, 2013 (paid, issued and incurred) | 150,000 | 500,000 | 80,000 | 500,000 |
| December 10, 2014 (issued and incurred) | — | 500,000 | 80,000 | 750,000 |
| Extended from December 10, 2014 to the date that Cartier received its refundable tax credit on eligible expenditures incurred in Québec for the year ended December 31, 2013 (paid) | 250,000 | — | — | — |
| December 10, 2015 | 250,000 | 500,000 | — | — |
| December 10, 2016 | 250,000 | — | — | 4,750,000 |
| | 1,000,000 | 2,500,000 | 410,000 | 6,000,000 |

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

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

Powderhorn and Gullbridge

The Company owns a 100% interest in:

- (a) Powderhorn Lake Project ("Powderhorn"), which consists of 148 claims covering an area of 37 square kilometres situated in the Buchans-Robert's Arm Belt in Central Newfoundland. Powderhorn is encumbered with a 2.85% net smelter royalty ("NSR"), of which, 1.85% can be purchased by the participants for \$2,300,000 to reduce the NSR to 1%.
- (b) Gullbridge Property, which consists of 179 claims covering 45 square kilometres situated in the Buchans Robert's Arm Belt in Central Newfoundland.

The Company has not budgeted nor planned any substantive expenditure on further exploration for and evaluation of mineral resources for Powderhorn and Gullbridge. Accordingly, for the year ended March 31, 2015, the Company recorded impairment losses of \$1,645,065 and \$1,286,599 to write off Powderhorn and Gullbridge, respectively.

Snelgrove Lake

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

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

Up to September 30, 2015, the Company has incurred exploration expenditures of approximately \$6,400,000.

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

11. Royalty payable

On March 31, 2014, the Company recorded an estimate of the fair value of the 3% NSR as an acquisition cost of exploration and evaluation and an offsetting royalty payable. On June 25, 2015, the Company completed an arrangement to reduce the 3% NSR to 1.5% NSR by paying \$50,000 on closing and \$250,000 on October 25, 2015 ("Arrangement"), and therefore, the fair value of the 3% NSR was estimated to be \$600,000 as at March 31, 2015. The Arrangement remains the best indicator of the fair value of the 1.5% NSR, and therefore, the fair value of the 1.5% NSR has been estimated to be \$300,000 as at September 30, 2015.

On September 24, 2015, the Company made a payment of \$100,000 to eliminate the requirement to pay the 1.5% NSR on concessions acquired by the Company within 10 kilometres of Fermont.

12. Capital stock

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

Each Exchangeable Share will be exchangeable into an ordinary share at no cost to the holder from January 1, 2015 or earlier on the occurrence of certain specified events. Upon conversion, application for the quotation of these ordinary shares will be made. All exchangeable shares in existence on March 31, 2017 will be automatically converted into ordinary shares on that date.

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

Issued

| | Number of shares | \$ |
|-----------------------------------|------------------|-------------|
| Ordinary shares | | |
| Balance, March 31, 2015 | 196,657,989 | 171,420,382 |
| Conversion of exchangeable shares | 1,661,795 | – |
| Fair value of warrants expired | – | 3,089,520 |
| Balance, September 30, 2015 | 198,319,784 | 174,509,902 |
| Exchangeable shares | | |
| Balance, March 31, 2015 | 1,776,350 | |
| Conversion to ordinary shares | (1,661,795) | |
| Balance, September 30, 2015 | 114,555 | |

Warrants

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

| | Number of warrants | Weighted-average exercise price \$ | Amount \$ |
|-----------------------------|--------------------|------------------------------------|-------------|
| Balance, March 31, 2015 | 16,133,333 | 1.5341 | 3,089,520 |
| Expired | (16,133,333) | 1.5341 | (3,089,520) |
| Balance, September 30, 2015 | — | — | — |

Stock options

| | Number of stock options outstanding | Weighted-average exercise price \$ |
|-----------------------------|-------------------------------------|------------------------------------|
| Balance, March 31, 2015 | 29,223,499 | 0.46 |
| Granted | 1,000,000 | 0.30 |
| Expired | (17,000,000) | 0.25 |
| Balance, September 30, 2015 | 13,223,499 | 0.71 |

A summary of the Company's outstanding and exercisable stock options at September 30, 2015 is presented below:

| Exercise price | Expiry date | Number of stock options Outstanding | Exercisable |
|----------------|--|-------------------------------------|-------------|
| \$1.3637 | October 3, 2015 (expired subsequent to September 30, 2015) | 1,466,667 | 1,466,667 |
| \$1.3637 | October 4, 2015 (expired subsequent to September 30, 2015) | 183,333 | 183,333 |
| A\$0.50 | December 15, 2015 | 500,000 | 500,000 |
| \$2.9591 | January 10, 2016 | 73,333 | 73,333 |
| \$2.0455 | September 9, 2016 | 715,000 | 715,000 |
| \$0.5455 | December 20, 2016 | 1,173,333 | 1,173,333 |
| \$1.7728 | December 23, 2016 | 661,833 | 661,833 |
| A\$0.50 | April 8, 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 | — |
| A\$0.30 | December 11, 2017 | 2,000,000 | 2,000,000 |
| A\$0.30 | August 20, 2018 | 1,000,000 | — |
| \$0.45 | September 1, 2018 | 1,000,000 | 1,000,000 |
| A\$0.50 | November 29, 2018 | 2,300,000 | 800,000 |
| | | 13,223,499 | 9,723,499 |

Upon receipt of shareholder approval on August 7, 2015, the Company granted 1,000,000 stock options entitling the holder to purchase one ordinary share for A\$0.30 until August 20, 2018. These options will vest in annual instalments over 3 years, subject to holder's continued service with the Company, the satisfactory progression towards the completion of a bankable feasibility study for Consolidated Fire Lake North by August 20, 2018 and the satisfactory completion of a bankable feasibility study by August 20, 2018.

The fair value of the stock options was calculated using the Black-Scholes option pricing model with the following assumptions:

| | |
|--|-----------------|
| Date of grant | August 20, 2015 |
| Expiry date | August 20, 2018 |
| Options granted | 1,000,000 |
| Exercise price | A\$0.30 |
| Share price | A\$0.15 |
| Risk-free interest rate | 2.5% |
| Expected volatility based on historical volatility | 80% |
| Expected life of stock options | 3 years |
| Expected dividend yield | 0% |
| Forfeiture rate | 0% |
| Vesting | 3 years |
| Fair value | \$50,000 |
| Fair value per stock option | \$0.05 |

13. Determination of fair values

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

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

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

Investments

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

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

Stock options

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

Classification of fair value of financial instruments

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

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

As at September 30, 2015

| | Level 1 \$ | Level 2 \$ | Level 3 \$ | Total \$ |
|--|---------------|---------------|---------------|-------------|
| Financial asset at fair value through profit and loss | | | | |
| Cash and cash equivalents and short-term investments | 3,817,444 | — | — | 3,817,444 |
| Investments | | | | |
| Common shares | 1,074,800 | — | — | 1,074,800 |

14. Financial risk management

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

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

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

Credit risk

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

Liquidity risk

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

Market risk

Market risk is the risk that changes in market prices, such as equity prices, foreign exchange rates and interest rates will affect the Company's income or the value of its financial instruments. The Company is exposed to equity price risk with respect to investments. The Company estimates that if the fair value of its investments as at September 30, 2015 had changed by 10%, with all other variables held constant, the loss would have decreased or increased by approximately \$107,000.

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.

15. Related party transactions

| | 6 months ended September 30, | | Outstanding at September 30, 2015 | Outstanding at March 31, 2015 |
|---|------------------------------|---------|-----------------------------------|-------------------------------|
| | 2015 | 2014 | 2015 | 2015 |
| | \$ | \$ | \$ | \$ |
| Exploration and evaluation | | | | |
| Paid to 2 companies controlled by former officers | — | 381,930 | — | — |
| Professional fees | | | | |
| Paid for legal fees to a firm, of which, a director was a partner | — | 22,700 | | |
| General and administrative | | | | |
| Paid for rent to a company controlled by a director | 27,270 | 27,300 | — | — |

See notes 7 and 10 for related party transactions with Cartier and note 8 for related party transactions with SFNQ.

Compensation of key management personnel

The Company considers its directors and officers to be key management personnel. Transactions with key management personnel are set out as follows:

| | 6 months ended September 30, | |
|--------------------------|------------------------------|-----------|
| | 2015 | 2014 |
| | \$ | \$ |
| Salaries | 337,438 | 184,834 |
| Consulting fees | 321,000 | 695,000 |
| Non-monetary benefits | 12,120 | 20,934 |
| Post-employment benefits | 22,257 | 40,967 |
| Share-based payments | 66,231 | 407,426 |
| | 759,046 | 1,349,161 |

16. Segment information

The Company operates in one business segment being mineral exploration in Canada. As the Company is focused on exploration, the Board monitors the Company based on actual versus budgeted exploration expenditure incurred by project. The internal reporting framework is the most relevant to assist the Board with making decisions regarding this Company and its ongoing exploration activities, while also taking into consideration the results of exploration work that has been performed to date.

17. Subsequent events

No material matter or transaction has arisen since September 30, 2015 that has significantly affected the Company's operations or state of affairs.