CHAMPION IRON

FINANCIAL REPORT

For the half year ended

September 30, 2017

COMPANY DIRECTORY

DIRECTORS	Michael O'Keeffe (Executive Chairman and Chief Executive Officer) Gary Lawler (Non-Executive Director) Andrew Love (Non-Executive Director) Michelle Cormier (Non-Executive Director) Wayne Wouters (Non-Executive Director) Jyothish George ((Non-Executive Director) appointed on October 16, 2017
COMPANY SECRETARIES	Jorge Estepa and Pradip Devalia
REGISTERED & PRINCIPAL OFFICE	Level 1, 91 Evans Street Rozelle NSW 2039 Australia Telephone: +61 2 9810 7816 Facsimile: +61 2 8065 5017 Website: http://www.championiron.com ACN 119 770 142
AUDITORS	Ernst & Young 200 George Street Sydney NSW 2000 Australia
SHARE REGISTRIES	Security Transfer Registrars Pty Ltd Suite 1, Alexandria House 770 Canning Highway Applecross WA 6153 Telephone: +61 8 9315 2333 Facsimile: +61 8 9315 2233 TSX Trust Company 200 University Avenue, Suite 300 Toronto, ON, M5H 4H1 Canada Telephone: (416) 361-0930 Facsimile: (416) 361-0470
STOCK EXCHANGES	The Company's shares are listed on the Australian Stock Exchange (ASX) and Toronto Stock Exchange (TSX)
ASX CODE AND TSX SYMBOL	CIA (Fully Paid Ordinary Shares)

DIRECTORS' REPORT

Your directors present their report on Champion Iron Limited and its controlled entities (collectively, the "Company") for the 6 months ended September 30, 2017.

Bloom Lake

During the 6 months ended September 30, 2017, the primary focus of the management team has been on the restart of Bloom Lake. In connection with Bloom Lake, the Company and QIO achieved the following key milestones:

Impact and Benefits Agreement

On April 12, 2017, QIO and the band council, Innu of Takuaikan Uashat mak Mani-utenam entered into an Impact and Benefits Agreement (the "IBA") with respect to future operations at the Bloom Lake.

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

Off-take agreement

On May 1, 2017, QIO signed a Framework Off-Take Agreement (the "Off-Take Agreement") with Sojitz Corporation ("Sojitz"), a major trading company based in Tokyo, Japan, pursuant to which Sojitz would purchase up to 3,000,000 DMT per annum from QIO after the re-commencement of commercial operations at the Bloom Lake. The Off-Take Agreement is for an initial five-year term from the date that commercial operations commence at Bloom Lake and shall automatically extend for successive terms of five-years.

$40,000,000 bridge financing

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 financing, comprised of bridge loan of $26,000,000 and equity of $14,000,000. The debt component of $26,000,000 was committed with Sojitz providing $20,000,000 and Ressources Québec Inc. ("RQ") providing $6,000,000. The equity component comprised a proportionate contribution of $8,848,000 and $5,152,000 from the shareholders of QIO, the Company and RQ, respectively.

The Bridge Loan 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 September 30, 2017, principal advances of $16,000,000 had been drawn down and on October 16, 2017, the Bridge Loan was repaid.

Convertible debenture

On June 1, 2017, the Company completed the sale of a $10,000,000 unsecured convertible debenture bearing interest at the rate of 8% payable quarterly and maturing on June 1, 2018 ("Debenture"). The Debenture is convertible at the option of the holder at any time into ordinary shares of the Company ("Shares") 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 (as defined hereinafter) 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 (the "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.

Financial assistance from Québec's Green Fund for Bloom Lake energy conversion projects

On June 5, 2017, the Company announced that QIO has been granted financial assistance of $3,085,089 and $2,131,656 from the Government of Québec's Green Fund in connection with two energy conversion projects at Bloom Lake.

Rail transportation contract
On June 8, 2017, QIO entered into a transportation agreement with the Quebec North Shore & Labrador Railway Company Inc. ("QNS&L") for the transportation of iron ore from Bloom Lake by way of the QNS&L railway for approximately 400 kilometres from the Wabush Lake Junction in Labrador City, Newfoundland & Labrador to the Sept-Îles Junction in Sept-Îles, Québec.

Settlement agreement with the 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.

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 dispute was referred to arbitration pursuant to the terms of the Port Agreement, however, on July 15, 2017, CIML entered into a settlement agreement providing for the settlement, without admission, of its dispute with the Port.

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 Port Agreement. The additional payments will incur interest from the date the settlement agreement was signed through to the time the relevant payments are made.

The settlement agreement also provides for take-or-pay payments to commence on January 1, 2018.

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. The net proceeds of the offering of $18,312,981 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 net proceeds of the subscription receipts was released to the Company and holders of the subscription receipts received one ordinary share of Company for each subscription receipt held.

Rail transportation and port-facilities access agreement
On October 12, 2017, QIO entered into a rail transportation and port-facilities access agreement with the Société Ferroviaire et Portuaire de Pointe-Noire, S.E.C for the transportation, unloading, stockpiling and loading of iron ore concentrate from Sept-Iles to Pointe-Noire, Québec.

Unsecured subordinated convertible debenture and off-take agreement with Glencore International AG
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"). The Debenture is unsecured; bears interest at the rate of 12% for the first year, and thereafter, an interest rate linked to the price of iron ore; convertible into ordinary shares of the Company at a conversion price of $1.125 per ordinary share; mandatory conversion 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 US180,000,000 for QIO, exercising their respective option to require a mandatory conversion.

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.

Debt financing of US$180,000,000 for QIO

On October 10, 2017, QIO entered into definitive agreements for debt financing of US$180,000,000 from Sprott Private Resource Lending (Collector), LP ("Sprott") and CDP Investissements Inc. ("CDP"), a wholly-owned subsidiary of Caisse de dépôt et placement du Québec to finance the restart of Bloom Lake.

Sprott provided 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.

CDP provided 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.

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 CDP, 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.

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 vesting conditions set by the Board.

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.

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 including 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 of key performance measures including 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.

Operational Update

Annual General Meeting

The Company held its Annual General Meeting of Shareholders on August 18, 2017 at which all resolutions put before the shareholders were passed.

Securities
At September 30, 2017, the Company had the following securities on issue:

- Ordinary shares
- Unlisted stock options
- Unlisted share rights

PRESENTATION OF HALF-YEARLY FINANCIAL REPORT

The Board of Directors of Champion Iron Limited present herewith the consolidated financial report of the entity for the half year ended September 30, 2017. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

Directors

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

Director	Position	Note
Michael O'Keeffe	Executive Chairman and Chief Executive Officer	
Gary Lawler	Non-executive Director	Independent director
Andrew Love	Non-executive Director	Independent director
Michelle Cormier	Non-executive Director	Independent director
Wayne Wouters	Non-executive Director	Independent director
Jyothish George	Non-executive Director	Independent director appointed on October 16, 2017

Company Secretaries

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

Principal Activity

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

Results of Operation

The Company incurred an operating loss for the half year ended September 30, 2017 of $24,010,143 (2016: $14,474,139).

Consolidation

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

Auditor's Independence Declaration

Ernst & Young are the auditors of the Company. A copy of their auditor's independence declaration for the half-year ended September 30, 2017 as required under section 307C of the *Corporations Act 2001* is set out on page 9 and forms part of this Directors' Report.

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

Michael O'Keeffe
Executive Chairman
Sydney, New South Wales
November 9, 2017

DIRECTORS' DECLARATION

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

In the Opinion of the Directors:

a) the financial statements and notes of the Company are in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the financial position as at September 30, 2017 and the performance for the half year ended on that date, and

   (ii) complying with Accounting Standard AASB 134: *"Interim Financial Reporting*".

b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors

Michael O'Keeffe, Executive Chairman

Andrew Love, Non-Executive Director

Sydney, New South Wales
November 9, 2017

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

As lead auditor for the review of Champion Iron Limited for the half-year ended 30 September 2017, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review*;* and

b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Champion Iron Limited and the entities it controlled during the financial period.

Ernst & Young

Ryan Fisk
Partner
Sydney
9 November 2017

Building a better
working world

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Independent Auditor's Review Report to the Members of Champion Iron Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Champion Iron Limited (the Company) and its subsidiaries (collectively the Group), which comprises the statement of financial position as at 30 September 2017, the statement of loss and comprehensive loss, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 30 September 2017 and of its consolidated financial performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 30 September 2017 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Ryan Fisk

Ryan Fisk
Partner
Sydney
9 November 2017

Champion Iron Limited

Condensed Interim Consolidated Financial Statements

September 30, 2017

(expressed in Canadian dollars)

(unaudited)

Champion Iron Limited
Consolidated Statements of Financial Position
(expressed in Canadian dollars)
(unaudited)

	Notes	As at September 30, 2017 $	As at March 31, 2017 $
Assets			
Current			
Cash and cash equivalents		1,314,727	1,863,387
Short-term investments	4	2,254,825	11,465,697
Receivables	5	2,773,503	6,644,087
Due from Cartier Iron Corporation	6	352,065	348,003
Prepaid expenses		2,242,161	279,024
		8,937,281	20,600,197
Non-current			
Receivables	5	3,351,692	3,351,692
Investments	7	2,908,000	2,794,000
Investment in rail and port partnership	9	1,000,000	1,000,000
Advance payment, port	10, 29	8,400,000	6,000,000
Advance payment, rail transportation	11	15,000,000	-
Property, plant and equipment	12	86,351,897	69,852,656
Exploration and evaluation	13	70,194,351	69,623,841
Software licence		777,118	-
		196,920,339	173,222,387
Liabilities			
Current			
Accounts payable and accrued liabilities	14	17,666,216	1,667,502
Bridge loan	15	15,809,374	-
Convertible debenture	16	9,189,392	-
Derivative liablities	16	732,000	-
Note payable	17	-	5,994,977
		43,396,982	7,662,479
Non-current			
Note payable	17	35,267,819	37,613,355
Property taxes payable	18	11,886,120	7,713,000
Royalty payable	19	300,000	300,000
Rehabilitation obligation	20	25,497,500	25,155,500
		116,348,420	78,444,334
Shareholders' equity			
Capital stock		202,850,402	201,989,902
Contributed surplus		21,671,849	20,120,494
Foreign currency translation reserve		2,828,353	588,200
Non-controlling interest		483,628	2,362,819
Accumulated deficit		(147,262,314)	(130,283,362)
		80,571,919	94,778,053
		196,920,339	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 September 30, 2017 $	3 months ended September 30, 2016 $	6 months ended September 30, 2017 $	6 months ended September 30, 2016 $
Other income					
Interest		32,781	82,732	57,954	147,604
Other		113,209	46,601	113,881	47,801
		145,990	129,333	171,835	195,405
Expenses					
Professional fees		84,096	12,640	195,788	121,493
Salaries		103,506	81,950	243,931	175,026
Consulting fees		258,232	150,901	495,919	287,192
Share-based compensation		1,116,423	56,730	1,836,855	1,163,460
General and administrative		320,459	258,170	510,314	581,181
Investor relations		40,651	8,618	72,156	13,468
Travel		94,315	62,575	209,580	197,711
Exploration expense		371,290	11,548	450,747	24,223
Care and maintenance and restart costs of Bloom Lake	22	11,470,047	4,855,858	18,054,350	8,208,183
Depreciation		1,090,098	545,489	2,180,580	1,214,777
Gain on sale of property, plant and equipment		-	-	(1,171,861)	(37,500)
Foreign exchange loss (gain)		(508,434)	(44,705)	(517,980)	4,957
Unrealized loss (gain) on investments	7	(368,000)	412,300	(114,000)	(211,000)
Change in fair value of derivative liability		(695,000)	-	(459,000)	-
Accretion of convertible debt discount		286,796	-	380,392	-
Amortization of borrowing costs		63,542	-	63,542	-
Transaction costs		-	-	-	2,623,874
Interest-accretion of rehabilitation obligation		171,000	165,000	342,000	302,500
Interest expense		779,106	1,283,880	1,408,665	-
		14,678,127	7,860,955	24,181,978	14,669,544
Loss		(14,532,137)	(7,731,622)	(24,010,143)	(14,474,139)
Item that may be reclassified in future years to the statement of loss					
Net movement in foreign currency		1,299,870	(51,585)	2,240,153	(85,337)
Comprehensive loss		(13,232,267)	(7,783,207)	(21,769,990)	(14,559,476)
Loss attributable to:					
Equity holders of Champion		(9,880,958)	(5,428,616)	(16,978,952)	(10,163,961)
Non-controlling interest		(4,651,177)	(2,303,006)	(7,031,191)	(4,310,177)
Loss		(14,532,135)	(7,731,622)	(24,010,143)	(14,474,138)
Comprehensive loss attributable to:					
Equity holders of Champion		(8,581,089)	(5,480,201)	(14,738,799)	(10,249,299)
Non-controlling interest		(4,651,177)	(2,303,006)	(7,031,191)	(4,310,177)
Comprehensive loss		(13,232,266)	(7,783,207)	(21,769,990)	(14,559,476)
Loss per share - basic and diluted	23	(0.03)	(0.02)	(0.04)	(0.04)

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	-	-	-	-	(7,031,191)	(16,978,952)	(24,010,143)
Other comprehensive loss	-	-	-	2,240,153	-	-	2,240,153
Total comprehensive loss	-	-	-	2,240,153	(7,031,191)	(16,978,952)	(21,769,990)
Private placement	-	-	-	-	5,152,000	-	5,152,000
Exercise of stock options	1,150,000	860,500	(285,500)	-	-	-	575,000
Share-based compensation	-	-	1,836,855	-	-	-	1,836,855
Balance, September 30, 2017	387,084,339	202,850,402	21,671,849	2,828,353	483,628	(147,262,314)	80,571,919
Balance, March 31, 2016	198,319,784	174,509,902	16,268,574	41,189	-	(106,504,139)	84,315,526
Loss	-	-	-	-	(4,310,177)	(10,163,961)	(14,474,138)
Other comprehensive loss	-	-	-	(85,337)	-	-	(85,337)
Total comprehensive loss	-	-	-	(85,337)	(4,310,177)	(10,163,961)	(14,559,475)
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	-	-	1,163,452	-	-	-	1,163,452
Fair value of compensation options	-	(2,520,000)	2,520,000	-	-	-	-
Converson of echangeable shares	-	-	-	-	-	-	-
Balance, September 30, 2016	385,819,784	201,989,902	19,952,026	(44,148)	9,689,823	(116,668,100)	114,919,503

Champion Iron Limited
Consolidated Statements of Cash Flows

(expressed in Canadian dollars)
(unaudited)

	Notes	6 months ended September 30, 2017 $	2016 $
Cash provided by (used in)			
Operating activities			
Loss		(24,010,143)	(14,474,139)
Non-operating transaction costs		-	2,623,874
Items not affecting cash			
Interest not received		(4,062)	(15,926)
Share-based compensation		1,836,855	1,163,460
Property taxes not paid		3,612,000	-
Depreciation		2,180,580	1,214,777
Gain on sale of property, plant and equipment		(1,171,861)	(37,500)
Unrealized gain on investments	7	(114,000)	(211,000)
Change in fair value of derivative liability		(459,000)	-
Accretion of convertible debt discount		380,392	-
Amortization of borrowing costs		63,542	-
Interest-accretion of rehabilitation obligation		342,000	302,500
Interest not paid		561,120	-
		(16,782,578)	(9,433,954)
Changes in non-cash operating working capital			
Receivables		3,870,585	(569,567)
Prepaid expenses		(1,345,961)	(314,381)
Deposit		-	600,000
Accounts payable and accrued liabilities		15,381,555	438,933
		1,123,601	(9,278,969)
Financing activities			
Proceeds of bridge loan	15	16,000,000	-
Bridge loan transaction costs	15	(254,168)	-
Proceeds of convertible debenture	16	10,000,000	-
Private placement of ordinary shares		-	30,000,000
Private placement of common shares of Quebec Iron		5,152,000	14,000,000
Exercise of stock options		575,000	-
Repayment of note payable		(5,994,977)	-
		25,477,855	44,000,000
Investing activities			
Receipt of refundable tax credit on exploration	5	-	1,763,536
Investment in term deposits	4	9,210,872	(25,216,813)
Advance payment to Sept-Îles Port Authority	10	(2,400,000)	-
Advance payment	11	(15,000,000)	-
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	12	(18,679,839)	-
Purchase of software licence		(777,118)	-
Exploration and evaluation		(570,511)	(501,919)
Transaction costs		-	(2,623,874)
		(27,044,735)	(34,155,888)
Net decrease in cash and cash equivalents		(443,278)	565,144
Cash and cash equivalents, beginning of period		1,863,387	293,714
Effects of exchange rate changes on		(105,383)	(85,337)
Cash and cash equivalents, end of period		1,314,727	773,521

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 November 8, 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. Working capital

At September 30, 2017, the Company had a working capital deficit of $33,842,525. Subsequently, the Company completed financings including an unsecured subordinated convertible debenture of $31,200,000 and public offering of subscription receipts for gross proceeds of $18,930,157 and the Company's subsidiary, Québec Iron Ore Inc. ("QIO") completed a debt financing of US$180,000,000 (see note 29 for subsequent events), and therefore, at September 30, 2017, the going-concern assumption is appropriate.

4. Short-term investments

Maturity	Interest rate	September 30, 2017 $	March 31, 2017 $
On demand	0.80%	613,398	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%	500,000	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	–
		2,254,825	11,465,697

Short-term investments of $1,077,302 have been pledged as security for letters of credit of $1,077,302, $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.

5. 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	September 30, 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	–	1,673,042	3,351,692	3,351,692
	190,000	131,000	1,357,650	–	1,673,042	3,351,692	3,351,692
Other							
HST/QST receivable						2,704,518	6,541,921
Due from SFNQ						68,985	102,166
						2,773,503	6,644,087
Total						6,125,195	9,995,779
Classification							
Current						2,773,503	6,644,087
Non-current						3,351,692	3,351,692
						6,125,195	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.

6. 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 September 30, 2017, the principal amount of the Term Loan and accrued interest was $352,065 (March 31, 2017 - $348,003) and for the 6 months ended September 30, 2017, interest of $4,062 was accrued (2016 - $15,927).

One director of the Company is a director of Cartier.

7. Investments

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

	As at September 30, 2017 $	As at March 31, 2017 $
Investment in common shares		
Fancamp Exploration Ltd. ("Fancamp")	1,210,000	1,320,000
Lamêlée Iron Ore Ltd. ("Lamêlée")	38,000	34,000
Eloro Resources Ltd. ("Eloro")	1,660,000	1,440,000
	2,908,000	2,794,000

Investments in common shares are classified as financial assets at fair value through profit or loss. For the 6 months ended September 30, 2017, the net increase in the fair value of investments of $114,000 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.

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 September 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 September 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 September 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.

See note 29 for subsequent event.

10. Advance payment, 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.

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 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, including a payment of $2,400,000 made on signing the settlement agreement, 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. The settlement agreement also provides for take-or-pay payments to commence on January 1, 2018.

At September 30, 2017, the settlement agreement was conditional upon future events, and therefore, the Company did not recognize any liabilities as at September 30, 2017.

See note 29 for subsequent event.

11. Advance payment, rail transportation

On June 8, 2017, QIO entered into a rail transportation agreement ("Rail 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 Rail Agreement, QIO made an advance payment of $15,000,000 which will be recovered as a credit to future costs owing under the Rail Agreement.

12. 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	40,700,968	3,000,000	—	4,000,000	465,852	72,489,820
Additions	600,000	—	—	—	18,079,839	—	—	18,679,839
September 30, 2017	24,173,000	750,000	40,700,968	3,000,000	18,079,839	4,000,000	465,852	91,169,659
Accumulated depreciation								
March 31, 2017	2,259,079	29,948	73,734	—	—	159,722	115,700	2,638,183
Depreciation	1,178,650	15,625	884,804	—	—	83,333	17,167	2,179,579
September 30, 2017	3,437,729	45,573	958,538	—	—	243,055	132,867	4,817,762
Net book value								
September 30, 2017	20,735,271	704,427	39,742,430	3,000,000	18,079,839	3,756,945	332,985	86,351,897

13. Exploration and evaluation assets

	March 31, 2017 $	Claim renewal costs $	Exploration $	September 30, 2017 $
Fermont				
Consolidated Fire Lake North	54,724,202	50,839	504,479	55,279,520
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	66,032	504,479	70,194,351

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"). 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	Common shares 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. Accounts payable and accrued liabilities
At September 30, 2017, accounts payable and accrued liabilities of $17,666,216 represents trade accounts payable related to construction in progress and restart costs for Bloom Lake.

15. 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 financing, comprised of bridge loan of $26,000,000 and equity of $14,000,000. The debt component of $26,000,000 was committed, with Sojitz providing $20,000,000 and Ressources Québec Inc. ("RQ") providing $6,000,000. The equity component comprised a proportionate contribution of $8,848,000 and $5,152,000 from the shareholders of QIO, the Company and RQ, respectively.

	$
Balance, March 31, 2017	—
Drawdowns	16,000,000
Borrowing costs	(254,168)
Amortization of borrowing costs	63,542
Balance, September 30, 2017	15,809,374

The 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 September 30, 2017, principal advances of $16,000,000 have 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.

See note 29 for subsequent event.

16. 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 6 months ended September 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	—	(200,000)	(259,000)	(459,000)
Accretion of discount	380,392	—	—	—
Balance, September 30, 2017	9,189,392	600,000	132,000	732,000

17. Note payable

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.

	September 30, 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	35,267,819	28,259,470	37,613,355	28,259,470

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.

18. 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 September 30, 2017 of $11,886,120 (March 31, 2017 - $7,713,000) includes property taxes of $10,857,000 (March 31, 2017 - $7,245,000) and accrued interest of $1,029,120 (March 31, 2017 - $468,000).

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 September 30, 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	342,000
Balance, September 30, 2017	25,497,500

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, 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.

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. The net proceeds of the offering of $18,312,981 was placed in escrow pending the satisfaction of the certain escrow release conditions. See note 29 for subsequent event.

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	2,750,000	1.00
Exercised	(1,150,000)	0.50
Balance, September 30, 2017	17,050,000	0.40

A summary of the Company's outstanding and exercisable stock options issued under the Share Incentive Plan at September 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
A$1.08	July 11, 2020	600,000	200,000
A$1.00	August 21, 2020	500,000	166,667
		17,050,000	13,556,667

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 1.85 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

See note 29 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 September 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 September 30, 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
Balance, September 30, 2017	2,250,000

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:

Date of grant	May 25, 2017	July 11, 2017
Maturity	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

22. Care and maintenance and restart costs of Bloom Lake

Care and maintenance and restart costs of Bloom Lake of $18,054,350 (2016 - $8,208,183) represent the costs incurred at Bloom Lake. Costs include property taxes (note 18), 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 6 months ended September 30:

	3 months ended September 30,		6 months ended September 30,	
	2017	**2016**	**2017**	**2016**
	$	**$**	**$**	**$**
Net loss attributable to equity holders of the parent	(9,835,340)	(5,428,616)	(16,933,334)	(10,163,961)
Basic and diluted weighted-average number of shares	387,084,339	385,819,930	386,988,164	374,549,292
Basic and diluted loss per share attributable to equity holders of the parent	(0.03)	(0.02)	(0.04)	(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.

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 September 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 September 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 September 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 September 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	–	1,314,727	–	1,314,727	1,314,727
Short-term investments	–	2,254,825	–	2,254,825	2,254,825
Receivables	–	2,773,503	–	2,773,503	2,773,503
Due from Cartier	–	352,065	–	352,065	352,065
Non-current					
Receivables	–	3,351,692	–	3,351,692	3,351,692
Investments	2,908,000	–	–	2,908,000	2,908,000
	2,908,000	10,046,812	–	12,954,812	12,954,812
Liabilities					
Current					
Accounts payable and accrued liabilities	–	–	17,052,764	17,052,764	17,052,764
Bridge loan	–	–	15,809,374	15,809,374	15,809,374
Convertible debenture	–	–	9,189,392	9,189,392	9,189,392
Minimum interest obligation	–	–	132,000	132,000	132,000
Non-current					
Note payable	–	–	35,267,819	35,267,819	35,267,819
Royalty payable	–	–	300,000	300,000	300,000
	–	–	77,751,349	77,751,349	77,751,349

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 September 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	3,569,552	–	–	3,569,552
Investments				
Common shares	2,908,000	–	–	2,908,000
Financial liability				
Bridge loan	–	15,809,374	–	15,809,374
Convertible debenture	–	9,189,392	–	9,189,392
Minimum interest obligation	–	132,000	–	132,000
Note payable	–	35,267,819	–	35,267,819

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 September 30, 2017 had changed by 10%, with all other variables held constant, the loss would have decreased or increased by approximately $290,800.

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

	6 months ended September 30,		Outstanding at	
	2017	**2016**	**September 30, 2017**	**March 31, 2017**
	$	**$**	**$**	**$**
General and administrative				
Paid on market terms for rent to a company controlled by a director	27,270	27,270	–	–

See notes 6, 7, 8 and 113 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:

	6 months ended September 30, 2017 $	2016 $
Salaries	577,500	345,004
Consulting fees	306,000	321,000
Bonus	–	175,000
Non-monetary benefits	58,842	58,470
Post-employment benefits	17,707	21,564
Share-based payments, representing share-based compensation	1,697,834	1,123,421
	2,657,883	2,044,459

27. Commitments and contingencies

At September 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.

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 September 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.

Rail transportation and port-facilities access agreement

On October 12, 2017, QIO entered into a rail transportation and port-facilities access agreement with the Société Ferroviaire et Portuaire de Pointe-Noire, S.E.C for the transportation, unloading, stockpiling and loading of iron ore concentrate from Sept-Iles to Pointe-Noire, Québec.

Unsecured subordinated convertible debenture and offtake agreement with Glencore International AG

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:	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 US180,000,000 for QIO, exercises their respective option to require a mandatory conversion.

Mandatory Conversion events:	(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.

Debt financing of US$180,000,000 for QIO

On October 10, 2017, QIO entered into definitive agreements for debt financing of US$180,000,000 with the following terms:

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 calculate 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.

Subscription receipts

On October 16, 2017, the escrow release conditions were satisfied and the net proceeds of the subscription receipts was released to the Company and holders of the subscription receipts received one ordinary share of Company for each subscription receipt held.

Equity contributions to QIO

The Company and *Fonds Capital Mines Hydrocarbures*, managed by Ressources Québec Inc., made contributions to the equity of QIO of $44,836,211 and $27,163,789, respectively.

Repayment of Bridge loan

On October 16, 2017, the Company repaid the Bridge loan.

Settlement agreement with Sept-Îles Port Authority

On October 16, 2017, the conditions of the settlement agreement were met and the settlement agreement became effective and the Company commenced making payments to the Port on account of the “buy-in” payment under the Agreement, as well as certain ancillary amounts by December 1, 2017. Payments under the settlement agreement will settle all previous claims between the Company and the Port.

Effective October 16, 2017, the Company will recognize liabilities for the $17,181,000 remaining “buy-in” payment to be paid as well as certain ancillary amounts and accrued interest since the date of the settlement agreement. Commencing January 1, 2018, the Company will recognize a liability for take-or-pay payments.