

Champion Iron Limited

Interim Consolidated Financial Statements

December 31, 2017

(expressed in Canadian dollars)

(unaudited)

Champion Iron Limited

Consolidated Statements of Financial Position

(expressed in Canadian dollars)
(unaudited)

	Notes	As at December 31, 2017 \$	As at March 31, 2017 \$
Assets			
Current			
Cash and cash equivalents		48,760,675	1,863,387
Short-term investments	3	3,143,800	11,465,697
Receivables	4	7,122,422	6,644,087
Due from Cartier Iron Corporation	5	-	348,003
Prepaid expenses		1,238,178	279,024
Inventories		64,235	-
		60,329,310	20,600,198
Non-current			
Receivables	4	3,357,954	3,351,692
Investments	6	4,353,000	2,794,000
Advance for investment in railway and port facilities partnership	8	1,000,000	1,000,000
Advance payments	9	45,581,000	6,000,000
Property, plant and equipment	10	117,575,609	69,852,656
Software		899,718	-
Exploration and evaluation	11	69,736,339	69,623,841
		302,832,930	173,222,387
Liabilities			
Current			
Accounts payable and accrued liabilities	12	40,281,376	1,667,502
Convertible debenture, Altius	14	9,485,427	-
Note payable	15	-	5,994,977
Derivative liabilities	18	27,584,000	-
		77,350,803	7,662,479
Non-current			
Note payable	15	35,451,505	37,613,355
Property taxes payable	16	14,053,950	7,713,000
Long-term debt	17	47,414,053	-
Convertible debenture, Glencore	18	12,148,542	-
Royalty payable	19	300,000	300,000
Rehabilitation obligation	20	25,668,500	25,155,500
		212,387,353	78,444,334
Shareholders' equity			
Capital stock		222,463,601	201,989,902
Contributed surplus		22,091,653	20,120,494
Warrants		17,730,000	-
Foreign currency translation reserve		2,790,557	588,200
Non-controlling interest		9,973,166	2,362,819
Accumulated deficit		(184,603,400)	(130,283,362)
		90,445,577	94,778,053
		302,832,930	173,222,387

On behalf of the Board:


Director


Director

Champion Iron Limited

Consolidated Statements of Loss and Comprehensive Loss

(expressed in Canadian dollars)
(unaudited)

		3 months ended December 31,		9 months ended December 31,	
		2017	2016	2017	2016
	Notes	\$	\$	\$	\$
Other income					
Interest		16,877	51,971	74,832	199,575
Other		(2,950)	-	110,931	47,801
		13,927	51,971	185,763	247,376
Expenses					
Professional fees		913,094	50,113	1,108,881	171,606
Salaries		215,143	82,003	459,074	257,030
Consulting fees		1,196,213	178,015	1,692,132	465,207
Share-based compensation		757,804	56,730	2,594,659	1,220,190
General and administrative		197,677	386,607	707,991	967,788
Investor relations		8,574	18,966	80,730	32,435
Travel		117,525	28,530	327,105	226,240
Exploration		93,704	53,996	544,451	78,219
Care and maintenance and restart costs of Bloom Lake	22	34,938,779	5,931,001	52,993,129	14,139,183
Depreciation		1,091,129	639,663	3,271,709	1,854,440
Gain on sale of property, plant and equipment		(2,354)	(392,650)	(1,174,215)	(430,150)
Foreign exchange loss (gain)		(424,242)	3,540	(942,221)	8,497
Unrealized loss (gain) on investments	6	(1,045,000)	96,767	(1,159,000)	(114,233)
Change in fair value of derivative liability		6,950,000	-	6,491,000	-
Accretion of borrowing costs and debt discount		1,966,141	-	2,410,075	-
Accretion of rehabilitation obligation		171,000	165,000	513,000	467,500
Transaction costs		-	-	-	2,623,874
Interest expense		6,884,076	-	8,292,742	-
		54,029,263	7,298,281	78,211,242	21,967,826
Loss		(54,015,336)	(7,246,311)	(78,025,479)	(21,720,450)
Item that may be reclassified in future years to the statement of loss					
Net movement in foreign currency translation reserve		(37,796)	(31,551)	2,202,357	(116,888)
Comprehensive loss		(54,053,132)	(7,277,861)	(75,823,122)	(21,837,338)
Loss attributable to:					
Equity holders of Champion		(37,341,085)	(4,921,163)	(54,320,037)	(15,085,125)
Non-controlling interest		(16,674,251)	(2,325,148)	(23,705,442)	(6,635,325)
Loss		(54,015,336)	(7,246,311)	(78,025,479)	(21,720,450)
Comprehensive loss attributable to:					
Equity holders of Champion		(37,378,881)	(4,952,713)	(52,117,680)	(15,202,013)
Non-controlling interest		(16,674,251)	(2,325,148)	(23,705,442)	(6,635,325)
Comprehensive loss		(54,053,132)	(7,277,861)	(75,823,122)	(21,837,338)
Loss per share - basic and diluted	24	(0.09)	(0.01)	(0.14)	(0.04)

Champion Iron Limited

Consolidated Statements of Changes in Equity

(expressed in Canadian dollars)
(unaudited)

	Ordinary shares		Contributed surplus	Warrants	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	-	-	-	-	-	(23,705,442)	(54,320,037)	(78,025,480)
Other comprehensive loss	-	-	-	-	2,202,357	-	-	2,202,357
Total comprehensive loss	-	-	-	-	2,202,357	(23,705,442)	(54,320,037)	(75,823,123)
Public offering of subscription receipts	21,033,508	18,930,157	-	-	-	-	-	18,930,157
Private placement	-	-	-	-	-	5,152,000	-	5,152,000
Private placement	-	-	-	-	-	26,163,789	-	26,163,789
Exercise of stock options	4,150,000	1,303,335	-	-	-	-	-	1,303,335
Fair value of stock options exercised	-	485,500	(485,500)	-	-	-	-	-
Fair value of share rights exercised	-	870,000	(870,000)	-	-	-	-	-
Share-based compensation	-	-	2,594,659	-	-	-	-	2,594,659
Fair value of warrants issued	-	-	-	17,730,000	-	-	-	17,730,000
Derecognition of derivative liability	-	-	732,000	-	-	-	-	732,000
Share issue costs	-	(1,115,293)	-	-	-	-	-	(1,115,293)
Balance, December 31, 2017	411,117,847	222,463,601	22,091,653	17,730,000	2,790,557	9,973,166	(184,603,400)	90,445,577
Balance, March 31, 2016	198,319,784	174,509,902	16,268,574	-	41,189	-	(106,504,139)	84,315,526
Loss	-	-	-	-	-	(6,635,325)	(15,085,125)	(21,720,450)
Other comprehensive loss	-	-	-	-	(116,888)	-	-	(116,888)
Total comprehensive loss	-	-	-	-	(116,888)	(6,635,325)	(15,085,125)	(21,837,338)
Private placement of ordinary shares	187,500,000	30,000,000	-	-	-	-	-	30,000,000
Private placement of QIO	-	-	-	-	-	14,000,000	-	14,000,000
Share-based compensation	-	-	1,220,190	-	-	-	-	1,220,190
Fair value of compensation options	-	(2,520,000)	2,520,000	-	-	-	-	-
Conversion of exchangeable shares	-	-	-	-	-	-	-	-
Balance, December 31, 2016	385,819,784	201,989,902	20,008,764	-	(75,699)	7,364,675	(121,589,264)	107,698,378

See accompanying notes to the consolidated financial statements

Champion Iron Limited

Consolidated Statements of Cash Flows

(expressed in Canadian dollars)
(unaudited)

		9 months ended December 31,	
		2017	2016
	Notes	\$	\$
Cash provided by (used in)			
Operating activities			
Loss		(78,025,479)	(21,720,450)
Non-operating transaction costs		-	2,623,874
Items not affecting cash			
Interest not received		-	(20,764)
Share-based compensation		2,594,659	1,220,190
Property taxes not paid		5,418,000	-
Depreciation		3,271,749	1,854,440
Gain on sale of property, plant and equipment		(1,174,215)	(430,150)
Unrealized gain on investments	7	(1,159,000)	(114,233)
Change in fair value of derivative liability		6,491,000	-
Accretion of borrowing costs and debt discount		2,410,075	-
Accretion of rehabilitation obligation		513,000	467,500
Interest not paid		2,415,935	-
		(57,244,276)	(16,119,593)
Changes in non-cash operating working capital			
Receivables		(484,597)	(830,180)
Prepaid expenses		(959,154)	(91,018)
Inventories		(64,235)	-
Deposit		-	600,000
Accounts payable and accrued liabilities		9,436,330	656,035
		(49,315,932)	(15,784,756)
Financing activities			
Option payment from Cartier	11	50,000	-
Proceeds of bridge loan	13	16,000,000	-
Repayment of bridge loan	13	(16,000,000)	-
Bridge loan transaction costs	13	(501,413)	-
Proceeds of convertible debenture, Altius	14	10,000,000	-
Proceeds of long-term debt	17	66,159,270	-
Borrowing costs	17	(2,157,895)	-
Proceeds of convertible debenture, Glencore	18	31,200,000	-
Public offering of subscription receipts	21	18,930,157	-
Share issue costs	21	(1,115,293)	-
Private placement of ordinary shares		-	30,000,000
Private placement of common shares of Quebec Iron		31,315,789	14,000,000
Exercise of stock options		1,303,335	-
Repayment of note payable		(5,994,977)	-
		149,188,973	44,000,000
Investing activities			
Receipt of refundable tax credit and credit on duties		-	1,972,678
Investment in term deposits		8,321,897	(19,572,678)
Proceeds on sale of investments		-	323,733
Due from Cartier Iron Corporation	5	348,003	-
Advance payments		(39,581,000)	-
Acquisition of Bloom Lake		-	(9,800,000)
Purchase of Quinto claims		-	(776,818)
Proceeds on sale of equipment		1,174,215	3,392,650
Purchase of property, plant and equipment	10	(21,818,181)	(405,000)
Purchase of software		(899,718)	-
Exploration and evaluation		(562,498)	(779,534)
Transaction costs		-	(2,623,874)
		(53,017,282)	(28,268,842)
Net decrease in cash and cash equivalents		46,855,759	(53,599)
Cash and cash equivalents, beginning of period		1,863,387	293,714
Effects of exchange rate changes on cash		41,530	(116,888)
Cash and cash equivalents, end of period		48,760,676	123,227
Non-cash transactions			
Receipt of Cartier common shares for option payment	11	400,000	15,000
Receipt of Eoro common shares in repayment of Term Loan		-	1,000,000

See accompanying notes to the consolidated financial statements

Champion Iron Limited

Notes to Interim Consolidated Financial Statements

December 31, 2017

(unaudited)

1. Basis of presentation

Statement of compliance

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

These 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 interim consolidated financial statements were approved and authorized for issue by the Board of Directors on February 13, 2018.

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 notes 14 and 18.

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 started to assess the extent of the impact of these standards and does not plan to early adopt these new standards.

3. Short-term investments

Maturity	Interest rate	December 31, 2017 \$	March 31, 2017 \$
On demand	0.80%	237,193	9,826,395
April 15, 2017	0.85%	—	250,000
April 21, 2017	0.85%	—	100,000
August 9, 2017	0.95%	—	212,000
March 30, 2018	0.50%	415,000	500,000
March 30, 2018	0.50%	577,302	577,302
April 15, 2018	0.50%	252,125	—
April 23, 2018	0.50%	100,000	—
August 8, 2018	0.50%	212,000	—
October 30, 2018	0.50%	1,000,000	—
October 30, 2018	0.50%	350,180	—
		3,143,800	11,465,697

Short-term investments of \$2,342,482 have been pledged as security for letters of credit, \$352,125 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. Short-term investments of \$606,188 due on demand have not been pledged.

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").

	2017	Claims for years ended March 31,				Receivable at	
		2016	2015	2014	2013	December 31, 2017	March 31, 2017
Refundable Tax Credits							
As filed	241,069	163,857	1,697,062	1,410,115	7,555,705		
Receivable							
Current	—	—	—	—	—	—	—
Non-current	190,000	131,000	1,357,650	—	1,679,304	3,357,954	3,351,692
	190,000	131,000	1,357,650	—	1,679,304	3,357,954	3,351,692
Other							
HST/QST receivable						7,053,437	6,541,921
Due from SFNQ						68,985	102,166
						7,122,422	6,644,087
Total						10,480,376	9,995,779
Classification							
Current						7,122,422	6,644,087
Non-current						3,357,954	3,351,692
						10,480,376	9,995,779

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 of \$nil (March 31, 2017 - \$348,003) was a term loan which was repaid on December 22, 2017. For the 9 months ended December 31, 2017, interest of \$6,141 was accrued (2016 - \$20,764). One director of the Company is a director of Cartier.

6. Investments

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

	As at December 31, 2017	As at March 31, 2017
	\$	\$
Investment in common shares		
Fancamp Exploration Ltd. ("Fancamp")	1,650,000	1,320,000
Lamêlée Iron Ore Ltd. ("Lamêlée")	53,000	34,000
Eloro Resources Ltd. ("Eloro")	2,650,000	1,440,000
Century Global Commodities Corporation ("Century")	—	—
	4,353,000	2,794,000

Investments in common shares are classified as financial assets at fair value through profit or loss. For the 9 months ended December 31, 2017, the net increase in the fair value of investments of \$1,159,000 (2016 - \$114,233) has been recorded as an unrealized gain 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.

Lamêlée

The Company holds 200,000 common shares of Lamêlée.

Eloro

The Company holds 2,500,000 common shares of Eloro (March 31, 2017 – 2,000,000). 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.

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 December 31, 2017, the fair value of the warrants is \$nil (March 31, 2017 - \$nil).

7. Investment in Cartier

	\$
Balance at March 31, 2017 and December 31, 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 December 31, 2017, the Company held 11,519,970 common shares of Cartier (March 31, 2017 - 11,519,970 common shares), representing 24.4% of the issued and outstanding common shares of Cartier (March 31, 2017 – 32.3%).

The holdings of the Company in Cartier were subject to the terms of a pre-emptive rights agreement and an agreement respecting board representation rights and standstill obligations which expired on December 31, 2017.

8. Advance for investment in railway and port facilities partnership

On March 23, 2017, the Company's subsidiary company, Québec Iron Ore Inc, ("QIO") entered into a memorandum of understanding to become a limited partner in Société Ferroviaire et Portuaire de Pointe-Noire, S.E.C. ("SFPPN"). SFPPN was formed to manage and develop the industrial facilities (rail lines, access to port facilities, rail yards, a pellet plant, administrative offices and other facilities) at Pointe-Noire in Sept-Îles, Québec. QIO advanced \$1,000,000 as a contribution to the capital of SFPPN pending the completion of a limited partnership agreement.

9. Advance payments

	December 31, 2017	March 31, 2017
	\$	\$
Port	25,581,000	6,000,000
Rail transportation	15,000,000	—
Railway and port facilities	5,000,000	—
	45,581,000	6,000,000

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 make advance payments of \$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 advance payment of \$6,000,000 that had already been made. The Port disputed the right of CIML to terminate the Agreement.

On July 15, 2017, CIML and the Port entered into a conditional settlement agreement, providing for the settlement, without admission, of the dispute with the Port. The settlement agreement provided for payments by CIML or QIO to settle in full the remaining advance payment of \$19,581,000 and interest by December 1, 2017. Upon signing of the conditional settlement agreement, CIML made a payment of \$2,400,000 which was recorded as an advance payment, for future obligations.

On October 16, 2017, the conditions of the settlement agreement were met and by December 1, 2017, QIO paid the remaining payments of \$17,181,000 which were recorded as advance payments and interest of \$2,807,116.

Commencing January 1, 2018, the Company will recognize a liability for take-or-pay payments.

Rail transportation

On June 8, 2017, QIO entered into a rail transportation agreement with Quebec North Shore and Labrador Railway Company, Inc. ("QNS&L") for the transportation of iron ore concentrate from Bloom Lake by rail from the Wabush Lake Junction in Labrador City, Newfoundland & Labrador to the Sept-Îles Junction in Sept-Îles, Quebec.

In connection with the agreement, QIO made an advance payment of \$15,000,000 which will be recovered as a credit to future costs owing under the agreement.

Railway and port facilities

On October 12, 2017, QIO entered into a railway and port facilities access agreement with SFPPN for the transportation, unloading, stockpiling and loading of iron ore concentrate from Sept-Iles to Pointe-Noire, Québec. In connection with the agreement, QIO made an advance payment of \$5,000,000 which will be recovered as a credit to future costs owing under the agreement.

10. Property, plant and equipment

	Mobile equipment and parts \$	Rail \$	Railcars	Mine and mineral rights \$	Construction in progress \$	Housing \$	Other \$	Total \$
Cost								
March 31, 2017	23,573,000	750,000	40,701,987	3,000,000	—	4,000,000	465,852	72,490,839
Additions	600,000	—	—	—	50,394,701	—	—	50,994,701
December 31, 2017	24,173,000	750,000	40,701,987	3,000,000	50,394,701	4,000,000	465,852	123,485,540
Accumulated depreciation								
March 31, 2017	2,259,079	29,948	73,734	—	—	159,722	115,700	2,638,182
Depreciation	1,769,367	23,438	1,327,211	—	—	125,000	25,709	3,271,749
December 31, 2017	4,028,446	53,386	1,401,978	—	—	284,722	141,409	5,909,931
Net book value								
December 31, 2017	20,144,554	696,614	39,300,024	3,000,000	50,394,701	3,715,278	324,453	117,575,609

11. Exploration and evaluation assets

	March 31, 2017 \$	Claim renewal costs \$	Exploration \$	Option payment \$	December 31, 2017 \$
Fermont					
Consolidated Fire Lake North	54,724,202	50,839	446,466	—	55,221,507
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	—	—	(450,000)	832,294
Quinto	863,671	50,000	—	—	913,670
	69,623,841	116,032	446,466	(450,000)	69,736,339

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 679 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"). On December 22, 2017, Cartier earned its 55% interest in the Cluster 3 Properties. In order to earn its 55% interest, Cartier made option payments, issued common shares and incurred 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 (paid)	450,000	—	—	—
	1,000,000	2,500,000	422,500	3,050,000

In respect of the option payment of \$450,000 due on December 31, 2017, the Company accepted a cash payment of \$50,000 and 500,000 common shares of Eloro at a deemed value of \$0.80 per share.

Upon Cartier earning its 55% interest, a joint venture was 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 has an 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.

12. Accounts payable and accrued liabilities

At December 31, 2017, accounts payable and accrued liabilities of \$40,281,338 represents trade accounts payable related to construction in progress and restart costs for Bloom Lake.

13. Bridge loan to QIO

	\$
Balance, March 31, 2017	—
Drawdowns	16,000,000
Borrowing costs	(254,168)
Amortization of borrowing costs	254,168
Repayment	(16,000,000)
Balance, December 31, 2017	—

On October 16, 2017, QIO repaid outstanding Bridge loan advances of \$16,000,000.

14. Convertible debenture, Altius

		Derivative liabilities		
	Convertible debenture	Equity conversion option	Minimum interest obligation	Total
	\$	\$	\$	\$
Balance, March 31, 2017	—	—	—	—
Issue of convertible debenture on June 1, 2017	10,000,000	—	—	—
Fair value of derivatives	(1,191,000)	800,000	391,000	1,191,000
Accretion of debt discount	676,427	—	—	—
Change in fair value of derivative liabilities	—	(200,000)	(259,000)	(459,000)
Derecognition of derivative liabilities	—	(600,000)	(132,000)	(732,000)
Balance, December 31, 2017	9,485,427	—	—	—

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. 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").

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 option 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.

15. Note payable

	December 31, 2017		March 31, 2017	
	\$	US\$	\$	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	35,451,505	28,259,470	37,613,355	28,259,470

On March 10, 2017, proceeds from the note payable consisting of a GST loan, QST loan and consideration loan 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.

16. 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 December 31, 2017 of \$14,053,950 (March 31, 2017 - \$7,713,000) includes property taxes of \$12,663,000 (March 31, 2017 - \$7,245,000) and accrued interest of \$1,390,950 (March 31, 2017 - \$468,000).

17. Long-term debt

On October 10, 2017, QIO entered into definitive agreements for long-term debt financing of US\$180,000,000.

	Sprott C\$	CDP C\$	Total C\$
Balance, March 31, 2017	—	—	—
Advances	29,404,120	36,755,150	66,159,270
Transaction costs	(1,391,450)	(766,445)	(2,157,905)
Fair value of warrants	(1,980,000)	(15,750,000)	(17,730,000)
Accretion of debt discount	215,800	244,238	460,038
Interest capitalized	250,368	432,272	682,640
Balance, December 31, 2017	26,498,838	20,915,215	47,414,053

The terms of the long-term debt facilities are as follows:

Lender:	Sprott Private Resource Lending (Collector), LP ("Sprott")
Amount:	US\$80,000,000
Maturity:	June 30, 2022
Work fee:	0.50% of the Amount
Interest:	7.5% per annum plus the greater of US dollar 3-month LIBOR and 1% per annum calculated, compounded and payable quarterly. QIO has the option to pay or capitalize such interest.

Additional interest:	1.75% of the principal amount of each advance.
Repayment:	Commencing on March 31, 2019, and quarterly thereafter, 1/14th of the principal balance outstanding on March 31, 2019.
Prepayment:	Option to prepay in whole or in part at any time.
Mandatory prepayment:	Cash proceeds received on the disposal of any assets. Provided that a default or event of default has occurred, cash proceeds received on the disposal of any assets by a guarantor. Proceeds of any equity or debt (including convertible debt) financings, excluding intercompany financings. In the event of a change of control, QIO will repay the principal and interest. No amount shall be payable if the person acquiring control has financial strength equal to or superior to the financial strength of the Guarantor, in the discretion of the Lender. Insurance proceeds greater than \$1,000,000 unless the QIO uses the proceeds to repair or purchase a replacement for the asset which was subject to the insurable event.
Prepayment premium:	Until October 16, 2020, 3% of the principal amount prepaid
Security:	(i) a title insured first ranking hypothec over the universality of movable and immovable property, corporeal and incorporeal, present and future, including all assets, titles and rights, in any nature whatsoever, related to the Project (including for greater certainty, the Mining Lease and all mining claims), subject only to Permitted Encumbrances; (ii) a first ranking general security agreement under Newfoundland and Labrador law in respect of the movable assets located in Newfoundland and Labrador, subject to Permitted Encumbrances; (iii) a title insured first ranking mortgage under Newfoundland and Labrador law in respect of the immovable assets located in Newfoundland and Labrador, subject only to Permitted Encumbrances; (iv) subordination agreements in favour of the Lender with respect to all amounts due from time to time by the Borrower to any Affiliates, including the Guarantor
Guarantors:	(i) The Company, supported by a first ranking hypothec on securities pursuant to which the Company pledged and granted a first-priority encumbrance over all of the issued and outstanding shares of QIO held by the Company. (ii) Lac Bloom Railcars Corporation Inc., supported by a second ranking hypothec over all of its present and future movable property and a second ranking general security agreement over movable assets in Newfoundland and Labrador.
Lender:	CDP Investissements Inc.
Amount:	US\$100,000,000
Maturity:	7 years from the date of the initial advance
Interest:	12% per annum for the first year, and thereafter, at an interest rate linked to the price of iron ore calculated and capitalized monthly
Commitment fee:	2.5% payable of the date of each advance
Standby fee:	1.0% on the undisbursed portion of the loan payable quarterly in arrears
Repayment:	6 years from the date of the initial advance - 50% of principal and capitalized interest 7 years from the date of the initial advance - the balance of the principal and capitalized interest, subject to the option to defer the payment of capitalized interest for 1 year
Mandatory Prepayment:	In the event of a change of control or the closing of a public offering of QIO within 2 years from the date of the initial advance, QIO will repay the principal and interest calculated at 14% per annum since the date of the initial advance and a performance maintenance fee equal to the present value of all interest payments from the date of the initial advance to the maturity date. In the event of a change of control or the closing of a public offering of QIO after 2 years from the date of the initial advance, QIO will repay the principal and capitalized interest and an early redemption fee of 6%, 5%, 3%, 2% and 1% in years 3, 4, 5, 6, and 7, respectively. In the event of a change in control, no amount shall be payable if the person acquiring control has the financial strength equal to or superior to the financial strength of the Guarantor, in the discretion of CDP.
Prepayment:	After 2 years from the date of the initial advance, QIO has the option to prepay the principal and capitalized interest subject to the payment of an early redemption fee of 6%, 5%, 3%, 2% and 1% in years 3, 4, 5, 6, and 7, respectively

In connection with the debt financing, the Company issued: (a) 3,000,000 common share purchase warrants to Sprott, entitling the holder to purchase an ordinary share of the Company for \$1.125 until October 16, 2022 and (b) 21,000,000 common share purchase warrants to Caisse, entitling the holder to purchase an ordinary share of the Company for \$1.125 after October 16, 2018 until October 16, 2024. 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 fair value of the common share purchase warrants was calculated using the Black-Scholes option pricing model with the following assumptions:

	Sprott	CDP
Date of issue	October 16, 2017	October 16, 2017
Warrants issued	3,000,000	21,000,000
Exercise price	\$1.125	\$1.125
Share price	\$1.04	\$1.04
Risk-free interest rate	2.5%	2.5%
Expected volatility based on historical volatility	80%	80%
Expected life of warrant	5 years	7 years
Expected dividend yield	0%	0%
Forfeiture rate	0%	0%
Fair value	1,980,000	\$15,750,000

A prepayment option derivative exists in respect of the Company's ability to avoid future interest payments on the Sprott debt by prepaying the debt and paying a penalty equal to 3% of the outstanding principal. The fair value of the prepayment option derivative asset was calculated to be \$Nil.

A prepayment option derivative exists in respect of the Company's ability to avoid future interest payments on the CDP debt by prepaying the debt and paying a penalty which varies over time. The fair value of the prepayment option derivative asset was calculated to be \$Nil.

An interest rate derivative exists as the interest rate to be paid on the CDP debt after the first year is linked to the price of iron ore. The fair value of the interest rate derivative liability was calculated to be \$Nil.

18. Convertible debenture, Glencore

		Derivative asset	Derivative liabilities		
	Convertible debenture	Prepayment option	Conversion option	Interest rate	Total
	\$	\$	\$	\$	\$
Balance, March 31, 2017	—	—		—	—
Issue of convertible debenture	31,200,000	—	—	—	—
Fair value of derivatives	(20,634,000)	—	20,634,000	—	20,634,000
Change in fair value	—	—	6,950,000	—	6,950,000
Accretion of debt discount	772,197	—	—	—	—
Capitalized interest	810,345	—	—	—	—
Balance, December 31, 2017	12,148,542	—	27,584,000	—	27,584,000

On October 13, 2017, the Company completed a non-brokered private placement of a \$31,200,000 unsecured subordinated convertible debenture ("Debenture") to Glencore International AG ("Glencore") with the following terms:

Maturity:	October 13, 2025
Prepayment:	The Company has the option to prepay the Debenture in whole, but not in part. In the event the Company elects to prepay the Debenture and the Debenture is not converted into ordinary shares of the Company prior to prepayment, the Company will grant 27,733,333 warrants to Glencore entitling the holder to purchase one ordinary share for \$1.125 until October 13, 2025.
Interest:	12% for the first year, and thereafter, an interest rate linked to the price of iron ore, payable quarterly in arrears commencing on December 31, 2018.
Conversion:	At any time, Glencore has the option to convert the Debenture into ordinary shares of the Company at a conversion price of \$1.125 per ordinary share ("Conversion Price").

Mandatory Conversion:	Mandatory conversion of the Debenture into ordinary shares of the Company at a conversion price of \$0.85 per ordinary share upon (a) the occurrence of a mandatory conversion event or (b) Sprott or Caisse, lenders for the debt financing of US\$180,000,000 for QIO, exercises their respective option to require a mandatory conversion.
Mandatory Conversion events:	<ul style="list-style-type: none"> (i) quarterly average iron ore prices during a quarter are such that the Bloom Lake financial model fails to demonstrate that the Bloom Lake has the capacity to meet all future obligations as they become due; (ii) start-up of the Bloom Lake is delayed beyond April 30, 2018; (iii) commercial production is not achieved by September 30, 2018 and the Bloom Lake financial model fails during a quarter to demonstrate that Bloom Lake has the capacity to meet all future obligations as they become due; (iv) capital expenditures for the Bloom Lake exceed US\$326,800,000; (v) QIO is merged into, absorbed or acquired by the Company and total net debt (being debt minus freely available cash and short-term investments) of the merged entity exceeds US\$270,000,000; or (vi) total net debt from the Company, QIO and Lac Bloom Railcars Corporation Inc. exceeds US\$250,000,000.
Restriction on conversion:	A conversion or mandatory conversion may not have the effect of causing Glencore to own 20% or more of the outstanding ordinary shares.

In connection with the closing of the Debenture, QIO entered into an off-take agreement with Glencore to grant 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, 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.

A prepayment option derivative exists in respect of the option of the Company to avoid future interest payments by prepaying the convertible debenture and paying a penalty equal to 3 months of interest. The fair value of the prepayment option derivative asset was calculated to be \$Nil.

A conversion option derivative exists in respect of option of Glencore to convert and the option of Sprott and CDP to require Glencore to convert the convertible debenture into ordinary shares of the Company. The fair value of the conversion option derivative liability was calculated using the Black-Scholes option pricing model with the following assumptions:

Valuation date	December 31, 2017	October 13, 2017
Conversion options granted	20,733,333	20,733,333
Exercise price	\$1.125	\$1.125
Share price	\$1.28	\$0.99
Risk-free interest rate	2.5%	2.5%
Expected volatility based on historical volatility	80%	80%
Expected life of conversion option	7.8 years	8 years
Expected dividend yield	0%	0%
Forfeiture rate	0%	0%
Fair value	\$27,733,333	\$20,522,667

A derivative exists as the interest rate to be paid after the first year is linked to the price of iron ore. The fair value of the interest rate derivative liability was calculated to be \$Nil.

19. 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 December 31, 2017, the fair value of the 1.5% NSR has been estimated to be \$300,000 (March 31, 2017 - \$300,000).

20. Rehabilitation obligation

	\$
Balance, March 31, 2017	25,155,500
Accretion of rehabilitation obligation	513,000
Balance, December 31, 2017	25,668,500

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.

21. Capital stock

Shares

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

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.

Public offering of subscription receipts

On September 29, 2017, the Company completed a public offering of 21,033,508 subscription receipts at a price of \$0.90 per subscription receipt for gross proceeds of \$18,930,157 which was placed in escrow pending the satisfaction of the certain escrow release conditions. On October 16, 2017, the escrow release conditions were satisfied and the proceeds of the subscription receipts were released to the Company and holders of the subscription receipts received one ordinary share of Company for each subscription receipt held.

Stock options granted under Share Incentive Plan

The Company is authorized to issue 82,423,569 stock options and share rights (March 31, 2017 - 77,185,986) 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	2,750,000	1.00
Exercised	(4,150,000)	0.30
Balance, December 31, 2017	14,050,000	0.40

A summary of the Company's outstanding and exercisable stock options issued under the Share Incentive Plan at December 31, 2017 is presented below:

Exercise price	Expiry date	Number of stock options	
		Outstanding	Exercisable
A\$0.30	August 20, 2018	1,000,000	666,667
A\$0.50	November 29, 2018	2,300,000	2,300,000
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
A\$1.08	July 11, 2020	600,000	200,000
A\$1.00	August 21, 2020	500,000	166,667
		14,050,000	11,983,334

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 1.62 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.

After receiving shareholder approval on July 10, 2017, the Company granted 600,000 stock options to directors 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.

On August 21, 2017, the Company granted 500,000 stock options to a director entitling the holder to purchase one ordinary share for A\$1.00 until August 21, 2020. The stock options vest, as follows: 166,667 on August 21, 2017, 166,666 on August 21, 2018 and 166,666 on August 21, 2019.

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	July 11, 2017	August 21, 2017
Expiry date	May 25, 2020	July 11, 2020	August 21, 2020
Options granted	1,650,000	600,000	500,000
Exercise price	A\$1.00	A\$1.08	A\$1.00
Share price	A\$0.88	A\$1.08	A\$0.97
Risk-free interest rate	2.5%	2.5%	2.5%
Expected volatility based on historical volatility	80%	80%	80%
Expected life of stock options	3 years	3 years	3 years
Expected dividend yield	0%	0%	0%
Forfeiture rate	0%	0%	0%
Fair value	\$726,000	\$342,000	\$255,000
Fair value per stock option	\$0.44	\$0.57	\$0.51

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 December 31, 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 December 31, 2017	\$0.25	February 1, 2020	21,000,000	\$0.25

Share rights

	Number of share rights
Balance, March 31, 2017	—
Granted	2,250,000
Exercised	(1,000,000)
Balance, December 31, 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.

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.

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:

	May 25, 2017	July 11, 2017
Date of grant	May 25, 2017	July 11, 2017
Maturity	On satisfaction of key performance measures	On satisfaction of key performance measures
Share rights granted	1,250,000	1,000,000
Exercise price	\$Nil	\$Nil
Share price	\$0.88	\$1.08
Risk-free interest rate	2.5%	2.5%
Expected volatility based on historical volatility	80%	80%
Expected life of share rights	9 months	12 months
Expected dividend yield	0%	0%
Forfeiture rate	0%	0%
Fair value	\$875,000	\$1,080,000
Fair value per share right	\$0.87	\$1.08

Warrants

Exercise price	Expiry date	Warrants outstanding and exercisable
\$1.125	October 16, 2022	3,000,000
\$1.125 (exercisable after October 16, 2018)	October 16, 2024	21,000,000
		24,000,000

22. Care and maintenance and restart costs of Bloom Lake

Care and maintenance and restart costs of Bloom Lake of \$ 52,993,129 (2016 - \$14,139,183) represent the costs incurred at Bloom Lake. Costs include property taxes (note 16), salaries and wages, housing costs, utilities and water management and environmental costs.

23. 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 9 months ended December 31:

	3 months ended December 31,		9 months ended December 31,	
	2017	2016	2017	2016
	\$	\$	\$	\$
Net loss attributable to equity holders of the parent	(37,341,085)	(4,921,163)	(54,320,037)	(15,085,125)
Basic and diluted weighted-average number of shares	406,025,063	385,882,105	393,356,872	378,340,709
Basic and diluted loss per share attributable to equity holders of the parent	(0.09)	(0.01)	(0.14)	(0.04)

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

24. 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.

Convertible debentures

The convertible debentures are evaluated by the Company based on parameters such as interest rates and the risk characteristics of the financed assets. As at December 31, 2017, the carrying amount of the convertible debentures 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 December 31, 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 December 31, 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	–	48,760,675	–	48,760,675	48,760,675
Short-term investments	–	3,512,795	–	3,512,795	3,512,795
Receivables	–	7,122,422	–	7,122,422	7,122,422
Non-current					
Receivables	–	3,357,954	–	3,357,954	3,357,954
Investments	4,353,000	–	–	4,353,000	4,353,000
	4,353,000	62,753,846	–	67,106,846	67,106,846
Liabilities					
Current					
Accounts payable and accrued liabilities	–	–	40,281,376	40,281,376	40,281,376
Convertible debenture, Altius	–	–	9,485,427	9,485,427	9,485,427
Non-current					
Note payable	–	–	35,451,505	35,451,505	35,451,505
Property taxes payable	–	–	14,053,950	14,053,950	14,053,950
Long-term debt	–	–	47,414,053	47,414,053	47,414,053
Convertible debenture, Glencore	–	–	12,148,542	12,148,542	12,148,542
Royalty payable	–	–	300,000	300,000	300,000
	–	–	159,134,853	159,134,853	159,134,853

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 December 31, 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	52,273,470	–	–	52,273,470
Investments				
Common shares	4,353,000	–	–	4,353,000
Financial liability				
Convertible debenture, Altius	–	9,485,427	–	9,485,427
Note payable	–	35,451,505	–	35,451,505
Long-term debt	–	47,414,053	–	47,414,053
Convertible debenture, Glencore	–	12,148,542	–	12,148,542

25. 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 December 31, 2017 had changed by 10%, with all other variables held constant, the loss would have decreased or increased by approximately \$435,000.

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.

26. Related party transactions

	9 months ended December 31,		Outstanding at	
	2017	2016	December 31, 2017	March 31, 2017
	\$	\$	\$	\$
General and administrative				
Paid on market terms for rent to a company controlled by a director	40,905	40,905	—	—

See notes 6, 7, 8 and 11 for other related party transactions with Cartier.

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:

	9 months ended December 31,	
	2017	2016
	\$	\$
Salaries	867,500	512,506
Consulting fees	459,000	505,500
Bonus	1,000,000	175,000
Non-monetary benefits	85,416	96,795
Post-employment benefits	23,882	30,753
Share-based payments, representing share-based compensation	2,365,799	1,160,132
	4,801,597	2,480,686

27. Commitments and contingencies

At December 31, 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.

28. 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.

29. Subsequent events

Other than those noted below, no matter or circumstance has arisen since December 31, 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.