

CHAMPION IRON

26 October 2017

ASX Market Announcements
Australian Securities Exchange Limited
Level 4, Exchange Centre
20 Bridge St
Sydney NSW2000

September 2017 Quarterly Activities Report

- **\$3,570,000 cash on hand at 30 September 2017**
- **Conditional financing for the restart of Bloom Lake mine**
- **\$26.8 million spent on restart of Bloom Lake mine**
- **Settlement of Port Dispute**

REPORTING CURRENCY

Champion Iron Limited (“Champion” or the “Company”) has adopted Canadian Dollars as the reporting currency. Accordingly, all financial details are in Canadian Dollars unless otherwise stated.

BLOOM LAKE

During the September quarter, the primary focus of the management team has been on the restart of mining operations at Bloom Lake. The Company and its subsidiary Quebec Iron Ore Inc. (QIO) achieved the following key milestones:

1. \$40 million Bridge financing

Completion of bridge financing of \$40 million for required upgrades to the Bloom Lake tailings management system and other process plant upgrades and long-lead items. The financing comprised of \$14 million in equity and \$26 million in debt which consists of a \$20 million loan from Sojitz, together with a \$6 million loan from Ressources Québec Inc. (“Ressources Québec”), a 36.8% equity shareholder in QIO.

The \$14 million equity investment in QIO consists of a proportionate contribution from QIO’s two shareholders, namely Champion, a 63.2% equity shareholder, and the government of Québec, who have committed to invest \$8.8 million and \$5.2 million, respectively, into QIO.

2. Sale of \$10m convertible debentures

Completion of a non-brokered sale of a \$10 million unsecured subordinated convertible debenture (the “Debenture”) to Altius Minerals Corporation (“Altius”). The funds raised on the sale of the Debenture has been used as for the equity contribution of \$8.8 million required from the Company under the \$40 million debt and equity bridge financing.

3. Conditional debt financing commitments

The Company secured debt financing conditional commitments for QIO of up to US\$180 million to partially fund the costs of resuming the operations at Bloom Lake. The debt financing conditional commitments are comprised of two tranches; a senior secured loan of US\$80 million to be provided by Sprott Private Resource Lending (“Sprott”) and a subordinated loan of US\$100 million to be provided by Caisse de dépôt et placement du Québec or one of its subsidiaries (“Caisse”).

The terms of these loans will provide for the issuance by the Company of 3 million common share purchase warrants to Sprott and 21 million common share purchase warrants to Caisse.

Each of these debt financings is conditional upon the execution of definitive documentation and satisfaction of other customary closing conditions. Further details of the terms of these loans and the issue of common share warrants is outlined in the ASX release on 13 July 2017 and the Notice of Annual General Meeting of 18 August 2017.

4. Financing and Off-take arrangements with Glencore

The Company secured a conditional financing commitment of US\$25 million from Glencore International AG (“Glencore”) for a non-brokered sale of a subordinated unsecured mandatory convertible debenture on a private placement basis. The funds are to be used in connection with the restart of operations at Bloom Lake.

The commitment also contemplates that QIO and Glencore will enter into an off-take agreement with fixed terms for a period of 10 years. Further details of the financing commitment are outlined in the ASX release of 29 August 2017.

5. Off-Take Agreement

Pursuant to the bridge finance agreement, Sojitz will purchase up to 3,000,000 DMT per annum from QIO, upon re-commencement of commercial operations at Bloom Lake. The Agreement is for an initial five-year term from the date that commercial operations commence at Bloom Lake and shall automatically extend for successive terms of five-years.

6. Restart update

Construction work for the restart of the Bloom Lake mine started in June 2017. All environmental work and tailings work required as per the feasibility study is underway.

Plant recommissioning work as per the feasibility study is underway since July 2017, in collaboration with Canadian engineering firm BBA and Australian Company Mineral Technologies.

During the quarter ended 30 September 2017, \$15.2 million was spent on improvement projects of Bloom Lake and \$11.6 million was spent on operations commissioning and administration activities.

SETTLEMENT OF PORT DISPUTE

Champion Iron Mines Limited ("CIML"), a wholly owned subsidiary of the Company, entered into a settlement agreement providing for the conditional settlement, without admission, of its dispute with the Port of Sept-Îles concerning the July 13, 2012 agreement entered into between the parties (the "2012 Agreement"). The dispute with the Port of Sept-Îles concerning the 2012 Agreement is disclosed and detailed by the Company in its latest audited financial statements.

The settlement of the dispute is conditional upon the closing of the financing transactions disclosed by the Company on 13 July 2017.

SOCIÉTÉ FERROVIAIRE DU NORD QUÉBÉCOIS (SFNQ) - RAIL FEASIBILITY STUDY

Champion 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-Île's new multi-user ship loading facilities at Pointe Noire. The Government of Québec has granted \$20 million for the feasibility study which has been managed by Champion.

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

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

SOCIÉTÉ FERROVIAIRE ET PORTUAIRE DE POINTE-NOIRE (SFPPN) – PORT FACILITIES

QIO concluded a memorandum of understanding with Société du Plan Nord and Tata Steel Minerals Canada ("TSM") to work together, in a multi-user approach, to manage and develop the industrial facilities at Pointe-Noire in Sept-Îles, Quebec, via the limited partnership Société Ferroviaire et Portuaire de Pointe-Noire ("SFPPN").

QIO and TSM will make their expertise available to help manage operations at Pointe-Noire. The Québec government will continue its active involvement to maintain and assure a multi-user approach and increase benefits for current and future projects in the area covered by the Plan Nord. All three parties agree that they will endeavour to ensure that the Pointe-Noire infrastructures are developed to match anticipated needs while continuing to provide services at the lowest possible cost for all potential users. A phased capacity enhancement plan will be drawn up as quickly as possible. The first action from this plan will be to build a conveyor to connect to the multi-user quay in the port of Sept-Îles. This conveyor is currently in construction and the target date of commissioning is in January 2018.

CONSOLIDATED FIRE LAKE NORTH ("CFLN") & OTHER PROJECTS

With the focus on restarting Bloom Lake, the Company expended \$0.3 million on limited exploration activity on the CFLN and other projects during the quarter ended 30 September 2017 primarily undertaken to maintain current claim holdings.

CASH POSITION

As at 30 September 2017, Champion had \$3,570,000 cash in hand. Further detail is provided in the attached Appendix 5B.

MINING TENEMENTS AT 30 September 2017

Mining tenements owned by the Company at 30 September 2017 are shown on the attached Appendix. The Company did not enter into farm-in/farm-out arrangements during the quarter.

About Champion

Champion is an iron development and exploration company, focused on developing its significant iron resources in the south end of the Labrador Trough in the province of Québec. Following the acquisition of its flagship asset, the Bloom Lake iron ore property, the Company's main focus is to implement upgrades to the mine and processing infrastructure it now owns while also advancing projects associated with improving access to global iron markets, including rail and port infrastructure initiatives with government and other key industry and community stakeholders.

Champion's management team includes professionals with mine development and operations expertise who also have vast experience from geotechnical work to green field development, brown field management including logistics development and financing of all stages in the mining industry.

For further information please contact:

Michael O'Keeffe, Chairman on +1 (514) 316-4858

For additional information on Champion, please visit our website at www.championiron.com.

This Quarterly Activities Report includes certain information that may constitute "forward-looking information" under applicable Australian and Canadian securities legislation. Forward-looking information includes, but is not limited to, statements about planned operations at the Company's projects, including its joint venture projects. Forward-looking information is necessarily based upon a number of estimates and assumptions that, while considered reasonable, are subject to known and unknown risks, uncertainties, and other factors which may cause the actual results and future events to differ materially from those expressed or implied by such forward-looking information, including the risks identified in Champion's annual information forms, management discussion and analysis and other securities regulatory filings by Champion on ASX and SEDAR (including under the heading "Risk Factors" therein). There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such forward-looking information. Accordingly, readers should not place undue reliance on forward-looking information. All of Champion's forward-looking information contained in this Quarterly Activities Report is given as of the date hereof and is based upon the opinions and estimates of Champion's management and information available to management as at the date hereof. Champion disclaims any intention or obligation to update or revise any of its forward-looking information, whether as a result of new information, future events or otherwise, except as required by law.

This Quarterly Activities Report has been prepared by Champion and no regulatory authority has approved or disapproved the information contained herein.

MINING TENEMENTS AT 30 SEPTEMBER 2017

The Company's wholly owned subsidiary ,Champion Iron Mines Limited, owns a 100% interest in the following properties, covering 852 square kilometres (collectively, the "Fermont Holdings") located in the Fermont Iron Ore District of north eastern Quebec, which is 300 kilometres north of the St. Lawrence River port town of Sept-îles, and ranging from 6 to 80 kilometres southwest of Fermont.

Property-Québec	SNRC	Claims	Hectares
Consolidated Fire Lake			
North	23B06; 23B11; 23B12	569	28,774.11
Harvey-Tuttle	23B12; 23B05	191	10,010.36
Moire Lake	23B14	36	1,665.56
O'Keefe-Purdy	23B11; 23B12	203	10,623.15
Jeannine Lake (Note 1)	22N16	21	1,117.40
Round Lake (Notes 1 & 2)	23B04; 23C01; 23N16	178	9,420.31
Silicate-Brutus (Note 1)	22O13	2	106.23
Peppler	23B05	118	6,207.75
Lamelee	23B05; 23B06; 23B11; 23B12	236	12,374.67
Hobdad	23B05; 23B06	93	4,893.74
Property-Newfoundland	Licences		
Powderhorn	11346M, 11367M, 15136M, 15137M, 18969M, 23147M	79	1,825.00
Gullbridge	11956M, 11960M, 16260M, 16261M	179	4,475.00

Note 1 – Currently under option to Cartier Iron Corporation

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

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

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

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

Champion Iron Limited

ABN

34 119 770 142

Quarter ended ("current quarter")

30 September 2017

Consolidated statement of cash flows	Current quarter \$C'000	Year to date (6 months) \$C'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(322)	(571)
(b) development	-	-
(c) production	-	-
(d) staff costs	(362)	(740)
(e) administration and corporate costs	(911)	(1,439)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	33	58
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	(1,833)	3,838
Care and maintenance and restart costs of Bloom Lake	(9,788)	(14,566)
Accounts payable and accrued liabilities	13,372	15,561
Items not affecting cash	(101)	(469)
1.9 Net cash from / (used in) operating activities	88	1,672

Consolidated statement of cash flows	Current quarter \$C'000	Year to date (6 months) \$C'000
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(15,228)	(18,680)
(b) tenements (see item 10)	–	–
(c) investments	–	–
(d) other non-current assets	(15,400)	(18,057)
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	–	1,172
(b) tenements (see item 10)	–	–
(c) investments	–	–
(d) other non-current assets	–	–
2.3 Cash flows from loans to other entities	–	32
2.4 Dividends received (see note 3)	–	–
2.5 Other (provide details if material)	(251)	(1,346)
2.6 Net cash from / (used in) investing activities	(30,879)	(36,879)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	–	–
3.2 Proceeds from issue of convertible notes	–	10,000
3.3 Proceeds from exercise of share options	–	575
3.4 Transaction costs related to issues of shares, convertible notes or options	–	–
3.5 Proceeds from borrowings	11,000	16,000
3.6 Repayment of borrowings	–	(5,995)
3.7 Transaction costs related to loans and borrowings	–	(254)
3.8 Dividends paid	–	–
3.9 Other (private placement of common shares of Quebec Iron Ore Inc.)	5,152	5,152
3.10 Net cash from / (used in) financing activities	16,152	25,478

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	18,240	13,329
4.2	Net cash from / (used in) operating activities (item 1.9 above)	88	1,672
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(30,879)	(36,879)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	16,152	25,478
4.5	Effect of movement in exchange rates on cash held	(31)	(30)
4.6	Cash and cash equivalents at end of period	3,570	3,570

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$C'000	Previous quarter \$C'000
5.1	Bank balances	1,315	2,221
5.2	Call deposits	2,255	16,019
5.3	Bank overdrafts	–	–
5.4	Other (provide details)	–	–
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,570	18,240

6.	Payments to directors of the entity and their associates	Current quarter \$C'000
6.1	Aggregate amount of payments to these parties included in item 1.2	439
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	–
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Includes payments for salaries, director fees and rent.

7. Payments to related entities of the entity and their associates	Current quarter \$C'000
7.1 Aggregate amount of payments to these parties included in item 1.2	–
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	–
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$C'000	Amount drawn at quarter end \$C'000
8.1.1 Loan facilities (Bridge loan)	26,000	16,000
8.1.2 Loan facilities (Convertible debenture)	10,000	10,000
8.1.3 Loan facilities (Note payable)	35,268	35,268
8.2 Credit standby arrangements	–	–
8.3 Other (please specify)	–	–
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Loan facilities

1. Provided by Sojitz Corporation and Ressources Québec Inc. to Quebec Iron Ore Inc. ("QIO"); interest rate of 12%; secured by a \$26,000,000 hypothec over all of QIO's property, plant and equipment (excluding mining claims); matures on July 15, 2018.
2. Provided by Altius Mineral Corporation; interest rate of 8%; unsecured; convertible into ordinary shares at a conversion price of \$1.00 per share; matures June 1, 2018.
3. Provided by Canadian Iron Ore Railcar Leasing LP to Lac Bloom Railcars Corporation Inc. ("Lac Bloom"); interest rate of LIBOR plus 1.75% compounded and payable monthly; secured by all the present and future moveable property of Lac Bloom; matures on March 10, 2019.

Proposed facilities entered into after quarter end

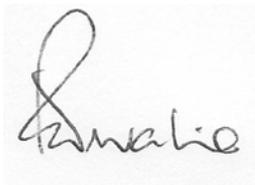
1. Senior secured financing of US\$80,000,000 provided by Sprott Resource Lending (Collector), LP ("Sprott") to QIO to finance the restart of Bloom Lake by way of a 5-year senior secured loan bearing interest at 7.5% per annum plus the greater of US dollar 3-month LIBOR and 1% per annum and 3,000,000 common share purchase warrants; secured by all of the assets of QIO.
2. Subordinated secured financing of US\$100,000,000 provided by CDP Investissements Inc. ("CDP") a wholly-owned subsidiary of Caisse de dépôt et placement du Québec to QIO to finance the restart of Bloom Lake by way of a 7-year subordinated loan bearing interest at 12% for the first year, and thereafter, at an interest rate linked to the price of iron ore and 21,000,000 common share purchase warrants; secured subordinate to the senior secured financing by all of the assets of QIO.
3. Unsecured financing of \$31,200,000 by way of an 8-year subordinated mandatory convertible debenture provided by Glencore International AG to the Company; interest at 12% for the first year, and thereafter, at an interest rate linked to the price of iron ore; convertible at the option of Glencore at any time into the Company's ordinary shares at a conversion price of \$1.125 per ordinary share ("Conversion Price"); mandatory conversion at the option of Sprott or CDP into the Company's ordinary shares at a conversion price of \$0.85 per ordinary share, provided that such mandatory conversion may not have the effect of causing Glencore to own 20% or more of the outstanding ordinary shares. The Debenture, together with accrued and unpaid interest, may be prepaid by the Company in whole (but not in part). In the event the Company elects to prepay and cancel the Debenture for cash and the Debenture is not converted into ordinary shares prior to prepayment, the Company would grant to Glencore ordinary share purchase warrants entitling it to acquire, on or before October 13, 2025, a number of ordinary shares equal to the principal amount of Debenture repaid divided by the Conversion Price, at an exercise price equal to the Conversion Price. In connection with the closing of the Debenture, QIO entered into an off-take agreement with Glencore pursuant to which Glencore secures global off-take rights for life-of-mine of Bloom Lake with fixed commercial terms for a 10-year period for all tonnes of future iron ore production at Bloom Lake not sold in Japan under the existing off-take agreement with Sojitz. In the event of a mandatory conversion as described above, the off-take terms will apply for the life-of-mine of Phase 1 of Bloom Lake and Glencore will have the option to convert the marketing fees under the off-take terms into a FOB-based royalty under certain circumstances. In addition, Glencore has been granted a right of first refusal in connection with the financing and off-take rights for iron ore production of Phase II of Bloom Lake not allocated to certain strategic investors.

9.	Estimated cash outflows for next quarter	\$C'000
9.1	Exploration and evaluation	255
9.2	Development	–
9.3	Production	–
9.4	Staff costs	280
9.5	Administration and corporate costs	1,070
9.6	Other (provide details if material)	–
	Restart of Bloom Lake	154,000
9.7	Total estimated cash outflows	155,605

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	Round Lake Silicate-Brutus	Owned Owned	16,826.93 1,009.25	9,240.31 106.23
10.2	Interests in mining tenements and petroleum tenements acquired or increased	–	–	–	–

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here:
Company secretary

Date: 26 October 2017

Print name: Pradip Devalia

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.