Champion Iron Limited

Condensed Interim Consolidated Financial Statements

June 30, 2017
(expressed in Canadian dollars)
(unaudited)

Champion Iron Limited

Consolidated Statements of Financial Position

(expressed in Canadian dollars)
(unaudited)

	Notes	As at June 30, 2017 $	As at March 31, 2017 $
Assets			
Current			
Cash and cash equivalents		2,220,855	1,863,387
Short-term investments	3	16,019,289	11,465,697
Receivables	4	870,682	6,541,921
Due from Cartier Iron Corporation	5	349,758	348,003
Due from SFNQ	6	69,782	102,166
Prepaid expenses		1,373,841	279,024
		20,904,207	20,600,198
Non-current			
Receivables	4	3,351,692	3,351,692
Investments	7	2,540,000	2,794,000
Investment in rail and port partnership	9	1,000,000	1,000,000
Long-term advance	10	6,000,000	6,000,000
Advance payment	11	2,000,000	-
Property, plant and equipment	12	72,213,842	69,852,656
Exploration and evaluation	13	69,872,718	69,623,841
Software licence		656,807	-
		178,539,266	173,222,387
Liabilities			
Current			
Accounts payable and accrued liabilities		3,856,794	1,667,502
Bridge loan	14	4,745,832	-
Convertible debenture	15	8,902,596	-
Derivative liablities	15	1,427,000	-
Note payable	16	-	5,994,977
		18,932,222	7,662,479
Non-current			
Note payable	16	36,672,314	37,613,355
Property taxes payable	17	9,772,470	7,713,000
Royalty payable	18	300,000	300,000
Rehabilitation obligation	19	25,326,500	25,155,500
		91,003,506	78,444,334
Shareholders' equity			
Capital stock		202,850,402	201,989,902
Contributed surplus		20,555,426	20,120,494
Foreign currency translation reserve		(155,193)	588,200
Non-controlling interest		(17,195)	2,362,819
Accumulated deficit		(135,697,680)	(130,283,362)
		87,535,760	94,778,053
		178,539,266	173,222,387

On behalf of the Board:

Director **Director**

See accompanying notes to the consolidated financial statements

Champion Iron Limited
Consolidated Statements of Loss and Comprehensive Loss
(expressed in Canadian dollars)
(unaudited)

	Notes	3 months ended June 30, 2017 $	2016 $
Other income			
Interest		25,173	64,872
Other		671	1,200
		25,844	66,072
Expenses			
Professional fees		111,692	108,853
Salaries		140,425	93,076
Consulting fees		237,687	136,291
Share-based compensation		720,432	1,106,730
General and administrative		189,855	323,011
Investor relations		31,505	4,850
Travel		115,265	135,136
Exploration expense		79,457	12,675
Care and maintenance of Bloom Lake	21	6,584,304	3,352,325
Depreciation		1,090,482	669,288
Gain on sale of property, plant and equipment		(1,171,861)	(37,500)
Foreign exchange loss (gain)		(9,546)	49,661
Unrealized foreign exchange gain		(1,683,676)	-
Unrealized loss (gain) on investments	7	254,000	(623,300)
Change in fair value of derivative liability		236,000	-
Accretion of convertible debt discount		93,596	-
Transaction costs		-	1,339,994
Interest-accretion of rehabilitation obligation		171,000	137,500
Interest expense		629,559	-
		7,820,176	6,808,589
Loss		(7,794,332)	(6,742,516)
Item that may be reclassified in future years to the statement of loss			
Net movement in foreign currency		(743,393)	(33,752)
Comprehensive loss		(8,537,726)	(6,776,268)
Loss attributable to:			
Equity holders of Champion		(5,414,318)	(4,735,345)
Non-controlling interest		(2,380,014)	(2,007,171)
Loss		(7,794,332)	(6,742,516)
Comprehensive loss attributable to:			
Equity holders of Champion		(6,157,712)	(4,769,097)
Non-controlling interest		(2,380,014)	(2,007,171)
Comprehensive loss		(8,537,726)	(6,776,268)
Loss per share - basic and diluted	22	(0.01)	(0.02)

See accompanying notes to the consolidated financial statements

Champion Iron Limited
Consolidated Statements of Changes in Equity
(expressed in Canadian dollars)
(unaudited)

	Ordinary shares		Contributed surplus	Foreign currency translation reserve	Non-controlling interest	Accumulated deficit	Total
	Shares	$	$	$	$	$	$
Balance, March 31, 2017	385,934,339	201,989,902	20,120,494	588,200	2,362,819	(130,283,362)	94,778,053
Loss	-	-	-	-	(2,380,014)	(5,414,318)	(7,794,332)
Other comprehensive loss	-	-	-	(743,393)	-	-	(743,393)
Total comprehensive loss	-	-	-	(743,393)	(2,380,014)	(5,414,318)	(8,537,726)
Exercise of stock options	1,150,000	575,000	-	-	-	-	575,000
Fair value of stock options exercised	-	285,500	(285,500)	-	-	-	-
Share-based compensation	-	-	720,432	-	-	-	720,432
Balance, June 30, 2017	387,084,339	202,850,402	20,555,426	(155,193)	(17,195)	(135,697,680)	87,535,760
Balance, March 31, 2016	198,319,784	174,509,902	16,268,574	41,189	-	(106,504,139)	84,315,526
Loss	-	-	-	-	(2,007,171)	(4,735,345)	(6,742,516)
Other comprehensive loss	-	-	-	(33,752)	-	-	(33,752)
Total comprehensive loss	-	-	-	(33,752)	(2,007,171)	(4,735,345)	(6,776,268)
Private placement of ordinary shares	187,500,000	30,000,000	-	-	-	-	30,000,000
Private placement	-	-	-	-	14,000,000	-	14,000,000
Share-based compensation	-	-	1,106,730	-	-	-	1,106,730
Fair value of compensation options	-	(2,520,000)	2,520,000	-	-	-	-
Converson of echangeable shares	-	-	-	-	-	-	-
Balance, June 30, 2016	385,819,784	201,989,902	19,895,304	7,437	11,992,829	(111,239,483)	122,645,988

Champion Iron Limited
Consolidated Statements of Cash Flows

(expressed in Canadian dollars)
(unaudited)

	Notes	3 months ended June 30, 2017 $	2016 $
Cash provided by (used in)			
Operating activities			
Loss		(7,794,332)	(6,742,516)
Non-operating transaction costs		-	1,339,994
Items not affecting cash			
Interest not received		(1,755)	(7,919)
Share-based compensation		720,432	1,106,730
Property taxes not paid		1,806,000	-
Depreciation		1,090,482	669,288
Gain on sale of property, plant and equipment		(1,171,861)	(37,500)
Unrealized foreign exchange gain		(1,683,676)	-
Unrealized (gain) loss on investments	7	254,000	(623,300)
Change in fair value of derivative liability		93,596	-
Accretion of convertible debt discount		236,000	-
Interest-accretion of rehabilitation obligation		171,000	137,500
Interest not paid		253,470	-
		(6,026,644)	(4,157,723)
Changes in non-cash operating working capital			
Receivables		5,671,240	(115,250)
Due from SFNQ		32,384	32,745
Prepaid expenses		(1,094,817)	(306,433)
Deposit		-	600,000
Accounts payable and accrued liabilities		2,189,292	12,476
		771,455	(3,934,184)
Financing activities			
Proceeds of bridge loan		5,000,000	-
Bridge loan transaction costs		(254,168)	-
Proceeds of convertible debenture		10,000,000	-
Private placement of ordinary shares		-	30,000,000
Private placement of common shares of Quebec Iron		-	14,000,000
Exercise of stock options		575,000	-
Repayment of note payable		(5,994,977)	-
		9,325,855	44,000,000
Investing activities			
Receipt of refundable tax credit on exploration	4	-	1,435,358
Investment in term deposits	3	(4,553,592)	(27,650,000)
Advance payment		(2,000,000)	-
Acquisition of Bloom Lake		-	(9,800,000)
Purchase of Quinto claims		-	(776,818)
Proceeds on sale of equipment		1,171,861	3,000,000
Purchase of property, plant and equipment		(3,451,667)	-
Purchase of software licence		(656,807)	-
Exploration and evaluation		(248,878)	(283,230)
Transaction costs		-	(1,339,994)
		(9,739,083)	(35,414,684)
Net decrease in cash and cash equivalents		358,227	4,651,132
Cash and cash equivalents, beginning of period		1,863,387	293,714
Effects of exchange rate changes		(760)	(33,752)
Cash and cash equivalents, end of period		2,220,855	4,911,094

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, 2017, 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 July 26, 2017.

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 consolidated financial statements for the year ended March 31, 2017. Effective April 1, 2017, the Company adopted the following accounting policies:

Convertible debentures
The convertible debentures are financial instruments consisting of a debt instrument, minimum interest obligation and an equity conversion feature. The Company has identified the minimum interest obligation and equity conversion features as embedded derivatives. At initial recognition, the Company estimates the fair value of the equity conversion feature and the present value of the minimum interest obligation. The difference between the gross proceeds and these amounts was allocated to the debt liability under the residual method. The debt balance will be unwound up to the maturity date using the effective interest method. See note 16.

Reserves
Exchange differences relating to the translation of the results and net assets of the Company's foreign operations from their functional currency to the Company's presentation currency are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve, with the exception of those balances that are within the scope of *AASB 139 Financial Instruments*.

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	June 30, 2017 $	March 31, 2017 $
On demand	0.80%	14,377,862	
August 9, 2017	0.95%	212,000	
March 30, 2018	0.50%	500,000	
March 30, 2018	0.50%	577,302	
April 15, 2018	0.50%	252,125	
April 23, 2018	0.50%	100,000	
		16,019,289	11,465,697

Short-term investments of $1,077,302 has been pledged as security for letters of credit of $1,077,302, $350,000 has been pledged as security for credit card obligations and $212,000 has been pledged as security for a letter of credit to secure obligations under a lease agreement for office premises.

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,					Receivable at	
	2017	2016	2015	2014	2013	June 30, 2017	March 31, 2017
Refundable Tax Credits							
As filed (2017 to be filed)	238,000	163,857	1,697,062	1,410,115	7,555,705		
Receivable							
Current	–	–	–	–	–	–	–
Non-current	190,000	131,000	1,357,650	–	1,673,042	3,351,692	3,351,692
	190,000	131,000	1,357,650	–	1,673,042	3,351,692	3,351,692
Credit on Duties							
As filed (2017 to be filed)	42,000	33,726	329,731	209,515	1,122,562		
Receivable							
Current	–	–	–	–	–	–	–
Harmonized and Quebec sales taxes and other							
Receivable							
Current						870,682	6,541,921
Total						4,222,374	9,893,613
Classification							
Current						870,682	6,541,921
Non-current						3,351,692	3,351,692
						4,222,374	9,893,613

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.

The amount of the unassessed and uncollected claims is subject to audit by Revenu Québec and Ressources naturelles et Faune Québec.

5. Due from Cartier Iron Corporation

The amount due from Cartier is a term loan, which is unsecured, bears interest at the rate of LIBOR plus 2% and is due on December 31, 2017 ("Term Loan"). The Company has the right to convert the Term 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.

At June 30, 2017, the principal amount of the Term Loan and accrued interest was $349,758 (March 31, 2017 - $348,003) and for the 3 months ended June 30, 2017, interest of $1,755 was accrued (2016 - $7,919).

One director of the Company is a director of Cartier.

6. Due from 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.

As at June 30, 2017, $69,782 (March 31, 2017 - $102,166) was due from SFNQ.

7. Investments

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

	As at June 30, 2017 $	As at March 31, 2017 $
Investment in common shares		
Fancamp Exploration Ltd. ("Fancamp")	990,000	1,320,000
Lamêlée Iron Ore Ltd. ("Lamêlée")	30,000	34,000
Eloro Resources Ltd. ("Eloro")	1,520,000	1,440,000
	2,540,000	2,794,000

Investments in common shares are classified as financial assets at fair value through profit or loss. For the 3 months ended June 30, 2017, the net decrease in the fair value of investments in common shares of $254,000 has been recorded as an unrealized loss on investments in the consolidated statement of loss and comprehensive loss.

Fancamp

The Company holds 22,000,000 common shares of 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.

Century

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

Exercise price	Exercise period
$2.00	November 30, 2016 to November 29, 2017
$2.50	November 30, 2017 to November 29, 2018

At June 30, 2017, the fair value of the warrants is $nil (March 31, 2017 - $nil).

Lamêlée

The Company holds 200,000 common shares of Lamêlée.

Eloro

The Company holds 2,000,000 common shares of Eloro. The Company has agreed to provide Eloro with 30 days written notice of its intention to sell common shares of Eloro, during which time, Eloro may identify purchasers and the Company shall sell to such identified purchasers at a mutually acceptable price.

Two officers of the Company are officers of Eloro.

8. Investment in Cartier

	$
Balance at March 31, 2017 and June 30, 2017	–

For the year ended March 31, 2016, the Company's share of Cartier's net loss exceeded its remaining investment in Cartier. Accordingly, the investment in associate was written down to nil.

At June 30, 2017, the Company held 11,519,970 common shares of Cartier (March 31, 2017 - 11,519,970 common shares), representing 32.3% of the issued and outstanding common shares of Cartier (March 31, 2017 – 32.3%).

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.

9. Interest in rail and port infrastructure at Sept-Îles

The Company, through QIO, Société du Plan Nord and Tata Steel Minerals Canada entered into a memorandum of understanding to work together, in a multi-user approach, to manage and develop the industrial facilities (rail lines, access to port facilities, rail yards, a pellet plant, administrative offices and other facilities) on a site of around 1,200 hectares at Pointe-Noire in Sept-Îles, Québec, via the limited partnership Société Ferroviaire et Portuaire de Pointe-Noire ("SFPPN"). SFPPN will develop an innovative business model that meets the needs of the private sector while also promoting maximum benefits for future projects in the region.

On March 23, 2017, the Company contributed $1,000,000 to the capital of the SFPPN.

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

On July 13, 2012, the Company's subsidiary company, Champion Iron Mines Limited ("CIML") 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, CIML was to pay $25,581,000 and take-or-pay payments as an advance on its future shipping, wharfage and equipment fees. CIML 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, CIML sent to the Port a notice of termination of the Agreement and requested the repayment of the $6,000,000 that had already been advanced ("Advances"). The termination was made under the Renunciation provision of the Québec Civil Code. The Renunciation provision allows cancellation of a contract if one party cannot perform under the contract. CIML terminated under this provision given that the Port could not provide access as contemplated in the Agreement at the time the payments were due. The Port subsequently issued CIML a notice of default with respect to missing the installment payment that was due in July 2013.

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

On May 9, 2016, the Port delivered a notice that they consider the port facilities have been delivered and are operational and in accordance with the Agreement and that CIML must pay take-or-pay payments as an advance on its future shipping, wharfage and equipment fees. The Port has advised that take-or-pay payments were $3,701,400 at March 31, 2017.

On June 21, 2016, the Port sent CIML a notice of arbitration to have the dispute between CIML and Port referred to arbitration pursuant to the terms of the Agreement.

The arbitration hearing was scheduled to take place in August/September 2017.

On July 15, 2017 CIML entered into a settlement agreement providing for the settlement, without admission, of the aforementioned dispute with the Port. The settlement agreement is conditional upon QIO closing the conditional commitments for debt financing of US$180,000,000 and concurrent equity financing (see note 28).

The settlement agreement provides for payments by CIML or QIO to settle in full the original $19,581,000 claim of the Port on account of the "buy-in" payment under the Agreement, as well as certain ancillary amounts by December 1, 2017. These payments and the $6,000,000 deposit previously made by CIML will be considered advances on future shipping, wharfage and equipment fees of QIO under the Agreement. The additional payments will incur interest from the date the settlement agreement was signed through to the time the relevant payments are made. All additional payments are, like the settlement itself, conditional on the QIO closing the conditional commitment for debt financing of US$180,000,000 and concurrent equity financing (see note 28).

The settlement agreement also provides for take-or-pay payments to commence on January 1, 2018. Should QIO not complete the master financing required in order to restart commercial operations at Bloom Lake, the parties have agreed that their respective positions will revert back to those previously adopted in the arbitration process.

As the settlement agreement was entered into subsequent to period end and is conditional upon future events, the Company has not recognized any liabilities as at June 30, 2017.

11. Advance payment

The Company entered into an agreement which requires the advance payment of $15,000,000 payable as follows:

a) $2,000,000 which has been paid;
b) $8,000,000 on the earlier of (i) the date on which the Company receives financing to complete the feasibility study for the Bloom Lake and (ii) September 15, 2017; and
c) $5,000,000 on the later of (i) October 1, 2017 and (ii) the date on which the Company receives financing to complete the feasibility study for the Bloom Lake.

The advance payment will be recovered as a credit to future costs owing under the agreement.

12. Property, plant and equipment

	Mobile equipment and parts $	Rail $	Railcars	Mine and mineral rights $	Other mining assets $	Housing $	Other $	Total $
Cost								
March 31, 2017	23,573,000	750,000	40,700,968	3,000,000	—	4,000,000	465,852	72,489,820
Additions	600,000	—	—	—	2,851,668	—	—	3,451,668
June 30, 2017	24,173,000	750,000	40,700,968	3,000,000	2,851,668	4,000,000	465,852	75,941,488
Accumulated depreciation								
March 31, 2017	2,259,079	29,948	73,734	—	—	159,722	115,700	2,638,183
Depreciation	589,325	7,812	442,402	—	—	41,667	8,257	1,089,463
June 30, 2017	2,848,404	37,760	516,136	—	—	201,389	123,957	3,727,646
Net book value								
June 30, 2017	21,324,596	712,240	40,184,832	3,000,000	2,851,668	3,798,611	341,895	72,213,842

13. Exploration and evaluation assets

	March 31, 2017 $	Claim renewal costs $	Exploration $	June 30, 2017 $
Fermont				
Consolidated Fire Lake North	54,724,202	10,839	222,846	54,957,887
Harvey-Tuttle	6,599,646	1,633	—	6,601,279
Moire Lake	2,931,650	3,166	—	2,934,816
O'Keefe Purdy	3,222,378	10,394	—	3,232,772
Other	1,282,294	—	—	1,282,294
Quinto	863,671	—	—	863,670
	69,623,841	26,032	222,846	69,872,718

Exploration and evaluation is reported net of option payments and mining tax credits received.

Fermont

The Company owns a 100% interest in Fermont consisting of 7 mineral concessions covering an area of 700 square kilometres situated in northeastern Quebec ("Fermont"), subject to a net smelter return royalty of 1.5%. 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 Audrey-Ernie, Black Dan, Jeannine Lake and Penguin properties.

Grant of option for Cluster 3 Properties to Cartier Iron Corporation

The Company granted an option to Cartier Iron Corporation ("Cartier") to acquire a 55% interest in Audrey-Ernie, Black Dan, Jeannine Lake and Penguin Lake ("Cluster 3 Properties"). In order to earn a 55% interest, Cartier must:

a) 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 (paid and issued)	50,000	500,000	12,500	–
December 10, 2016 (incurred)		–	–	1,800,000
December 31, 2017	450,000	–	–	–
	1,000,000	2,500,000	422,500	3,050,000

b) repay the Term Loan.

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

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

14. Bridge Loan

On May 17, 2017, to finance required upgrades to the tailings management system, other process plant upgrades and long-lead items in connection with the recommencement of operations at Bloom Lake, the Company arranged, on behalf of QIO, a $40,000,000 bridge financing, comprised of debt of $26,000,000 and equity of $14,000,000. The debt component of $26,000,000 has been committed, with Sojitz providing $20,000,000 and Ressources Québec Inc. ("RQ") providing $6,000,000. The equity component consists of a proportionate contribution of $8,848,000 and $5,152,000 from the shareholders of QIO, the Company and RQ, respectively. To fund its $8,800,000 equity contribution into QIO, the Company completed the sale of a $10,000,000 convertible debenture (see note 15).

	$
Balance, March 31, 2017	–
Drawdown	5,000,000
Transaction costs	(254,168)
Balance, June 30, 2017	4,745,832

The committed Bridge Loan of $26,000,000 bears interest at the rate of 12% per annum on the outstanding principal amount of the Bridge Loan and a standby fee of 2% per annum on the undrawn portion of the Bridge Loan; is secured by a $26,000,000 hypothec over all of QIO's property, plant and equipment (excluding mining claims) and matures on July 15, 2018. Advances under the Bridge Loan are available in up to 4 instalments until November 30, 2017. At June 30, 2017, a principal advance of $5,000,000 has been drawn down.

QIO may prepay the Bridge Loan in whole or in part at any time without penalty. QIO will make mandatory prepayments equal to (i) the net proceeds of any disposition of assets not in the ordinary course of business and (ii) the net proceeds of insurance covering physical loss or damage to property, unless QIO confirms such proceeds shall be reinvested in the replacement of such property within 6 months from the date of receipt of proceeds.

15. Convertible debenture

The convertible debenture of $10,000,000 is unsecured, bears interest at the rate of 8% payable quarterly in advance and matures on June 1, 2018 ("Debenture"). The Debenture is convertible at the option of the holder at any time into ordinary shares of the Company at a conversion price of $1.00 per share. Should the Company not complete a master financing of a minimum of $212,000,000 ("Master Financing") by November 30, 2017, the conversion price will be adjusted to the lesser of $1.00 or the 5-day weighted average trading price of shares on the TSX determined as of the date of conversion. The maximum number of shares that may be issued upon conversion of the Debenture is 50,000,000 shares, with the balance of the unconverted principal amount of the Debenture to be repaid in cash or converted into a proportion of the Royalty at the option of the Company. If the principal amount is not repaid in full on or before June 1, 2019, the holder will have the right to convert the entire outstanding principal amount into a 0.21% gross overriding royalty on Bloom Lake ("Royalty").

Following completion of the Master Financing, the principal amount of the Debenture may be prepaid in whole or in part by the Company subject to a minimum payment representing 6 months of interest.

The fair value of the equity conversion feature at June 1, 2017 was calculated using the Black-Scholes option pricing model with the following assumptions:

Date of grant	June 1, 2017
Conversion options granted	10,000,000
Exercise price	$1.00
Share price	$0.85
Risk-free interest rate	2.5%
Expected volatility based on historical volatility	80%
Expected life of conversion option	2.5 months
Expected dividend yield	0%
Forfeiture rate	0%
Fair value	$800,000

The fair value of the minimum interest obligation at June 1, 2017 of $391,000 was calculated as the present value of the minimum 6 monthly interest payments of $66,667 discounted at 8%.

The minimum interest obligation and equity conversion feature are accounted for as derivative liabilities on the statement of financial position. The amounts allocated to debt, minimum interest obligation and the conversion option at June 1, 2017 were as follows:

Allocation	**$**
Debt	8,809,000
Minimum interest obligation	391,000
Equity conversion feature	800,000
	10,000,000

The balance of the convertible debentures and minimum interest obligation outstanding and changes during the 3 months ended June 30, 2017 was as follows:

		Derivative liabilities		
	Convertible debenture $	**Equity conversion feature $**	**Minimum interest obligation $**	**Total $**
Balance, March 31, 2017	—	—	—	—
Issue of convertible debenture	8,809,000	800,000	391,000	1,191,000
Change in fair value	—	300,000	(64,000)	(236,000)
Accretion of discount	93,596	—	—	—
Balance, June 30, 2017	8,902,596	1,100,000	327,000	1,427,000

16. Note payable

	June 30, 2017 $	**June 30, 2017 US$**	**March 31, 2017 $**	**March 31, 2017 US$**
Current				
GST loan	—	—	2,001,661	1,503,879
QST loan	—	—	3,993,316	3,000,238
	—	—	5,994,977	4,504,117
Long-term				
Consideration loan	36,672,314	28,259,470	37,613,355	28,259,470

On March 10, 2017, proceeds the note payable were advanced to the Company's subsidiary, Lac Bloom Railcars Corporation Inc. ("Lac Bloom") to acquire 735 specialized iron ore railcars. On June 28, 2017, Lac Bloom received the input tax credit claimed to recover the GST and QST paid on the acquisition of the railcars and repaid the GST loan and QST loan on June 29, 2017.

The Consideration loan is secured by a $60,000,000 hypothec covering all the present and future moveable property of Lac Bloom, bears interest at LIBOR plus 1.75% compounded monthly and payable monthly and matures on March 10, 2019; however, between October 1, 2018 and December 31, 2018, in the event that the Company has not yet begun to ship iron ore from Bloom Lake and provided that no event of default has occurred and is continuing, the Company may provide written notice and make a payment of US$1,986,525 (less all rental payments received by the Company) to extend the maturity date to March 10, 2020. In the event that the vendor consents to the lease of railcars by the Company, all rental payments received by the Company will be paid to the vendor. The Company has the right to repay the loan at any time without penalty or other cost.

17. Property taxes payable

The Company and the Town of Fermont have agreed that the Company will make monthly instalment payments of $150,000 on the account of property taxes for Bloom Lake and the arrears of property taxes shall bear interest at the rate of 12%. Upon recommencement of commercial operations of Bloom Lake and provided that the price of 62% Fe iron ore minus an agreed upon transportation cost is greater than US$75 per metric tonne for a period of 90 consecutive days, the Company will pay the arrears in 24 monthly instalments, subject to the condition that the arrears shall be paid in full by December 11, 2025.

Property taxes payable as at June 30, 2017 of $9,772,470 (March 31, 2017 - $7,713,000) includes property taxes of $9,051,000 (March 31, 2017 - $7,245,000) and accrued interest of $721,470 (March 31, 2017 - $468,000).

Property taxes for Bloom Lake of $1,806,000 are reflected in Care and Maintenance Expenses of Bloom Lake within the consolidated statement of loss and comprehensive loss for the quarter.

18. Royalty payable

Fermont is encumbered by a 1.5% net smelter royalty ('NSR') with no option to reduce the royalty.

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 $300,000 ("Arrangement"). The Arrangement remains the best indicator of the fair value of the 1.5% NSR, and therefore, as at June 30, 2017, the fair value of the 1.5% NSR has been estimated to be $300,000 (March 31, 2017 - $300,000).

19. Rehabilitation obligation

	$
Balance, March 31, 2017	25,155,500
Accretion of rehabilitation obligation	171,000
Balance, June 30, 2017	25,326,500

The accretion in rehabilitation obligation arises from the unwinding of the discount rate used to record the liability as if the liability were incurred in the current period.

20. Capital stock

Shares

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 were 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.

All issued ordinary shares are fully paid and have no par value. The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share. All shares rank equally with regard to the Company's residual assets in the event of a wind-up.

Stock options granted under Share Incentive Plan

The Company is authorized to issue 77,185,986 stock options and share rights equal to 20% of the issued and outstanding ordinary shares for issuance to participants under the Share Incentive Plan.

	Number of stock options	Weighted-average exercise price $
Balance, March 31, 2017	15,450,000	0.30
Granted	1,650,000	1.00
Exercised	(1,150,000)	0.50
Balance, June 30, 2017	15,950,000	0.35

A summary of the Company's outstanding and exercisable stock options issued under the Share Incentive Plan at June 30, 2017 is presented below:

Exercise price	Expiry date	Number of stock options Outstanding	Exercisable
A$0.30	October 31, 2017	1,000,000	660,000
A$0.30	December 11, 2017	2,000,000	2,000,000
A$0.30	August 20, 2018	1,000,000	330,000
A$0.50	November 29, 2018	2,300,000	1,550,000
A$0.30	November 4, 2019	500,000	500,000
A$0.20	April 11, 2020	7,500,000	7,500,000
A$1.00	May 25, 2020	1,650,000	650,000
		15,950,000	13,190,000

The exercise price of outstanding stock options issued under the Share Incentive Plan ranges from A$0.20 to A$1.00 and the weighted-average remaining contractual life of outstanding stock options is 2.04 years (March 31, 2017 - 2.03 years).

Grant of stock options

On May 25, 2017, the Company granted 1,650,000 stock options to eligible individuals pursuant to the Company's share incentive plan entitling the holder to purchase one ordinary share for A$1.00 until May 25, 2020. The stock options vest, as follows: 650,000 on May 25, 2017, 150,000 on May 25, 2018, 150,000 on May 25, 2019 and 700,000 on satisfaction of the key performance measure of recommissioning of the plant at Bloom Lake at a capacity of 7 million tonnes per annum.

A summary of the assumptions for the calculation of the fair value of those stock options using the Black-Scholes option pricing model is presented below:

Date of grant	May 25, 2017
Expiry date	May 25, 2020
Options granted	1,650,000
Exercise price	$1.00
Share price	$0.88
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%
Fair value	$726,000
Fair value per stock option	$0.44

See note 28 for subsequent event.

Stock options granted outside of the Share Incentive Plan

	Exercise price	Expiry date	Number of options outstanding and exercisable	Weighted-average exercise price
Balance, March 31, 2017 and June 30, 2017	$0.45	September 1, 2018	1,000,000	$0.45

Compensation options

	Exercise price	Expiry date	Number of options outstanding and exercisable	Weighted-average exercise price
Balance, March 31, 2017 and June 30, 2017	$0.25	February 1, 2020	21,000,000	$0.25

Share rights

	Number of share rights
Balance, March 31, 2017	—
Granted	1,250,000
Balance, June 30, 2017	1,250,000

Grant of share rights

On May 25, 2017, the Company granted 1,250,000 share rights to employees entitling the holder to receive one ordinary share upon vesting. The share rights vest on the satisfaction of the key performance measures of the completion of the total financing package required to facilitate the recommissioning of the plant at the Bloom Lake at a rated capacity of 7 million tonnes per annum and the actual recommissioning of the plant at Bloom Lake at a capacity of 7 million tonnes per annum.

A summary of the assumptions for the calculation of the fair value of those share rights using the Black-Scholes option pricing model is presented below:

Date of grant	May 25, 2017
Maturity	On satisfaction of key performance measures
Share rights granted	1,250,000
Exercise price	$Nil
Share price	$0.88
Risk-free interest rate	2.5%
Expected volatility based on historical volatility	80%
Expected life of share rights	9 months
Expected dividend yield	0%
Forfeiture rate	0%
Fair value	$875,000
Fair value per share right	$0.87

See note 28 for subsequent event.

21. Care and maintenance of Bloom Lake

Care and maintenance costs of Bloom Lake of $6,584,304 (2016 - $3,352,325) represent the costs incurred at Bloom Lake. Costs include property taxes (note 17), salaries and wages, housing costs, utilities and water management and environmental costs.

22. Loss per share

Loss per share amounts are calculated by dividing the net loss attributable to shareholders for the year by the weighted-average number of shares outstanding during the 3 months ended June 30:

	2017 $	2016 $
Net loss attributable to equity holders of the parent	(5,414,318)	(4,735,345)
Basic and diluted weighted-average number of shares	386,890,932	263,154,949
Basic and diluted loss per share attributable to equity holders of the parent	(0.01)	(0.02)

All stock options and share rights that are anti-dilutive have been excluded from the diluted weighted-average number of common shares.

23. 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, due from SNFQ and accounts payable and accrued liabilities

The fair values of cash and cash equivalents, short-term investments, receivables, due from Cartier, due from SFNQ 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, Lamêlée and Eloro are measured at the bid market price on the measurement date.

Bridge Loan

The bridge loan is evaluated by the Company based on parameters such as interest rates and the risk characteristics of the financed assets. As at June 30, 2017, the carrying amount of the bridge loan was not materially different from its calculated fair value.

Convertible debenture

The convertible debenture is evaluated by the Company based on parameters such as interest rates and the risk characteristics of the financed assets. As at June 30, 2017, the carrying amount of the convertible debenture was not materially different from its calculated fair value.

Note payable

The note payable is evaluated by the Company based on parameters such as interest rates and the risk characteristics of the financed assets. As at June 30, 2017, the carrying amount of the note payable was not materially different from its calculated fair value.

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 and fair values as at June 30, 2017

	Fair value through profit and loss $	Cash, loans and receivables $	Other liabilities $	Total carrying amount $	Total fair value $
Assets					
Current					
Cash and cash equivalents	–	2,221,054	–	2,221,054	2,221,054
Short-term investments	–	16,019,289	–	16,019,289	16,019,289
Receivables	–	870,683	–	870,683	870,683
Due from Cartier	–	349,758	–	349,758	349,758
Due from SFNQ	–	69,782	–	69,782	69,782
Non-current					
Receivables	–	3,351,692	–	3,351,692	3,351,692
Investments	2,540,000	–	–	2,540,000	2,540,000
	2,540,000	22,882,258	–	25,422,258	25,422,258
Liabilities					
Current					
Accounts payable and accrued liabilities	–	–	3,856,795	3,856,795	3,856,795
Bridge loan	–	–	4,745,832	4,745,832	4,745,832
Convertible debenture	–	–	8,902,596	8,902,596	8,902,596
Minimum interest obligation	–	–	327,000	327,000	327,000
Non-current					
Note payable	–	–	36,672,314	36,672,314	36,672,314
Royalty payable	–	–	300,000	300,000	300,000
	–	–	54,804,537	54,804,537	54,804,537

Fair value measurements recognized in the consolidated statement of loss and comprehensive loss
Subsequent to initial recognition, the Company measures financial instruments at fair value grouped into the following levels based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at June 30, 2017

	Level 1 $	Level 2 $	Level 3 $	Total $
Financial asset at fair value through profit and loss				
Cash and cash equivalents and short-term investments	18,240,343	–	–	18,240,343
Investments				
Common shares	2,540,000	–	–	2,540,000
Financial liability				
Bridge loan	–	4,745,832	–	4,745,832
Convertible debenture	–	8,902,596	–	8,902,596
Minimum interest obligation	–	327,000	–	327,000
Note payable	–	36,672,314	–	36,672,314

24. 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 June 30, 2017 had changed by 10%, with all other variables held constant, the loss would have decreased or increased by approximately $254,000.

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 period.

25. Related party transactions

	3 months ended June 30,		Outstanding at	
			June 30,	March 31,
	2017	2016	2017	2017
	$	$	$	$
General and administrative				
Paid on market terms for rent to a company controlled by a director	13,635	13,635	–	–

See notes 5, 7, 8 and 13 for other related party transactions with Cartier and note 6 for other 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:

	3 months ended June 30,	
	2017	**2016**
	$	**$**
Salaries	287,500	166,720
Consulting fees	153,000	160,500
Non-monetary benefits	37,962	6,060
Post-employment benefits	11,532	12,375
Share-based payments, representing share-based compensation	684,258	1,086,711
	1,174,252	1,432,366

26. Commitments and contingencies
At June 30, 2017, contingent liabilities consist of letters of credit $212,000 provided to secure obligations under a lease agreement for office premises and letters of credit for $1,077,302 provided by QIO to third parties.

See note 12 for information regarding the Company's contingent liabilities.

27. Segment information
The Company operates in one business segment being iron ore 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.

28. Subsequent events
Other than those noted below, no matter or circumstance has arisen since June 30, 2017 that has significantly affected, or may significantly affect:
- The Company's operations in the future financial years, or
- The results of those operations in future financial years, or
- The Company's state of affairs in future financial years.

Grant of stock options
After receiving shareholder approval on July 10, 2017, the Company granted 600,000 stock options to directors entitling the holder to entitling the holder to purchase one ordinary share for A$1.08 until July 11, 2020. The stock options vest, as follows: 200,000 on July 11, 2017, 200,000 on July 11, 2018 and 200,000 on July 11, 2019.

Grant of share rights
After receiving shareholder approval on July 10, 2017, the Company granted 1,000,000 share rights to a director entitling the holder to receive one ordinary share upon vesting. The share rights vest on the satisfaction the key performance measures of the completion of the total financing package required to facilitate the recommissioning of the plant at the Bloom Lake at a rated capacity of 7 million tonnes per annum and the actual recommissioning of the plant at Bloom Lake at a capacity of 7 million tonnes per annum.

Conditional commitments for debt financing of US$180,000,000 for QIO
QIO received conditional commitments for debt financing of US$180,000,000 from Sprott Private Resource Lending (Collector), LP ("Sprott") and Caisse de dépôt et placement du Québec ("Caisse") to finance the restart of Bloom Lake:

Senior secured financing: Sprott will provide US$80,000,000 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.

Subordinated financing: Caisse will provide US$100,000,000 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.

The Company will issue 3,000,000 common share purchase warrants to Sprott and 21,000,000 common share purchase warrants to Caisse, entitling the holder to purchase an ordinary share of the Company for a price to be determined when the Company's equity raising referred to below is undertaken and in compliance with the requirements of the ASX and TSX. Ressources Québec ("RQ") will provide compensation commensurate with their 36.8% interest in QIO to the Company for issuing the common share purchase warrants.

The financings are conditional on:

a) QIO shareholders, the Company and RQ, contributing approximately $72,000,000 to support the restart of Bloom Lake. The Company intends to provide for its 63.2% proportionate contribution of approximately $45,000,000 by raising equity. Subject to final approval, Fonds Capital Mines Hydrocarbures, managed by RQ, has issued a letter of intent to provide for its 36.8% proportionate contribution of approximately $27,000,000.
b) The Company obtaining 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
c) The execution of the definitive documentation and the satisfaction of other customary closing conditions.