Champion Iron Limited

Condensed Interim Consolidated Financial Statements

September 30, 2016

(expressed in Canadian dollars)

(unaudited)

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

	Notes	As at September 30, 2016 $	As at March 31, 2016 $
Assets			
Current			
Cash and cash equivalents		773,520	293,714
Short-term investments	4	26,594,115	1,377,302
Receivables	5	819,163	277,822
Due from Cartier Iron Corporation	6	1,341,430	-
Due from SFNQ	7	51,708	125,050
Prepaid expenses		750,837	436,456
Deposits	8	1,000,000	1,600,000
		31,330,773	4,110,344
Non-current			
Receivables	5	3,221,692	4,883,659
Due from Cartier Iron Corporation	6	-	1,325,504
Investments	9	1,155,500	944,500
Long-term advance	10	6,000,000	6,000,000
Property, plant and equipment	11	30,165,031	21,926
Exploration and evaluation	12	69,487,106	68,208,370
		141,360,102	85,494,303
Liabilities			
Current			
Accounts payable and accrued liabilities		1,315,099	878,777
Non-current			
Royalty payable	13	300,000	300,000
Rehabilitation obligation	14	24,825,500	-
		26,440,599	1,178,777
Shareholders' equity			
Capital stock	15	201,989,902	174,509,902
Contributed surplus		19,952,026	16,268,574
Foreign currency translation reserve		(44,148)	41,189
Non-controlling interest		9,689,823	-
Accumulated deficit		(116,668,100)	(106,504,139)
		114,919,503	84,315,526
		141,360,102	85,494,303

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, 2016 $	3 months ended September 30, 2015 $	6 months ended September 30, 2016 $	6 months ended September 30, 2015 $
Other income					
Interest		82,732	8,223	147,604	76,087
Other		46,601	141,005	47,801	290,824
		129,333	149,228	195,405	366,911
Expenses					
Professional fees		12,640	132,162	121,493	148,412
Salaries		81,950	95,670	175,026	195,502
Consulting fees		150,901	140,420	287,192	277,367
Share-based compensation		56,730	66,835	1,163,460	132,232
General and administrative		258,170	203,452	581,181	413,159
Investor relations		8,618	15,747	13,468	29,068
Travel		62,575	94,077	197,711	152,808
Exploration		11,548	13,250	24,223	14,150
Care and maintenance of Bloom Lake		4,855,858	-	8,208,183	-
Depreciation		545,489	-	1,214,777	-
Interest expense		165,000	-	302,500	-
Foreign exchange loss (gain)		(44,705)	11,570	4,957	16,431
Gain on sale of property, plant and equipment		-	-	(37,500)	-
Unrealized (gain) loss on investments	9	412,300	219,600	(211,000)	553,500
Impairment of investment in associate		-	512,000	-	512,000
Transaction costs		1,283,880	-	2,623,874	-
		7,860,955	1,504,784	14,669,544	2,444,628
Loss before share of net loss of an associate		(7,731,622)	(1,355,556)	(14,474,138)	(2,077,718)
Share of net loss of associate accounted for using the equity method		-	(129,941)	-	(209,615)
Loss		(7,731,622)	(1,485,497)	(14,474,138)	(2,287,333)
Item that may be reclassified in future periods to the statement of loss					
Net movement in foreign currency		(51,585)	8,155	(85,337)	9,940
Total comprehensive loss		(7,783,207)	(1,477,341)	(14,559,475)	(2,277,393)
Loss attributable to:					
Equity holders of Champion		(5,428,616)	(1,485,497)	(10,163,961)	(2,287,333)
Non-controlling interest		(2,303,006)	-	(4,310,177)	-
Loss		(7,731,622)	(1,485,497)	(14,474,138)	(2,287,333)
Loss per share - basic and diluted		(0.020)	(0.007)	(0.039)	(0.012)
Weighted average number of shares outstanding - basic and diluted		385,819,930	198,311,833	374,549,292	197,489,430

Champion Iron Limited
Consolidated Statements of Changes in Equity

(expressed in Canadian dollars)
(unaudited)

	Capital stock $	Warrants $	Contributed surplus $	Foreign currency translation reserve $	Non-controlling interest $	Deficit $	Total $
Balance, March 31, 2016	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	30,000,000						30,000,000
Private placement					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		-	-	-
Balance, September 30, 2016	201,989,902	-	19,952,026	(44,148)	9,689,823	(116,668,100)	114,919,503
Balance, March 31, 2015	171,420,382	3,089,520	15,996,920	(429,098)	-	(98,735,201)	91,342,524
Loss	-	-	-	-	-	(2,287,333)	(2,287,333)
Other comprehensive loss	-	-	-	9,940	-	-	9,940
Total comprehensive loss	-	-	-	9,940	-	(2,287,333)	(2,277,393)
		-					
Share-based compensation	-	-	132,232	-	-	-	132,232
Fair value of expired warrants	3,089,520	(3,089,520)	-	-	-	-	-
Balance, September 30, 2015	174,509,902	-	16,129,152	(419,158)	-	(101,022,534)	89,197,363

Champion Iron Limited
Consolidated Statements of Cash Flows

(expressed in Canadian dollars)
(unaudited)

	Notes	6 months ended September 30, 2016 $	2015 $
Cash provided by (used in)			
Operating activities			
Loss		(14,474,138)	(2,287,333)
Non-operating transaction costs		2,623,874	-
Items not affecting cash			
Interest not received		(15,926)	(13,288)
Share-based compensation		1,163,460	132,232
Depreciation		1,214,777	15,698
Accretion of rehabilitiation obligation		302,500	-
Gain on sale of equipment		(37,500)	-
Unrealized (gain) loss on investments	9	(211,000)	553,500
Impairment of investment in associate		-	512,000
Share of net loss of associate accounted for using the equity method		-	209,615
		(9,433,953)	(877,576)
Changes in non-cash operating working capital			
Receivables		(642,909)	(167,209)
Due from SFNQ		73,342	(28,319)
Prepaid expenses		(314,381)	(99,954)
Deposit		600,000	(600,000)
Accounts payable and accrued liabilities		438,933	(627,550)
		(9,278,968)	(2,400,608)
Financing activities			
Private placement of ordinary shares		30,000,000	-
Private placement of common shares of Quebec Iron		14,000,000	-
		44,000,000	-
Investing activities			
Receipt of refundable tax credit on exploration	5	1,763,536	1,135,539
Receipt of credit on duties		-	2,936,222
Investment in term deposits	4	(25,216,813)	(1,800,000)
Acquisition of Bloom Lake		(9,800,000)	-
Purchase of Quinto claims		(776,818)	-
Proceeds on sale of equipment	12	3,000,000	-
Exploration and evaluation		(501,919)	(460,334)
Acquisition of royalty		-	(50,000)
Transaction costs		(2,623,874)	-
		(34,155,888)	1,761,427
Net decrease in cash and cash equivalents		565,144	(639,181)
Cash and cash equivalents, beginning of period		293,714	1,346,685
Effects of exchange rate changes		(85,337)	9,940
Cash and cash equivalents, end of period		773,521	717,444

See accompanying notes to the consolidated financial statements

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, 2016, 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 14, 2016.

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 financial statements for the year ended March 31, 2016.

In the preparation of the condensed interim consolidated financial statements, the Company adopted the following accounting policies:

Property, plant and equipment
Property, plant and equipment are carried at historical cost less any accumulated depreciation and impairment losses.

Depreciation is calculated on following basis over the estimated useful lives of property, plant and equipment:

Mobile equipment and parts	Straight-line over 10 years
Rail	Straight-line over 24 years
Mine	Unit-of-production over life of mine
Mineral rights	Unit-of-production over life of mine
Housing	Straight-line over 24 years

Rehabilitation obligation
The Company records a rehabilitation obligation for legal and constructive asset retirement obligations. Rehabilitation obligation is recorded for restoration in the financial period upon business combination or when the related environmental disturbance occurs, based on the estimated future costs and timing of expenditures using information available at year end. The obligation is discounted using a pre-tax rate that reflects the risk specific to the rehabilitation liabilities and the unwinding of the discount is recognized in the pro forma statement of loss and comprehensive loss as accretion of rehabilitation obligation.

Subsequent changes in the estimated costs are recognized within property, plant and equipment. The estimated future costs of rehabilitation are reviewed on a regular basis for changes to obligations, timing of expenditures, legislation or discount rates that impact estimated costs. The cost of the related asset is adjusted for changes in the provision resulting from changes in the estimated cash flows or discount rate and the adjusted cost of the asset is depreciated prospectively unless the corresponding asset is fully depreciated in which case the change is recognized immediately in the consolidated statements of loss and comprehensive loss.

Consolidation
The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if, and only if, the Company has all of the following:

• power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
• exposure, or rights, to variable returns from its involvement with the investee; and
• the ability to use its power over the investee to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary.

All intra-group assets and liabilities, revenues, expenses and cash flows relating to intra-group transactions are eliminated.

Non-controlling interest
Non-controlling interest represents the minority shareholder's portion of the profit or loss and net assets of subsidiaries and is presented separately in the statement of financial position and statement of loss and comprehensive loss. Losses within a subsidiary are attributable to the non-controlling interests even if that results in a deficit balance.

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. Acquisitions and private placement

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

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. 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:

Consideration	**$**
Cash	9,237,500
Deposit	562,500
	9,800,000
Fair value recognized on acquisition	
Assets	
Property, plant and equipment	
Mobile equipment and parts	26,573,000
Rail	750,000
Mine	1,500,000
Mineral rights	1,500,000
Housing	4,000,000
	34,323,000
Deferred tax asset	6,499,000
	40,822,000
Liabilities	
Rehabilitation obligation	24,523,000
Deferred tax liability	6,499,000
	31,022,000
Total identifiable net assets at fair value	9,800,000

The Company has determined the fair value of its rehabilitation liabilities by using a discount rate of 2.5%. The liabilities accrete to their future value until the obligations are completed. The estimated rehabilitation expenditures may vary based on changes in operations, cost of rehabilitation activities, and legislative or regulatory requirements. Although the ultimate amount to be incurred is uncertain, the liability for rehabilitation on an undiscounted basis is estimated to be approximately $41,700,000. The cash flows required to settle the liability are expected to be incurred primarily in 2037.

Acquisition of Quinto Claims
In addition, on April 11, 2016, the Company, through its wholly-owned subsidiary, Champion Iron Mines Limited, acquired the Quinto Claims from affiliates of Cliffs Natural Resources Inc. that were subject to restructuring proceedings under the CCAA.

The Quinto Claims, which encompass the Peppler Property (264 claims) and the Lamelee Property (194 claims), are an exploration project with no proven or estimated reserves located 50 km southwest of the Bloom Lake mine and 10 km from each other.

Set out below is the purchase price for the acquisition of Quinto Claims which will be recorded as exploration and evaluation assets.

	$
Consideration	
Cash	739,318
Deposit	37,500
	776,818

Private placement
On April 11, 2016, in order to fund the Acquisitions and to provide for working capital requirements, 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.
A summary of the assumptions for the calculation of the fair value of those compensation options using the Black-Scholes option pricing model is presented below:

Date of grant	April 11, 2016
Expiry date	February 1, 2020
Options granted	15,000,000
Exercise price	$0.25
Share price	$0.21
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	$1,800,000

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) Each 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.

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.

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.

In addition, QIO issued 3,000,000 ordinary shares to the Company to settle an amount due to Company and issued another 6,000,000 ordinary shares to the Company for providing a guarantee of $6,000,000, following which, the Company's interest in QIO was reduced from 100% to 63.2%.

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

Date of grant	April 11, 2016
Expiry date	February 1, 2020
Options granted	6,000,000
Exercise price	$0.25
Share price	$0.21
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	$720,000

Grant of stock options

On April 12, 2016, in connection with the Acquisitions, the Company granted 7,500,000 to employees of the Company, entitling the holder to purchase one ordinary share at the price of Australian $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:

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

4. Short-term investments

Maturity	Interest rate	$
On demand	0.80%	11,820,495
On demand	0.80%	13,034,318
October 13, 2016	1.00%	100,000
March 31, 2017	1.00%	500,000
March 31, 2017	1.00%	577,302
April 15, 2017	0.85%	250,000
April 21, 2017	0.85%	100,000
August 9, 2017	0.95%	212,000
		26,594,115

Short-term investments of $1,077,302 have been pledged as security for letters of credit of $1,077,302, $350,000 have been pledged as security for credit card obligations and $212,000 have been pledged as security for 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 as at	
	2016	**2015**	**2014**	**2013**	**September 30, 2016**	**March 31, 2016**
Refundable Tax Credits						
As filed (2016-to be filed)	238,821	1,697,062	1,410,115	7,555,705		
Receivable						
Current	–	–	–	–	–	101,568
Non-current	191,000	1,357,650	–	1,637,042	3,221,692	4,883,659
	191,000	1,357,650	–	1,637,042	3,221,692	4,985,227
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					819,163	176,255
Total					4,040,854	5,161,481
Current					819,163	277,822
Non-current					3,221,692	4,883,659
					4,040,854	5,161,481

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 $1,435,358 and $328,178 in respect of its claims for the Refundable Tax Credit related to the years ended March 31, 2013 and 2014, respectively.

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

At March 31, 2016, the principal amount of $1,284,716 due from Cartier Iron Corporation ("Cartier") was a demand loan, which was unsecured, bore interest at the rate of LIBOR plus 2% and was due 6 months after the Company demanded repayment (the "Demand Loan"). The Company had 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.

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.

At September 30, 2016, the principal amount of the Term Loan and accrued interest was $1,341,430 and or the 6 months ended September 30, 2016, interest of $15,927 was accrued.

One director of the Company is a director of Cartier.

7. Due from SFNQ

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

Other income includes nil (2015 - $132,000) for management services provided the Company in its capacity of general partner of SFNQ. As at September 30, 2016, $51,708 was due from SFNQ.

8. Deposit

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.

9. Investments

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

	As at September 30, 2016 $	As at March 31, 2016 $
Investment in common shares		
Fancamp Exploration Ltd. (“Fancamp”)	770,000	506,000
Century Global Commodities Corporation (“Century”)	325,500	418,500
Lamêlée Iron Ore Ltd. (“Lamêlée”)	60,000	20,000
	1,155,500	944,500

Investments in common shares are classified as financial assets at fair value through profit or loss. For the 6 months ended September 30, 2016, the increase in the fair value of investments in common shares of $211,000 has been recorded as an unrealized gain on investments in the consolidated statement of loss and comprehensive loss.

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 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

10. 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.

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 termination was made under the Renunciation provision of the Quebec Civil Code. The Renunciation provision allows cancellation of a contract if one party cannot perform under the contract. The Company 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 the Company a notice of default with respect to the Company missing the payment due in July 2013.

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.

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.

The Port is disputing the Company’s entitlement to terminate the Agreement and on June 21, 2016, the Port sent the Company a notice of arbitration to have the dispute between the Company and Port referred to arbitration pursuant to the terms of the Agreement. As part of this arbitration, it is expected that the Port will be seeking an order forcing the payment of the unpaid advances of $19,581,000 plus interest, while the Company will contest this claim and ask for the reimbursement of the Advances paid plus interest.

The arbitration process is involved and will take some months to complete. The actual hearing is not scheduled to take place until May or June of 2017 and it will not be until then that the outcome of the process will be known. The arbitration process is at an early stage and it is not possible now to make any realistic prediction about the outcome of the arbitration proceedings. The outcome will be influenced by various things which may include matters or issues identified during the arbitration process of which the parties to the arbitration are unaware at this stage. Accordingly, no amount has been recorded as a liability in these consolidated financial statements.

11. Property, plant and equipment

	Mobile equipment and parts $	Rail $	Mine $	Mineral rights $	Housing $	Other $	Total $
Cost							
Balance, March 31, 2016	–	–	–	–	–	114,925	114,925
Additions	26,573,000	750,000	1,500,000	1,500,000	4,000,000	–	34,323,000
Disposals	(3,000,000)	–	–	–	–	–	(3,000,000)
Balance, September 30, 2016	23,573,000	750,000	1,500,000	1,500,000	4,000,000	114,925	31,437,925
Accumulated depreciation							
Balance, March 31, 2016	–	–	–	–	–	92,999	92,999
Depreciation	1,117,929	14,323	–	–	76,389	8,754	1,217,395
Disposals	(37,500)	–	–	–	–	–	(37,500)
Balance, September 30, 2016	1,080,429	14,323	–	–	76,389	101,753	1,272,894
Net book value, September 30, 2016	22,492,571	735,677	1,500,000	1,500,000	3,923,611	13,172	30,165,031

12. Exploration and evaluation assets

	March 31, 2016 $	Acquisition costs $	Exploration $	Mining tax credits $	September 30, 2016 $
Fermont					
Consolidated Fire Lake North	54,199,921	10,506	500,222	(36,182)	54,674,469
Harvey-Tuttle	6,584,301	3,871	11,474	–	6,599,646
Moire Lake	2,930,272	1,229	–	–	2,931,501
O'Keefe Purdy	3,217,816	4,562	–	–	3,222,378
Other	1,276,060	6,234	–	–	1,282,294
Quinto	–	776,818	–	–	776,818
	68,208,370	803,220	511,696	(36,182)	69,487,106

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"). 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

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 reduce land maintenance expenditure commitments, the Company and Cartier agreed to an approximate 40% reduction in the acreage of the original Cluster 3 Properties, abandoning Aubertin-Tougard, Silicate-Brutus and Three Big Lake properties within Cluster 3.

At March 31, 2016, the Company and Cartier were in discussions with respect to the unpaid option payment of $200,000 that was due on December 10, 2015. The Company did not record a receivable for the option payment.

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.

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.

13. Royalty payable

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 of Fermont 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 1.5% NSR has been estimated to be $300,000 as at September 30, 2016.

14. **Rehabilitation obligation**

	$
Balance, March 31, 2016	–
Addition (Note 3)	24,523,000
Accretion of rehabilitation obligation	302,500
Balance, September 30, 2016	24,825,500

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.

15. 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.

Issued

	Number of shares	$
Ordinary shares		
Balance, March 31, 2016	198,319,784	174,509,902
Private placement (note 3)	187,500,000	30,000,000
Fair value of compensation warrants granted (note 3)	–	(2,520,000)
Conversion of exchangeable shares	146	–
Balance, September 30, 2016	385,819,930	201,989,902

Exchangeable shares of the Company	
Balance, March 31, 2016	114,555
Conversion to ordinary shares	(146)
Balance, September 30, 2016	114,409

Stock options

	Number of stock options	Weighted-average exercise price $
Balance, March 31, 2016	11,000,166	0.60
Granted	28,500,000	0.24
Expired	(715,000)	2.05
Balance, September 30, 2016	38,785,166	0.31

A summary of the Company's outstanding and exercisable stock options at September 30, 2016 is presented below:

		Number of stock options	
Exercise price	**Expiry date**	**Outstanding**	**Exercisable**
$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
$0.25	February 1, 2020 (Note 3)	21,000,000	21,000,000
A$0.20	April 11, 2020 (Note 3)	7,500,000	7,500,000
		38,785,166	35,948,499

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.

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 September 30, 2016

	Level 1 $	Level 2 $	Level 3 $	Total $
Financial asset at fair value through profit and loss				
Cash and cash equivalents and short-term investments	27,367,817	–	–	27,367,817
Investments				
Common shares	1,155,500	–	–	1,155,500

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.

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, 2016 had changed by 10%, with all other variables held constant, the loss would have decreased or increased by approximately $115,550.

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

	6 months ended September 30,		Outstanding at	
	2016	2015	September 30, 2016	March 31, 2016
	$	$	$	$
General and administrative				
Paid on market terms for rent to a company controlled by a director	27,270	27,270	–	–

See note 7 for related party transactions with SFNQ and notes 6 and 11 for 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,	
	2016	2015
	$	$
Salaries	345,004	337,438
Consulting fees	321,000	321,000
Bonus	175,000	–
Non-monetary benefits	58,470	12,120
Post-employment benefits	21,564	22,257
Share-based payments	1,123,421	66,231
	2,044,459	759,046

19. Segment information

The Company operates in one business segment being mineral 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.

20. Subsequent events

No material matter or transaction has arisen since September 30, 2016 that has significantly affected the Company's operations or state of affairs.