

CHAMPION IRON

27 July 2017

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

June 2017 Quarterly Activities Report

- **\$ 18,240,000 cash on hand at 30 June 2017**
- **\$ 6,584,000 spent on care and maintenance of Bloom Lake**

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 quarter ended 30 June 2017, the primary focus of the management team has been on the restart of mining operations at the Bloom Lake Iron Mine ("Bloom Lake"), located in the Labrador Trough, near Fermont, Quebec. In connection with Bloom Lake, the Company and its subsidiary Quebec Iron Ore Inc. ("QIO") achieved the following key milestones:

1. \$40m Bridge financing

Completion of a bridge financing of \$40m 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 consisted of a proportionate contribution from QIO's two shareholders, namely Champion, a 63.2% equity shareholder, and Ressources 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 sale of the Debenture is a component of the \$40 million debt and equity bridge financing.

3. Off-Take Agreement

Pursuant to the bridge finance agreement, Sojitz Corporation 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.

During the quarter ended 30 June 2017, \$6,584,000 was spent on care and maintenance of Bloom Lake and \$1,155,000 was spent on exploration and administration activities.

RAIL TRANSPORT CONTRACT WITH QUEBEC NORTH SHORE AND LABRADOR RAILWAY COMPANY

QIO has entered into a transportation agreement (the “Agreement”) with the Quebec North Shore and Labrador Railway Company, Inc. (“QNS&L”) for the transportation of iron ore concentrate which would be generated from Bloom Lake.

The Agreement provides that iron ore concentrate from QIO’s Bloom Lake property will be carried on the QNS&L railway from the Wabush Lake Junction in Labrador City, Newfoundland & Labrador to the Sept-Iles Junction in Sept-Iles, Quebec, a distance of approximately 400 kilometers.

\$5.2 MILLION FINANCIAL ASSISTANCE FROM GOVERNMENT OF QUEBEC

QIO has been granted C\$5.2 million in financial assistance from the Government of Quebec’s “Green Fund” in connection with two energy conversion projects at its Bloom Lake. The first energy conversion project involves the replacement of a steam boiler with a new boiler which will meet a significant portion of the demand for process steam as well as mid-season heating requirements. The switch from fuel oil to electric heating will not only reduce the fuel consumption of the mine, but also reduce the environmental footprint and operating costs.

The second project involves the installation of an overhead conveyor for the transport of iron ore which will significantly reduce the use of trucks, thus reducing QIO’s diesel consumption by a projected 3,400,000 litres.

Significantly, the two energy conversion projects will reduce Bloom Lake’s greenhouse gas emissions by 19,689.2 tonnes equivalent CO₂ per year, which is equivalent to removing approximately 5,800 light vehicles from roads annually.

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-Ile’s new multi-user ship loading facilities at Pointe Noire. The Government of Québec has granted CAD \$20 million for the feasibility study which is being 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.

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

Quebec Iron Ore Inc. (“QIO”), a subsidiary of Champion (“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.

IMPACT AND BENEFITS AGREEMENT WITH INNU PEOPLE OF UASHAT MAK MANI-UTENAM

QIO and the band council, Innu of Takuaikan Uashat mak Mani-utenam (ITUM), entered into an Impact and Benefits Agreement (the “IBA”) with respect to future operations at the Bloom Lake Iron Mine (“Bloom Lake”) located near Fermont, Quebec.

The IBA is a life-of-mine agreement and provides for real participation in Bloom Lake for the Uashaunnuat in the form of training, jobs and contract opportunities, and ensures that the Innu of Takuaikan Uashat mak Mani-utenam will receive fair and equitable financial and socio-economic benefits. The IBA also contains provisions which recognize and support the culture, traditions and values of the Innu of Takuaikan Uashat mak Mani-utenam, including recognition of their bond with the natural environment.

The successful conclusion of the IBA further strengthens Champion and QIO’s positive working relationship with the Innu of Takuaikan Uashat mak Mani-utenam as Bloom Lake enters into its next phase and is a major milestone and a significant step towards the Bloom Lake restart.

CONSOLIDATED FIRE LAKE NORTH (“CFLN”) & OTHER PROJECTS

With the focus on restarting Bloom Lake, the Company expended \$249,000 on limited exploration activity on the CFLN and other projects during the quarter ended 30 June 2017 primarily undertaken to maintain current claim holdings.

CASH POSITION

As at 30 June 2017, Champion had \$18,240,000 cash in hand. Further detail is provided in the attached Appendix 5B.

MINING TENEMENTS AT 30 June 2017

Mining tenements owned by the Company at 30 June 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 JUNE 2017

Through the Company's wholly owned subsidiary Champion Iron Mines Limited, the Company owns a 100% interest in the following properties (each a "Property"), covering 935 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	318	16,826.93
Silicate-Brutus (Note 1)	22O13	19	1,009.25
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	73	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. (QIO) 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 June 2017

Consolidated statement of cash flows	Current quarter \$C'000	Year to date (3 months) \$C'000
1. Cash flows from operating activities		
1.1 Receipts from customers	—	—
1.2 Payments for		
(a) exploration & evaluation	(249)	(249)
(b) development	—	—
(c) production	—	—
(d) staff costs	(378)	(378)
(e) administration and corporate costs	(528)	(528)
1.3 Dividends received (see note 3)	—	—
1.4 Interest received	25	25
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)	5,671	5,671
Care and maintenance of Bloom Lake	(4,778)	(4,778)
Items not affecting cash	1,822	1,822
1.9 Net cash from / (used in) operating activities	1,585	1,585

Consolidated statement of cash flows		Current quarter \$C'000	Year to date (3 months) \$C'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(3,452)	(3,452)
	(b) tenements (see item 10)	—	—
	(c) investments	—	—
	(d) other non-current assets	(2,657)	(2,657)
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	1,172	1,172
	(b) tenements (see item 10)	—	—
	(c) investments	—	—
	(d) other non-current assets	—	—
2.3	Cash flows from loans to other entities	32	32
2.4	Dividends received (see note 3)	—	—
2.5	Other (provide details if material)	(1,095)	(1,095)
2.6	Net cash from / (used in) investing activities	(5,999)	(5,999)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	—	—
3.2	Proceeds from issue of convertible notes	—	—
3.3	Proceeds from exercise of share options	575	575
3.4	Transaction costs related to issues of shares, convertible notes or options	—	—
3.5	Proceeds from borrowings	15,000	15,000
3.6	Repayment of borrowings	(5,995)	(5,995)
3.7	Transaction costs related to loans and borrowings	(254)	(254)
3.8	Dividends paid	—	—
3.9	Other (provide details if material)	—	—
3.10	Net cash from / (used in) financing activities	9,326	9,326

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	13,329	13,329
4.2	Net cash from / (used in) operating activities (item 1.9 above)	1,585	1,585
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(5,999)	(5,999)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	9,326	9,326
4.5	Effect of movement in exchange rates on cash held	(1)	(1)
4.6	Cash and cash equivalents at end of period	18,240	18,240

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	2,221	1,829
5.2	Call deposits	16,019	11,185
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)	18,240	13,014

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	219
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.		

Mining exploration entity and oil and gas exploration entity quarterly report

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	

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	5,000
8.1.2	Loan facilities (Convertible debenture)	10,000	10,000
8.1.3	Loan facilities (Note payable)	36,672	36,672
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, 2017.
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 to be entered into after quarter end

1. Senior secured financing of US\$80,000,000 provided by Sprott Resource Lending (Collector), LP 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; secured by all of the assets of QIO.
2. Subordinated financing of US\$100,000,000 provided by Caisse de dépôt et placement du Québec 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; secured subordinate to the senior secured financing by all of the assets of QIO.

In consideration of the proposed facilities, 3,000,000 common share purchase warrants will be issued to Sprott and 21,000,000 common share purchase warrants will be issued to Caisse, entitling the holder to purchase an ordinary share of the Company for a price to be determined.

The financings are conditional on QIO shareholders, the Company and Ressources Québec Inc., contributing approximately \$72,000,000 to support the restart of Bloom Lake; shareholders' approval for the issue of the 24,000,000 common share purchase warrants at its Annual General Shareholders Meeting scheduled to be held on August 18, 2017; and the execution of the definitive documentation and the satisfaction of other customary closing conditions

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report


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 – operating expenses	5,250
	Restart of Bloom Lake – capital and other (see note)	73,950
9.7	Total estimated cash outflows	80,805

Note: Amount reflects commitments to be made subject to the completion of proposed facilities to be entered into after the quarter end (see section 8 above).

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	Bloom Lake Powderhorn Gullbridge	Owned Owned Owned	4,101.27 ha 2,525.00 ha 5,300.00 ha	3,224.20 ha 1,825.00 ha 4,475.00 ha
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: Date: 27 July 2017
 Company secretary

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.