# Champion Iron Limited

**(ACN: 119 770 142)**

## Consolidated Financial Statements
## March 31, 2016 and 2015
## (expressed in Canadian dollars)

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

As lead auditor for the audit of Champion Iron Limited for the year ended 31 March 2016, 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 audit; and
b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Ernst & Young

Ryan Fisk
Partner
Sydney
28 June 2016

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# Independent auditor's report to the members of Champion Iron Limited

## *Report on the financial report*

We have audited the accompanying financial report of Champion Iron Limited, which comprises the consolidated statement of financial position as at 31 March 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

## *Directors' responsibility for the financial report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

## *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## *Independence*

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

## Opinion

In our opinion:

a. the financial report of Champion Iron Limited is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the consolidated entity's financial position as at 31 March 2016 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

## *Report on the remuneration report*

We have audited the Remuneration Report included in pages 8 to 11 of the directors' report for the year ended 31 March 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## Opinion

In our opinion, the Remuneration Report of Champion Iron Limited for the year ended 31 March 2016, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ryan Fisk
Partner
Sydney
28 June 2016

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To the Shareholders of
Champion Iron Limited

We have audited the accompanying consolidated financial statements of Champion Iron Limited, which comprise the consolidated statement of financial position as at March 31, 2016, and the consolidated statement of operations, comprehensive income (loss), changes in equity and cash flows for the year ended March 31, 2016, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Champion Iron Limited as at March 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young

Chartered accountants
Sydney, Australia
June 28, 2016

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

| | Notes | As at March 31, 2016 $ | 2015 $ |
|---|---|---|---|
| **Assets** | | | |
| Current | | | |
| Cash and cash equivalents | | 293,714 | 1,346,685 |
| Short-term investments | 4 | 1,377,302 | 1,300,000 |
| Receivables | 5 | 277,822 | 5,303,658 |
| Due from SFNQ | 10 | 125,050 | 124,533 |
| Prepaid expenses | | 436,456 | 188,034 |
| Deposits | 6 | 1,600,000 | 1,000,000 |
| | | 4,110,344 | 9,262,910 |
| Non-current | | | |
| Receivables | 5 | 4,883,659 | 4,355,082 |
| Due from Cartier Iron Corporation | 7 | 1,325,504 | 1,063,036 |
| Investments | 8 | 944,500 | 1,628,300 |
| Investment in associate | 9 | - | 1,162,903 |
| Investment in SFNQ | 10 | - | 100 |
| Long-term advance | 11 | 6,000,000 | 6,000,000 |
| Property and equipment | | 21,926 | 46,665 |
| Exploration and evaluation | 12 | 68,208,370 | 69,845,118 |
| | | 85,494,303 | 93,364,114 |
| **Liabilities** | | | |
| Current | | | |
| Accounts payable and accrued liabilities | | 878,777 | 1,421,590 |
| Non-current | | | |
| Royalty payable | 13 | 300,000 | 600,000 |
| | | 1,178,777 | 2,021,590 |
| **Shareholders' equity** | | | |
| Capital stock | 14 | 174,509,902 | 171,420,382 |
| Warrants | 14 | - | 3,089,520 |
| Contributed surplus | | 16,268,574 | 15,996,920 |
| Foreign currency translation reserve | | 41,189 | (429,098) |
| Accumulated deficit | | (106,504,139) | (98,735,201) |
| | | 84,315,526 | 91,342,524 |
| | | 85,494,303 | 93,364,114 |

**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)

| | Notes | Years ended March 31, 2016 $ | 2015 $ |
|---|---|---|---|
| **Other income** | | | |
| Interest | | 123,163 | 75,751 |
| Other | 10 | 602,444 | 240,953 |
| | | 725,607 | 316,704 |
| **Expenses** | | | |
| Professional fees | | 223,811 | 560,986 |
| Salaries | | 438,457 | 987,870 |
| Consulting fees | | 347,761 | 1,499,282 |
| Share-based compensation | | 271,654 | 714,751 |
| General and administrative | | 574,585 | 1,467,375 |
| Investor relations | | 48,149 | 448,775 |
| Travel | | 197,158 | 568,983 |
| Exploration | | 25,875 | 23,988 |
| Foreign exchange loss (gain) | | 477,498 | (443,523) |
| Unrealized loss (gain) on investments | 8 | 683,800 | 2,521,212 |
| Impairment of investment in associate | 9 | 512,000 | 794,000 |
| Impairment on exploration and evaluation | 12 | 1,906,806 | 2,933,664 |
| Transaction costs | 20 | 2,123,588 | - |
| | | 7,831,142 | 12,077,363 |
| **Loss before share of net loss of an associate** | | (7,105,535) | (11,760,659) |
| Share of net loss of associate accounted for using the equity method | 9 | (663,403) | (79,450) |
| **Loss** | | (7,768,938) | (11,840,109) |
| **Item that may be reclassified in future periods to the statement of loss** | | | |
| Net movement in foreign currency | | 470,287 | (429,098) |
| **Total comprehensive loss** | | (7,298,651) | (12,269,208) |
| **Loss per share - basic and diluted** | | (0.039) | (0.060) |
| **Weighted average number of shares outstanding - basic and diluted** | | 197,904,607 | 196,599,004 |



See accompanying notes to the consolidated financial statements

# Champion Iron Limited
# Consolidated Statements of Changes in Equity

(expressed in Canadian dollars)

| | Capital stock $ | Warrants $ | Contributed surplus $ | Foreign currency translation reserve $ | Deficit $ | Total $ |
|---|---|---|---|---|---|---|
| **Balance, March 31, 2015** | 171,420,382 | 3,089,520 | 15,996,920 | (429,098) | (98,735,201) | 91,342,524 |
| Loss | - | - | - | - | (7,768,938) | (7,768,938) |
| Other comprehensive loss | - | - | - | 470,287 | - | 470,287 |
| Total comprehensive loss | - | - | - | 470,287 | (7,768,938) | (7,298,651) |
| Share-based compensation | - | - | 271,654 | - | - | 271,654 |
| Fair value of warrants expired | 3,089,520 | (3,089,520) | - | - | - | - |
| **Balance, March 31, 2016** | 174,509,902 | - | 16,268,574 | 41,189 | (106,504,139) | 84,315,526 |
| **Balance, March 31, 2014** | 171,420,382 | 3,089,520 | 15,282,169 | - | (86,895,091) | 102,896,980 |
| Loss | - | - | - | - | (11,840,109) | (11,840,109) |
| Other comprehensive loss | - | - | - | (429,098) | - | (429,098) |
| Total comprehensive loss | - | - | - | (429,098) | (11,840,109) | (12,269,207) |
| | | - | | | | |
| Share-based compensation | - | - | 714,751 | - | - | 714,751 |
| **Balance, March 31, 2015** | 171,420,382 | 3,089,520 | 15,996,920 | (429,098) | (98,735,200) | 91,342,525 |



See accompanying notes to the consolidated financial statements

# Champion Iron Limited
# Consolidated Statements of Cash Flows
(expressed in Canadian dollars)

| | Notes | Years ended March 31, 2016 $ | 2015 $ |
|---|---|---|---|
| **Cash provided by (used in)** | | | |
| **Operating activities** | | | |
| Loss | | (7,768,938) | (11,840,109) |
| Non-operating transaction costs | | 2,123,588 | - |
| Items not affecting cash | | | |
| Interest not received | | (27,752) | - |
| Share-based compensation | | 271,654 | 714,751 |
| Depreciation | | 24,740 | 40,754 |
| Unrealized loss on investments | 8 | 683,800 | 2,521,212 |
| Impairment of investment in associate | 9 | 512,000 | 794,000 |
| Impairment of exploration and evaluation | 12 | 1,906,806 | 2,933,664 |
| Share of net loss of associate accounted for using the equity method | 9 | 663,403 | 79,450 |
| | | (1,610,699) | (4,756,278) |
| Changes in non-cash operating working capital | | | |
| Receivables | | (374,418) | (389,534) |
| Due from SFNQ | | (517) | (124,533) |
| Prepaid expenses | | (248,422) | (36,775) |
| Deposit | | (600,000) | - |
| Accounts payable and accrued liabilities | | (1,001,812) | (128,531) |
| | | (3,835,868) | (5,435,651) |
| **Investing activities** | | | |
| Receipt of refundable tax credit on exploration | 5 | 1,135,539 | 1,649,157 |
| Receipt of credit on duties refundable | 5 | 3,736,138 | 1,325,433 |
| Investment in term deposits | 3 | (77,302) | (1,234,000) |
| Deposit | | - | (1,000,000) |
| Advances to Cartier Iron Corporation | | (234,716) | (26,987) |
| Investment in joint venture | | - | (100) |
| Purchase of property and equipment | | - | (1,864) |
| Option payment from Cartier | 12 | 50,000 | 150,000 |
| Exploration and evaluation | | (332,458) | (5,499,206) |
| Acquisition of royalty | 13 | (300,000) | - |
| Transaction costs | | (1,664,592) | (4,372,818) |
| | | 2,312,609 | (9,010,385) |
| **Net decrease in cash and cash equivalents** | | (1,523,259) | (14,446,036) |
| **Cash and cash equivalents, beginning of period** | | 1,346,685 | 16,221,821 |
| **Effects of exchange rate changes** | | 470,287 | (429,098) |
| **Cash and cash equivalents, end of period** | | 293,713 | 1,346,685 |

**Non-cash transactions**

Receipt of Cartier common shares



See accompanying notes to the consolidated financial statements

### 1. Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, except for cash and cash equivalent, short-term investments, investments, investment in associate and royalty payable which have been measured at fair value.

The consolidated financial statements of Champion Iron Limited and its subsidiaries (collectively the "Company") for the year ended March 31, 2016 were approved and authorized for issue by the Board of Directors on June 28, 2016.

The nature of the operations and principal activities of the Company are described in the Directors' Report.

**Statement of compliance with IFRS**

The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

**Presentation currency**

These consolidated financial statements are presented in Canadian dollars.

### 2. Significant accounting policies and future accounting changes

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

**Basis of consolidation and functional currency**

The consolidated financial statements include the accounts of the Company and its subsidiaries:

| Subsidiary | Ownership percentage | Country of incorporation | Functional currency |
|---|---|---|---|
| Champion Iron Mines Limited | 100.0% | Canada | Canadian dollars |
| Champion Exchange Limited | 100.0% | Canada | Canadian dollars |
| Québec Iron Ore Inc. | 100.0% | Canada | Canadian dollars |
| Mambas Minerais Limitada | 97.5% | Mozambique | Australian dollars |
| CIP Magnetite Pty Limited | 100.0% | Australia | Australian dollars |
| CIP Magnetite Limited | 100.0% | Canada | Canadian dollars |

During the year ended March 31, 2014, Mambas Minerais Limitada was placed into liquidation.

Intercompany balances and any unrealized gains and losses or income and expenses arising from intercompany transactions are eliminated on consolidation.

**Financial instruments**

***Non-derivative financial assets***

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

*Financial assets at fair value through profit or loss*
A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value (i.e. quoted close price) and changes therein are recognized in profit or loss.

The Company has classified cash and cash equivalents, short-term investments and investments as financial assets at fair value through profit or loss.

*Loans and receivables*
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

The Company has classified receivables, due from SFNQ and due from Cartier Iron Corporation as loans and receivables.

***Non-derivative financial liabilities***
The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

The Company classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

The Company has classified accounts payable and accrued liabilities as other financial liabilities.

**Impairment of non-derivative financial assets**
A financial asset is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

**Business combinations**
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value. Acquisition-related costs are expensed as incurred and included in administrative expenses.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration over the net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

**Cash and cash equivalents**
Cash and cash equivalents consists of cash in bank, cash held in trust and short-term deposits with a maturity of less than three months.

**Investment in associate**
Associates are entities over which the Company has significant influence, but not control. Significant influence is generally presumed to exist where the Company has between 20 percent and 50 percent of the voting rights of the associate. The Company accounts for its investment in associate using the equity method, under which, the investment in associate was initially recognized at fair value and the carrying amount is increased or decreased to recognize the investor's share of profit or loss of the associate. Dilution gains and losses arising from changes in the interest in investment in associates where significant influence is retained are recognized in the statement of loss.

At each reporting date, the Company determines whether there is any objective evidence that the investment in associate is impaired. If impairment is determined to exist, the amount of the impairment is recognized in the statement of loss. The amount of impairment is calculated as the difference between the recoverable amount of the investment in associate and its carrying value.

**Property and equipment**
Property and equipment is recorded at cost less accumulated amortization and provisions for impairment. Cost consists of expenditures directly attributable to the acquisition of the asset. Amortization is provided for on a straight-line basis over the estimated useful lives of the assets at the rate of 20% to 40%. Residual values, useful lives and methods of amortization are reviewed at each year end and adjusted prospectively.

**Exploration and evaluation**

***Recognition and measurement***
Exploration and evaluation, including the costs of acquiring licenses and directly attributable general and administrative costs, initially are capitalized as exploration and evaluation. The costs are accumulated by property pending the determination of technical feasibility and commercial viability. Pre-license costs are expensed when incurred. Pre-exploration costs are expensed unless it is considered probable that they will generate future economic benefits.

Mining tax credits earned in respect to costs incurred in Quebec are recorded as a reduction to exploration and evaluation assets when there is reasonable assurance that the Company has complied with, and will continue to comply with, all conditions needed to obtain the credits.

The recoverability of amounts shown for exploration and evaluation is dependent upon the ability of the Company to obtain financing to complete the exploration and development of its mineral resource properties, the existence of economically recoverable reserves and future profitable production, or alternatively, upon the Company's ability to recover its costs through a disposition of its mineral resource properties. The amounts shown for exploration and evaluation do not necessarily represent present or future value. Changes in future conditions could require a material change in the amount recorded for exploration and evaluation.

The technical feasibility and commercial viability of extracting a mineral resource from a property is considered to be determinable when proved and/or probable reserves are determined to exist and the necessary permits have been received to commence production. A review of each property is carried out at least annually. Upon determination of technical feasibility and commercial viability, exploration and evaluation is first tested for impairment and then reclassified to property, plant and equipment and/or intangibles or expensed to the statement of loss and comprehensive loss to the extent of any impairment.

***Impairment***
Exploration and evaluation is assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.
An impairment loss is recognized in the statement of loss and comprehensive loss if the carrying amount of a property exceeds its estimated recoverable amount. The recoverable amount of property used in the assessment of impairment of exploration and evaluation is the greater of its value in use ("VIU") and its fair value less costs of disposal ("FVLCTS"). VIU is determined by estimating the present value of the future net cash flows at a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the property. FVLCTS refers to the price that would be received to sell the property in an orderly transaction between market participants. For a property that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the property belongs. Impairment losses previously recognized are assessed at each reporting date for any indications

that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount only to the extent that the property's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognized.

**Royalties payable**

Upon completion of a pre-feasibility study, royalties are recorded at estimated fair value as an acquisition cost of exploration and evaluation and an offsetting royalty payable. Future adjustments of royalties payable will be reflected as an adjustment to exploration and evaluation and an offsetting royalty payable.

**Share capital**

Share capital is classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

**Share-based payments**

The Company offers a stock option plan for its officers, directors, employees and consultants. The fair value of stock options for each vesting period is determined using the Black-Scholes option pricing model and is recorded over the vesting period as an increase to stock-based compensation and contributed surplus. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest. Upon the exercise of stock options, the proceeds received by the Company and the related contributed surplus are recorded as an increase to share capital. In the event that vested stock options expire, previously recognized share-based compensation is not reversed. In the event that stock options are forfeited, previously recognized share-based compensation associated with the unvested portion of the stock options forfeited is reversed.

The fair value of share-based payment transactions to non-employees and other share-based payments including shares issued to acquire exploration and evaluation are based on the fair value of the goods and services received. If the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or services.

**Provisions**

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

**Income tax**

Income tax expense comprises current and deferred taxes. Current tax and deferred tax is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

**Loss per share**
The Company presents basic and diluted loss per share data for its ordinary shares. Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for any of its own shares held. Diluted loss per share is determined by adjusting the loss attributable to shareholders and the weighted average number of ordinary shares outstanding, adjusted for any of its own shares held, for the effects of all dilutive potential ordinary shares, which comprise outstanding warrants and stock options. As at March 31, 2016 and March 31, 2015, outstanding stock options and warrants are anti-dilutive.

**Changes in accounting standards**
On April 1, 2015, the Company adopted all of the mandatorily applicable new Australian Accounting Standards and International Financial Reporting Standards, amendments to standards and interpretations. The adoption of these accounting standards had no impact on these financial statements.

**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 for the year ended March 31, 2016. The Company has not determined the extent of the impact of these standards and does not plan to early adopt these new standards.

## 3. Significant accounting judgments, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

***Estimates***
Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are as follows:

*Estimates of mining tax credit receivables*
The Company estimates 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. See note 5.

*Estimates of mineral resources*
The amounts used in impairment calculations are based on estimates of mineral resources. Resource estimates are based on engineering data, estimated future prices, expected future rates of production and the timing of future capital expenditures, all of which are subject to many uncertainties and interpretations. The Company expects that, over time, its resource estimates will be revised upward or downward based on updated information such as the results of future drilling, testing and production levels, and may be affected by changes in iron ore prices. See note 12.

(expressed in Canadian dollars)

*Impairment of exploration and evaluation*
Exploration and evaluation assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable through future exploitation or sale. Such circumstances include the period for which the Company has the right to explore in a specific area, actual and planned expenditures, results of exploration, whether an economically-viable operation can be established and significant negative industry or economic trends. Management judgment is also applied in determining cash generating units, the lowest levels of exploration and evaluation assets grouping, for which there are separately identifiable cash flows, generally on the basis of areas of geological interest.

As at March 31, 2015, the Company determined that indicators of impairment existed on Powderhorn and Gullbridge based on the fact that, in both cases, no exploration or evaluation expenditures were planned in the near future. As such, the Company performed impairment assessments on both mining properties and in each case estimated the recoverable amount of the exploration and evaluation assets at nil due to the fact that no commercially viable deposits have been discovered. As such, for the year ended March 31, 2015, the Company recorded impairment losses in respect of Powderhorn and Gullbridge amounting to $1,645,065 and $1,286,599 respectively. See note 12.

As at March 31, 2016, the Company determined that indicators of impairment existed on Aubertin-Tougard, Cassé Lake, Claire Lake, Hope Lake, Silicate-Brutus and Three Big Lake properties based on the fact that no exploration or evaluation expenditures were planned in the near future and the Company decided to abandon the properties. As such, the Company recorded an impairment loss of $1,906,806 to write off those properties. See note 12.

*Estimate of royalty payable*
The Company used inputs that are not based on observable market data in determining the fair value of the royalty payable. The Company expects that, over time, royalty payable will be revised upward or downward based on updated information on production levels and changes in iron ore prices. See note 13.

*Share-based payments*
The Company uses the Black-Scholes option pricing model in determining share-based payments, which requires a number of assumptions to be made, including the risk-free interest rate, expected life, forfeiture rate and expected share price volatility. Consequently, actual share-based compensation may vary from the amounts estimated. See note 14.

## 4. Short-term investments

| Maturity | Interest rate | $ |
|---|---:|---:|
| May 31, 2016 | Prime-1.8% | 200,000 |
| October 13, 2016 | 1.1% | 100,000 |
| March 30, 2017 | 1.0% | 500,000 |
| March 30, 2017 | 1.0% | 577,302 |
| | | 1,377,302 |

A short-term investment of $500,000 has been pledged as security for a letter of credit of $500,000.

## 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”).

**(expressed in Canadian dollars)**

| | Claims for years ended March 31, | | | | Receivable as at March 31, | |
|---|---|---|---|---|---|---|
| | **2016** | **2015** | **2014** | **2013** | **2016** | **2015** |
| **Refundable Tax Credits** | | | | | | |
| As filed (2016-to be filed) | 238,821 | 1,697,062 | 1,410,115 | 7,555,705 | | |
| Receivable | | | | | | |
| Current | – | – | 101,568 | – | 101,568 | 3,837,705 |
| Non-current | 191,000 | 1,357,650 | 226,609 | 3,108,400 | 4,883,659 | 4,355,082 |
| | 191,000 | 1,357,650 | 328,177 | 3,108,400 | 4,985,227 | 8,192,787 |
| **Credit on Duties** | | | | | | |
| As filed | – | 329,731 | 209,515 | 1,122,562 | | |
| Receivable | | | | | | |
| Current | – | – | – | – | – | 1,135,539 |
| **Harmonized and Quebec sales taxes and other** | | | | | | |
| Receivable | | | | | | |
| Current | | | | | 176,255 | 330,414 |
| **Total** | | | | | 5,161,481 | 9,658,740 |
| Current | | | | | 277,822 | 5,303,658 |
| Non-current | | | | | 4,883,659 | 4,355,082 |
| | | | | | 5,161,481 | 9,658,740 |

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.

During the year, the Company received $1,135,539 in respect of its claim for Credit on Duties related to the year ended March 31, 2013, an interim payment of $2,936,222 in respect of its claim for Refundable Tax Credit related to the year ended March 31, 2013 and an interim payment of $799,916 in respect of its claim for Refundable Tax Credit related to the year ended March 31, 2014.

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

## 6. Deposits

**Acquisition of an interest in rail and port infrastructure at Sept-Îsles**

The Government of Québec, through Investissement Quebéc, will invest $68,000,000 in a limited partnership with other industry partners ("Limited Partnership") to acquire, hold and operate land, equipment and rights related to railway operations, warehousing, pelletizing and transshipment owned by Wabush Mines Joint Venture and Cliffs Quebec Iron Mining located in the Pointe-Noire sector in Sept-Îles.

The Company has expressed its interest in participating in the Limited Partnership and made a deposit of $1,000,000, representing its contribution to the capital of the Limited Partnership.

**Acquisition of Bloom Lake and related rail assets**

The Company also made a deposit of $600,000 in respect of acquisitions completed subsequent to March 31, 2016.

See note 20 for additional information regarding the completion of the acquisition subsequent to year-end.

**(expressed in Canadian dollars)**

### 7. Due from Cartier Iron Corporation

As at March 31, 2014, the amount due from Cartier Iron Corporation ("Cartier") was $2,100,000, of which, $100,000 was unsecured, earned interest at the rate of LIBOR plus 2% and was due on September 13, 2014.

On October 17, 2014, Cartier completed a private placement of $500,000, and as agreed, the Company converted $1,050,000 of the amount due from Cartier into 6,176,470 units of Cartier, with each unit consisting of one common share and one warrant entitling the Company to purchase one common share of Cartier for $0.22 until April 17, 2016. If the average closing price of Cartier's common shares is greater than $0.40 for 20 consecutive business days, the warrants must be exercised within 10 calendar days of Cartier providing written notice (or such longer period as Cartier may provide), or they will be cancelled. The warrants expired on April 17, 2016 and there was no financial impact on the Company.

The remaining $1,050,000 due from Cartier was converted to a demand loan, which is unsecured, bears interest at the rate of LIBOR plus 2% and is due 6 months after the Company demands repayment (the "Demand Loan"). On December 31, 2015, the principal amount of the Demand Loan was increase from $1,050,000 to $1,284,716. The Company has the right to convert the Demand 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.

Interest revenue includes interest of $27,481 (2015 - $13,036) related to the Demand Loan.

One director of the Company is a director of Cartier.

See note 20 for subsequent event.

### 8. Investments

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

| | As at March 31, 2016 $ | 2015 $ |
|---|---|---|
| Fancamp Exploration Ltd. ("Fancamp") | | |
| Common shares | 506,000 | 880,000 |
| Century Global Commodities Corporation (formerly Century Iron Mines Corporation) ("Century") | | |
| Common shares | 418,500 | 567,300 |
| Warrants | – | 18,000 |
| Lamêlée Iron Ore Ltd. ("Lamêlée") | | |
| Common shares | 20,000 | 160,000 |
| Warrants | – | 3,000 |
| | 944,500 | 1,628,300 |

Investments in common shares are classified as financial assets at fair value through profit or loss and investment in warrants are classified as derivative financial assets at fair value through profit or loss.

For the year ended March 31, 2016, the decrease in the fair value of investments of $683,800, comprised of $662,800 for investment in common shares and $21,000 for investments in warrants, has been recorded as an unrealized loss on investments in the consolidated statement of loss and comprehensive loss.

**Fancamp**

The Company holds 22,000,000 common shares of Fancamp. The Company and Fancamp have entered into a reciprocal rights agreement governing certain investor rights and obligations as between them. The Company and Fancamp will each be restricted from transferring securities of the other until May 17, 2018, after which time, transfers will be permitted subject to certain restrictions.

## (expressed in Canadian dollars)

As at March 31, 2015, the Company held 10,000,000 warrants entitling the Company to purchase one common share of Fancamp for $0.60 between November 17, 2014 and May 17, 2015 ("Fancamp Warrants"). The Fancamp Warrants expired on May 17, 2015 and there was no financial impact on the Company.

**Century**

The Company holds 1,860,000 common shares of Century. The Century common shares were subject to a hold period which ended on November 29, 2015, after which, in the event that the Company seeks to sell Century common shares, Century will have a right of first refusal to arrange sales.

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

| Exercise price | Exercise period |
|---|---|
| $1.50 | November 30, 2015 to November 29, 2016 |
| $2.00 | November 30, 2016 to November 29, 2017 |
| $2.50 | November 30, 2017 to November 29, 2018 |

**Lamêlée**

The Company holds 4,000,000 common shares of Lamêlée.

As at March 31, 2015, the Company held 1,000,000 warrants entitling it to purchase one common share of Lamêlée for $0.15 until December 20, 2015 ("Lamêlée Warrants"). The Lamêlée Warrants expired on December 20, 2015 and there was no financial impact on the Company.

**9. Investment in associate**

As at June 30, 2014, the Company held a 19.9% interest in the outstanding common shares of Cartier. A director of the Company was appointed to the board of directors of Cartier on June 30, 2014 and the Company determined that it obtained significant influence over Cartier as of July 1, 2014. Accordingly, from that date onward, the investment in Cartier has been accounted for as an associate using the equity method of accounting.

| | $ |
|---|---|
| Fair value as at July 1, 2014 | 826,353 |
| Fair value of Cartier common shares received | |
| Conversion of receivable due from Cartier (note 9) | 1,050,000 |
| Option payments (note 12) | 160,000 |
| Share of net loss | (79,450) |
| Impairment | (794,000) |
| Balance at March 31, 2015 | 1,162,903 |
| Option payment of 500,000 common shares of Cartier (note 12) | 12,500 |
| Share of net loss | (663,403) |
| Impairment | (512,000) |
| Balance at March 31, 2016 | – |

At March 31, 2015, the Company compared the carrying value of investment in Cartier to the fair value less costs to sell of the common shares of Cartier as indicated by the trading price on the Canadian Securities Exchange. As the carrying value exceeded the fair value, the Company recorded an impairment loss of $794,000.

At September 30, 2015, the Company compared the carrying value of investment in Cartier to the fair value less costs to sell the common shares of Cartier as indicated by the trading price on the Canadian Securities Exchange. As the carrying value exceeded the fair value, the Company recorded an impairment loss of $512,000.

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 March 31, 2016, the Company held 11,519,970 common shares of Cartier (March 31, 2015 - 11,519,970 common shares), representing 34% of the issued and outstanding common shares of Cartier (March 31, 2015 - 33%) and 6,176,470 warrants entitling the Company to purchase one common share of Cartier for $0.22 until April 17, 2016. If the average closing price of common shares of Cartier is greater than $0.40 for 20 consecutive business days, the warrants must be exercised within 10 calendar days of Cartier providing written notice (or such longer period as Cartier may provide), or they will be cancelled. The warrants expired on April 17, 2016 and there was no financial impact on the Company.

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.

**10. Investment in SFNQ**

The Company is the general partner and a limited partner in La Société ferroviaire du Nord québécois, société en commandite ("SFNQ"). The other limited partners in SFNQ are the Government of Québec and Lac Otelnuk Mining Ltd., a joint arrangement between Adriana Resources Inc. and WISCO International Resources Development & Investment Limited. SFNQ was formed as a partnership of government and industry to complete a feasibility study for the construction of a new multi-user rail link giving mining projects in the Labrador Trough access to the port at Sept-Îles at the lowest possible cost. The Government of Québec has set aside a maximum of $20,000,000 from its Plan Nord Fund to contribute to SFNQ, while the Company's contribution consisted of previously incurred costs of $5,576,823.

The Company has accounted for previously incurred costs of $5,576,823, investment in SFNQ of $100 and future advances to SFNQ as expenditures on exploration and evaluation.

Other income includes $484,000 (2015 - $264,953) for management services provided by the Company in its capacity of general partner of SFNQ. As at March 31, 2016, $125,050 (2015 - $124,533) was due from SFNQ.

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

On July 13, 2012, the Company 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, the Company was to pay $25,581,000 and take-or-pay payments as an advance on the Company's future shipping, wharfage and equipment fees. The Company 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.

(expressed in Canadian dollars)

On June 28, 2013, the Company 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 Port registered a notice of hypothecary recourse dated August 22, 2013 ("Notice") that requested the Company to surrender the Mining Rights and advised of its intention to have the Mining Rights sold under judicial authority. The Notice alleges that the Company is 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. Since then and up to March 31, 2016, the Port has taken no further legal action.

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 the Company must pay take-or-pay payments as an advance on the Company's future shipping, wharfage and equipment fees.

Based on the advice of its legal counsel, the Company believes that it was entitled to terminate the Agreement, the Company would be entitled to the repayment of the Advances and the Port would not be entitled to any payment under the Agreement or recover the loss of profits. Accordingly, no amount has been recorded as a liability in these consolidated financial statements.

**12. Exploration and evaluation assets**

| | March 31, 2015 $ | Acquisition costs(other) $ | Exploration $ | Mining tax credits $ | Impairment $ | March 31, 2016 $ |
|---|---|---|---|---|---|---|
| Fermont | | | | | | |
| Consolidated Fire Lake North | 53,904,908 | 141,310 | 682,348 | (528,644) | – | 54,199,922 |
| Harvey-Tuttle | 6,574,186 | 8,192 | 1,923 | – | – | 6,584,301 |
| Moire Lake | 2,930,272 | – | – | – | – | 2,930,272 |
| O'Keefe Purdy | 3,204,922 | 12,544 | 350 | – | – | 3,217,816 |
| Other | 3,230,831 | (49,465) | 1,500 | – | (1,906,806) | 1,276,060 |
| | 69,845,118 | 112,582 | 686,120 | (528,664) | (1,906,806) | 68,208,370 |

| | March 31, 2014 $ | Acquisition costs (other) $ | Exploration $ | Mining tax credits $ | Impairment $ | March 31, 2015 $ |
|---|---|---|---|---|---|---|
| Fermont | | | | | | |
| Consolidated Fire Lake North | 68,438,585 | (18,400,000) | 6,677,607 | (2,811,284) | – | 53,904,908 |
| Harvey-Tuttle | 6,573,514 | – | 12,297 | (11,625) | – | 6,574,186 |
| Moire Lake | 3,045,597 | – | 1,710 | (117,035) | – | 2,930,272 |
| O'Keefe Purdy | 3,319,458 | – | 4,349 | (118,885) | – | 3,204,922 |
| Other | 3,755,817 | (560,000) | 56,522 | (21,508) | – | 3,230,831 |
| | 85,132,971 | (18,960,000) | 6,752,485 | (3,080,337) | – | 69,845,118 |
| Powderhorn | 1,630,771 | – | 14,294 | – | (1,645,065) | – |
| Gullbridge | 1,286,098 | – | 500 | – | (1,286,599) | – |
| | 88,049,840 | (18,960,000) | 6,767,279 | (3,080,337) | (2,931,664) | 69,845,118 |

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 11 mineral concessions covering an area of 787 square kilometres situated in northeastern Quebec ("Fermont"), subject to a net smelter return royalty of 1.5% (1.5% NSR") (March 31, 2015 - 3% ("3% NSR")). 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 Aubertin-Tougard, Audrey-Ernie, Big Three Lake, Black Dan, Casse Lake, Claire Lake, Hope Lake, Jeannine Lake, Penguin, Silicate-Brutus Lakes properties.

**(expressed in Canadian dollars)**

***Grant of option for Cluster 3 Properties to Cartier Iron Corporation***
On September 28, 2012, the Company granted an option to Cartier Iron Corporation ("Cartier") to acquire a 65% interest in Aubertin-Tougard, Audrey-Ernie, Black Dan, Jeannine Lake, Penguin Lake, Silicate-Brutus and Three Big Lakes ("Cluster 3 Properties"). In order to earn its interest, Cartier must 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 (partially paid and issued) | 250,000 | 500,000 | 12,500 | – |
| December 10, 2016 | 250,000 | – | – | 4,750,000 |
| | 1,000,000 | 2,500,000 | 422,500 | 6,000,000 |

Upon Cartier earning its 65% 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.

During the year ended March 31, 2016, in conjunction with Cartier, the Company decided to abandon Aubertin-Tougard, Silicate-Brutus and Three Big Lake properties within Cluster 3 and the Cassé Lake, Claire Lake and Hope Lake properties within Cluster 2 and recorded an impairment loss of $1,906,806 to write off those properties.

With respect to the option payment and common shares due on December 10, 2015, the Company received a partial option payment of $50,000 and 500,000 common shares of Cartier with a fair value of $15,000. The Company and Cartier are currently in discussions with respect to the remaining option payment of $200,000 that remains unpaid.

See note 20 for subsequent event.

**Powderhorn and Gullbridge**
The Company owns a 100% interest in:

(a) Powderhorn Lake Project ("Powderhorn"), which consists of 148 claims covering an area of 37 square kilometres situated in the Buchans-Robert's Arm Belt in Central Newfoundland. Powderhorn is encumbered with a 2.85% net smelter royalty ("NSR"), of which, 1.85% can be purchased for $2,300,000 to reduce the NSR to 1%.
(b) Gullbridge Property, which consists of 179 claims covering 45 square kilometres situated in the Buchans Robert's Arm Belt in Central Newfoundland. Gullbridge is encumbered with a 1% net smelter royalty, which can be purchased for $1,000,000 or the issue of 1,000,000 common shares of Champion Iron Mines Limited, the Company's wholly-owned subsidiary.

The Company has not budgeted nor planned any substantive expenditure on further exploration for and evaluation of mineral resources for Powderhorn and Gullbridge. Accordingly, for the year ended March 31, 2015, the Company recorded impairment losses of $1,645,065 and $1,286,599 to write off Powderhorn and Gullbridge, respectively.

(expressed in Canadian dollars)

**Snelgrove Lake**
The Company has an option to acquire a 100% interest in 5 licenses covering 106 square kilometres located approximately 55 kilometres southeast of Schefferville, Newfoundland. Snelgrove Lake is encumbered with a 3% gross sales royalty. In order to earn its interest, the Company must issue Performance Shares, grant options, make option payments and incur exploration expenditures, as follows:

| | Issue Performance shares | Grant options | Option payments A$ | Option payments $ | Exploration expenditures $ |
|---|---|---|---|---|---|
| October 2012 (issued and paid) | 32,000,000 | 17,000,000 | 425,000 | 410,000 | – |
| March 11, 2014 (incurred) | – | – | – | – | 3,250,000 |
| August 1, 2018 | – | – | – | 5,750,000 | 3,250,000 |
| | 32,000,000 | 17,000,000 | 425,000 | 6,160,000 | 6,500,000 |

Up to March 31, 2016, the Company has incurred exploration expenditures of approximately $6,400,000.

The decision to exercise the option will depend on the economic viability of Snelgrove Lake and the capacity to finance its development. Given the advanced stage of Consolidated Fire Lake North and the significant funds that will be required for its development, there is no certainty that the option for Snelgrove Lake Project will be exercised. Accordingly, prior to the completion of the Arrangement, the Company recorded an impairment loss of $10,038,754 to write off the balance of Snelgrove Lake.

On May 17, 2016, the Company terminated the option to acquire Snelgrove Lake.

**13. Royalty payable**
Fermont is encumbered by a 1.5% net smelter royalty 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 $50,000 on closing and $250,000 on October 25, 2015 ("Arrangement"), and therefore, the fair value of the 3% NSR was estimated to be $600,000 as at March 31, 2015. The Arrangement remains the best indicator of the fair value of the 1.5% NSR, and therefore, the fair value of the remaining 1.5% NSR has been estimated to be $300,000 as at March 31, 2016.

On September 24, 2015, the Company made a payment of $100,000 to eliminate the requirement to pay a 1.5% NSR on other concessions acquired by the Company within 10 kilometres of Fermont.

**14. Capital stock**
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 will be 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.

(expressed in Canadian dollars)

**Issued**

| | Number of shares | $ |
|---|---|---|
| **Ordinary shares** | | |
| Balance, March 31, 2014 | 196,493,153 | 171,420,382 |
| Cancelled | (13) | – |
| Conversion of exchangeable shares | 164,849 | – |
| Balance, March 31, 2015 | 196,657,989 | 171,420,382 |
| Conversion of exchangeable shares | 1,661,795 | – |
| Fair value of warrants expired | – | 3,089,520 |
| Balance, March 31, 2016 | 198,319,784 | 174,509,902 |

| | |
|---|---|
| **Exchangeable shares of the Company** | |
| Balance, March 31, 2014 | 1,941,199 |
| Conversion to ordinary shares | (164,849) |
| Balance, March 31, 2015 | 1,776,350 |
| Conversion to ordinary shares | (1,661,795) |
| Balance, March 31, 2016 | 114,555 |

**Warrants**

A summary of the Company's warrants is presented below:

| | Number of warrants | Weighted-average exercise price $ | Amount $ |
|---|---|---|---|
| Balance, March 31, 2014 and 2015 | 16,133,333 | 1.5341 | 3,089,520 |
| Expired | (16,133,333) | 1.5341 | (3,089,520) |
| Balance, March 31, 2016 | – | – | – |

**Stock options**

| | Number of stock options | Weighted-average exercise price $ |
|---|---|---|
| Balance, March 31, 2014 | 27,744,667 | 0.53 |
| Granted | 5,150,000 | 0.37 |
| Expired | (2,289,834) | 0.83 |
| Cancelled | (1,381,334) | 0.92 |
| Balance, March 31, 2015 | 29,223,499 | 0.46 |
| Granted | 1,000,000 | 0.30 |
| Expired | (19,223,333) | 0.36 |
| Balance, March 31, 2016 | 11,000,166 | 0.60 |

A summary of the Company's outstanding and exercisable stock options at March 21, 2016 is presented below:

**(expressed in Canadian dollars)**

| Exercise price | Expiry date | Number of stock options Outstanding | Exercisable |
|---|---|---|---|
| $2.0455 | September 9, 2016 | 715,000 | 715,000 |
| $0.5455 | December 20, 2016 | 1,173,333 | 1,173,333 |
| $1.7728 | December 23, 2016 | 661,833 | 661,833 |
| A$0.50 | April 8, 2017 | 1,000,000 | 1,000,000 |
| A$0.50 | June 18, 2017 | 150,000 | 150,000 |
| A$0.30 | October 31, 2017 | 1,000,000 | 333,333 |
| A$0.30 | December 11, 2017 | 2,000,000 | 2,000,000 |
| A$0.30 | August 20, 2018 | 1,000,000 | – |
| $0.45 | September 1, 2018 | 1,000,000 | 1,000,000 |
| A$0.50 | November 29, 2018 | 2,300,000 | 800,000 |
| | | 11,000,166 | 7,833,499 |

A summary of the stock options granted and 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 | April 8, 2014 | June 18, 2014 | September 25, 2014 | October 30, 2014 | December 11, 2014 | August 20, 2015 |
| Expiry date | April 8, 2017 | June 18, 2017 | September 1, 2018 | October 30, 2017 | December 11, 2017 | August 20, 2018 |
| Options granted | 1,000,000 | 150,000 | 1,000,000 | 1,000,000 | 2,000,000 | 1,000,000 |
| Exercise price | A$0.50 | A$0.50 | $0.45 | A$0.30 | A$0.30 | A$0.30 |
| Share price | A$0.50 | A$0.37 | $0.46 | A$0.20 | A$0.14 | A$0.15 |
| Risk-free interest rate | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% |
| Expected volatility based on historical volatility | 80% | 80% | 80% | 80% | 80% | 80% |
| Expected life of stock options | 3 years | 3 years | 4 years | 3 years | 3 years | 3 years |
| Expected dividend yield | 0% | 0% | 0% | 0% | 0% | 0% |
| Forfeiture rate | 0% | 0% | 0% | 0% | 0% | 0% |
| Vesting | On date of grant | On date of grant | On date of grant | 3 years | On date of grant | 3 years |
| Fair value | $260,000 | $25,500 | $120,000 | $100,000 | $100,000 | $50,000 |
| Fair value per stock option | $0.26 | $0.17 | $0.12 | $0.10 | $0.05 | $0.05 |

Upon receipt of shareholder approval on August 7, 2015, the Company granted 1,000,000 stock options entitling the holder to purchase one ordinary share for A$0.30 until August 20, 2018. These options will vest in annual instalments over 3 years, subject to holder's continued service with the Company, the satisfactory progression towards the completion of a bankable feasibility study for Consolidated Fire Lake North by August 20, 2018 and the satisfactory completion of a bankable feasibility study by August 20, 2018.

### 15. Income taxes

The Company's effective income tax rate differs from the amount that would be computed by applying the federal and provincial statutory rate of 26.5% (2015 – 26.5%) to the loss for the year. The reasons for the difference are as follows:

| | 2016 $ | 2015 $ |
|---|---|---|
| Income tax recovery based on combined statutory rate | (1,882,967) | (3,116,575) |
| Share-based compensation and other non-deductible items | 902,129 | 189,409 |
| Effect of changes in rate on temporary items | – | – |
| Tax losses not recognized | 930,838 | 2,927,166 |
| | – | – |

### (expressed in Canadian dollars)

**Deferred income tax assets and liabilities**
The Company's deferred income tax assets and liabilities are as follows:

| | As at March 31, 2016 | 2015 |
|---|---|---|
| **Deferred tax asset** | | |
| Non-capital loss carry-forward and share issue costs | 10,006,188 | 8,030,812 |
| Investments | (1,723,907) | (1,234,531) |
| Deferred income taxes not recognized | (1,757,294) | (5,514,615) |
| | 6,524,987 | 1,281,666 |
| **Liability** | | |
| Exploration and evaluation assets | (6,524,987) | (1,281,666) |
| | – | – |

**Losses carried forward**
At March 31, 2016, the Company had non-capital loss carryforwards which expire as follows:

| | $ |
|---|---|
| 2027 | 153,000 |
| 2028 | 406,000 |
| 2029 | 1,089,000 |
| 2030 | 1,812,000 |
| 2031 | 4,291,000 |
| 2032 | 5,789,000 |
| 2033 | 5,644,000 |
| 2034 | 9,181,000 |
| 2035 | 4,469,000 |
| 2036 | 3,701,000 |
| | 36,535,000 |

**Resource deductions**
At March 31, 2016, the Company has cumulative Canadian exploration expenses of $31,959,974 (2015 - $31,024,954) and cumulative Canadian development expenses of $6,420,632 (2015 - $6,408,050) which may be carried forward indefinitely to reduce taxable income in future years.

**16. 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 and accounts payable and accrued liabilities*
The fair values of cash and cash equivalents, short-term investments, receivables, due from Cartier 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, Century and Lamêlée are measured at the bid market price on the measurement date.

The fair value of the investment in warrants of Century is measured using a Black-Scholes option pricing model. Measurement inputs include share price on the measurement date, exercise price, expected volatility (based on historical volatility), expected life, expected dividends and the risk-free interest rate (based on government bonds).

### (expressed in Canadian dollars)

*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 of fair value of financial instruments*
The Company classified the fair value of its financial instruments measured at fair value according to the following hierarchy based on the amount of observable inputs used to value the instrument:

- Level 1 - quoted prices in active markets for identical assets and liabilities;
- Level 2 - inputs, other than the quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly;
- Level 3 - inputs for the asset or liability that are not based on observable market data.

*As at March 31, 2016*

| | Level 1<br>$ | Level 2<br>$ | Level 3<br>$ | Total<br>$ |
|---|---|---|---|---|
| **Financial asset at fair value through profit and loss** | | | | |
| Cash and cash equivalents and short-term investments | 1,671,016 | – | – | 1,671,016 |
| Investments | | | | |
| Common shares | 944,500 | – | – | 944,500 |
| Warrants | – | – | – | – |

*As at March 31, 2015*

| | Level 1<br>$ | Level 2<br>$ | Level 3<br>$ | Total<br>$ |
|---|---|---|---|---|
| **Financial asset at fair value through profit and loss** | | | | |
| Cash and cash equivalents and short-term investments | 2,651,832 | – | – | 2,651,832 |
| Investments | | | | |
| Common shares | 1,607,300 | – | – | 1,607,300 |
| Warrants | – | 21,000 | – | 21,000 |

## 17. 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.

(expressed in Canadian dollars)

***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 investment as at March 31, 2016 had changed by 10%, with all other variables held constant, the loss would have decreased or increased by approximately $94,450.

***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 year.

## 18. Related party transactions

| | Years ended | March 31, | Outstanding at | March 31, |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| **Exploration and evaluation** | | | | |
| Paid or payable to 2 companies controlled by former officers | – | 381,930 | – | – |
| **Professional fees** | | | | |
| Paid for legal fees to a firm, of which, a director was a partner | – | 22,700 | – | – |
| **General and administrative** | | | | |
| Paid for rent to a company controlled by a director | 54,540 | 54,540 | – | – |

See notes 7, 9 and 12 for related party transactions with Cartier and note 10 for related party transactions with SFNQ.

**Compensation of key management personnel**

The Company considers its directors and officers to be key management personnel. Transactions with key management personnel are set out as follows:

**(expressed in Canadian dollars)**

| | Years ended March 31, 2016 $ | 2015 $ |
|---|---|---|
| Salaries | 674,880 | 523,157 |
| Consulting fees | 642,000 | 915,500 |
| Bonus | – | – |
| Non-monetary benefits | 24,240 | 28,296 |
| Post-employment benefits | 41,823 | 42,824 |
| Termination benefits | – | 540,000 |
| Share-based payments, representing share-based compensation | 139,652 | 515,050 |
| | 1,522,595 | 2,564,827 |

**19. Commitments and contingencies**

At March 31, 2016, contingent liabilities consist of a letter of credit of $500,000 provided by QIO to a third party.

Commitments for annual basic premises rent are as follows:

| | As at March 31, 2016 $ | 2015 $ |
|---|---|---|
| Less than 1 year | 91,010 | 190,642 |
| 1-5 years | – | – |
| More than 5 years | – | – |
| | 91,010 | 190,642 |

See note 11 for information regarding the Company's contingent liabilities.

**20. Subsequent events**

Other than those noted below, no matter or circumstance has arisen since March 31, 2016 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.

**Acquisition of Bloom Lake and related rail assets**

On April 11, 2016, the Company, through its wholly-owned subsidiary, Québec Iron Ore Inc. ("QIO"), acquired the Bloom Lake mine and related rail assets ("Bloom Lake") from affiliates of Cliffs Natural Resources Inc. that were subject to restructuring proceedings under the *Companies' Creditors Arrangement Act* (Canada) ("CCAA").

The Bloom Lake mine is located approximately 13 km north of Fermont, Quebec, in the Labrador Trough and consists of Mining Lease BM877 and 114 mining claims. The Bloom Lake Mine is an open pit truck and shovel mine, a concentrator that utilizes single-stage crushing and an autogenous mill and gravity separation to produce iron concentrate. From the site, concentrate can be transported by rail, initially on the Bloom Lake Railway, to a ship loading port in Sept-Îles, Québec. The Bloom Lake mine is currently in a care and maintenance mode.

The Bloom Lake rail assets consist of the provincially regulated short-line railway comprising a 32 km rail spur contained wholly within Newfoundland and Labrador that connects the Bloom Lake mine to the railway owned by Northern Land Company.

Set out below is the preliminary purchase price equation for the acquisition of Bloom Lake:

(expressed in Canadian dollars)

| | $ |
|---|---|
| **Consideration** | |
| Cash | 9,750,000 |
| **Fair value recognized on acquisition** | |
| *Assets* | |
| Property, plant and equipment | 37,273,000 |
| *Liabilities* | |
| Asset retirement obligation | 24,523,000 |
| Total identifiable net assets at fair value | 9,750,000 |

At March 31, 2016, the Company had made a deposit of $572,500 and incurred transaction costs of $2,123,588 in connection with the acquisition.

**Acquisition of Quinto Claims**

On April 11, 2016, the Company, through its wholly-owned subsidiary, Champion Iron Mines Limited, acquired certain mineral claims ("Quinto Claims") from affiliates of Cliffs Natural Resources Inc. that were subject to restructuring proceedings under the *Companies' Creditors Arrangement Act* (Canada) ("CCAA").

The Quinto Claims, which encompass the Peppler Property (264 claims) and the Lamelee Property (194 claims), are located 50 km southwest of the Bloom Lake mine and 10 km from each other.

The Quinto Claims were acquired for cash consideration of $776,818.

In connection with the acquisition, the Company made a deposit of $37,500 which was outstanding at March 31, 2016.

**Financings**

*Private placement by the Company*

In order to fund the acquisition purchase price of Bloom Lake and to provide working capital, on April 11, 2016, the Company completed a private placement of 187,500,000 ordinary shares at a price of $0.16 per share for gross proceeds of $30,000,000 ("Private Placement"). In connection with the Private Placement, the Company received commitments from two parties ("Initial Subscribers") to backstop up to $15,000,000 of the Private Placement. One of the Initial Subscribers was arm's length while the other was a company controlled by a director and officer of the Company. The Initial Subscribers each agreed to purchase 46,875,000 ordinary shares (the "Committed Shares") under the Private Placement, subject to their right to engage dealers to find substituted purchasers to purchase all or a portion of the Committed Shares. In connection with their commitment to subscribe for the Committed Shares, the Company granted 15,000,000 compensation options to the Initial Subscribers, entitling the holder to purchase one ordinary share for $0.25 until February 1, 2020. For one year after the closing of the Private Placement, the Initial Subscribers are restricted from selling, pledging or granting any rights with respect to the acquired ordinary shares, except in certain limited circumstances.

In connection with the Private Placement, subject to certain terms and conditions, 2 subscribers were both granted the following rights for as long as they hold more than 10% of the issued and outstanding ordinary shares of the Company:

a) The Subscriber is entitled to designate one nominee for election or appointment to the board of directors of the Company and the Company agrees to include the Subscribers' nominee in the slate of directors presented at any meeting of shareholders at which directors are to be elected;
b) The Company undertakes that it will not grant any stock options unless such grant is unanimously approved by the board of directors of the Company.

## (expressed in Canadian dollars)

*Private placement by QIO*
On April 11, 2016, QIO completed a private placement of 14,000,000 ordinary shares at a price of $1 per share for gross proceeds of $14,000,000, following which, the Company's interest in QIO was reduced from 100% to 63.2%.

In connection with the private placement by QIO, the Company granted 6,000,000 compensation options entitling the holder to purchase one ordinary share of the Company at a price of $0.25 per share until February 1, 2020.

**Due from Cartier Iron Corporation**
On May 17, 2016, the Company converted the Demand Loan to a term loan, which is unsecured, bears interest at the rate of LIBOR plus 2% and is due on September 30, 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.

**Amendment of option for Cluster 3 Properties to Cartier**
In order to reduce land maintenance expenditure commitments, the Company and Cartier agreed to an approximate 40% reduction in the acreage of the original Cluster 3 Properties. On May 17, 2016, the Company and Cartier amended the option for the Cluster 3 Properties. In order to earn a 55% interest (reduced from a 65% 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 (Note 1) | 500,000 | 12,500 | – |
| December 10, 2016 (incurred) | | – | – | 1,800,000 (note 3) |
| December 10, 2016 | 450,000 (Note 2) | – | – | – |
| | 1,000,000 | 2,500,000 | 422,500 | 3,050,000 (note 4) |

Note 1: reduced to $50,000 from $250,000.
Note 2: increased from $250,000 to $450,000.
Note 3: reduced from $4,750,000 to $1,800,000.
Note 4: reduced from $6,000,000 to $3,050,000.

b) repay the Term Loan.

**Grant of stock options**
On April 12, 2016, the Company granted 7,500,000 to employees of the Company, entitling the holder to purchase one ordinary share at the price of A$0.20 until April 12, 2020.

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:

**(expressed in Canadian dollars)**

| | |
|---|---|
| Date of grant | April 12, 2016 |
| Expiry date | April 12, 2020 |
| Options granted | 7,500,000 |
| Exercise price | A$0.20 |
| Share price | A$0.22 |
| Risk-free interest rate | 2.5% |
| Expected volatility based on historical volatility | 80% |
| Expected life of stock options | 4 years |
| Expected dividend yield | 0% |
| Forfeiture rate | 0% |
| Vesting | On date of grant |
| Fair value | $1,050,000 |
| Fair value per stock option | $0.14 |

## 21. Parent entity information
Information relating to Champion Iron Limited:

| | As at March 31, 2016 $ | 2015 $ |
|---|---|---|
| Current assets | 393,629 | 730,139 |
| Non-current assets | 17,602,231 | 17,932,402 |
| **Total assets** | 17,995,860 | 18,662,541 |
| Current liabilities | 307,897 | 87,882 |
| **Total liabilities** | 307,897 | 87,882 |
| **Net assets** | 17,687,963 | 18,574,659 |
| Issued capital | 28,259,111 | 28,259,111 |
| Reserves | 3,678,556 | 2,689,210 |
| Accumulated losses | (14,249,704) | (12,373,662) |
| **Total equity** | 17,687,963 | 18,574,659 |

| | Years ended March 31, 2016 $ | 2015 $ |
|---|---|---|
| Loss of parent entity | 1,876,042 | 1,734,804 |
| Total comprehensive loss of the parent entity | 1,876,042 | 1,734,804 |

## 22. Auditors remuneration
Total of all remuneration received or due and receivable by the auditors in connection with:

| | Years ended March 31, 2016 $ | 2015 $ |
|---|---|---|
| *Ernst & Young Australian firm* | | |
| Audit of the financial report | 80,000 | 67,500 |
| Review of interim financial statements | 42,000 | 42,000 |
| *Ernst & Young Canadian firm* | | |
| Transaction advisory services | 89,424 | – |
| Preparation of income tax returns | 10,830 | – |
| | 222,254 | 109,500 |

### 23. 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.