Champion Iron Limited

(ACN: 119 770 142)

Condensed Interim Consolidated Financial Statements
June 30, 2018
(expressed in Canadian dollars)
(unaudited)

Champion Iron Limited
Consolidated Statements of Financial Position
June 30, 2018 and 2017
(expressed in Canadian dollars)
(unaudited)

	Notes	As at June 30, 2018 $	As at March 31, 2018 $
Assets			
Current			
Cash and cash equivalents		71,678,583	7,894,505
Short-term investments	3	17,290,729	17,290,729
Receivables	4	45,104,503	25,839,669
Prepaid expenses and advances	5	20,255,910	15,897,677
Inventories	6	32,252,854	48,170,918
		186,582,579	115,093,498
Non-current			
Investments	7	3,805,000	4,250,000
Advance payments	8	35,069,422	37,516,981
Property, plant and equipment	9	179,530,359	172,719,132
Exploration and evaluation assets	10	72,525,920	72,136,511
		477,513,280	401,716,122
Liabilities			
Current			
Accounts payable and accrued liabilities	11	66,010,866	63,180,892
Income tax payable	21	5,529,743	-
Convertible debenture, Altius	12	9,385,551	9,790,998
Note payable	9	37,212,070	36,437,761
		118,138,230	109,409,651
Non-current			
Property taxes payable	13	18,552,150	16,275,960
Long-term debt	14	180,442,360	141,225,222
Convertible debenture, Glencore	15	15,983,529	14,016,128
Derivative liabilities	15	27,733,000	24,683,000
Royalty payable	16	300,000	300,000
Rehabilitation obligation	17	35,941,491	35,893,491
Deferred tax liability		5,464,713	5,464,713
		402,555,473	347,268,165
Shareholders' equity			
Capital stock	18	224,761,103	224,336,103
Contributed surplus		21,219,150	21,203,767
Warrants		17,730,000	17,730,000
Foreign currency translation reserve		(101,016)	578,455
Non-controlling interest		10,552,093	822,684
Accumulated deficit		(199,203,523)	(210,223,052)
		74,957,807	54,447,957
		477,513,280	401,716,122

Should be read in conjunction with the notes to the consolidated financial statements

Champion Iron Limited
Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
June 30, 2018 and 2017
(expressed in Canadian dollars)
(unaudited)

	Notes	Quarter ended June 30, 2018 $	Quarter ended June 30 2017 $
Sales	19	**150,740,818**	**-**
Cost of sales	20	97,728,445	-
Depreciation	20	2,952,647	1,090,482
Gross operating margin		**50,059,726**	**(1,090,482)**
Expenses			
General and administrative expenses	20	5,033,455	1,546,861
Other operating income		(267,795)	53,613
Restart costs		4,497,395	5,412,443
Operating income (loss)		**40,796,671**	**(8,103,399)**
Net finance costs	20	14,517,990	(309,067)
Income (loss) before income tax		**26,278,681**	**(7,794,332)**
Current income tax	21	5,529,743	-
Net income (loss)		**20,748,938**	**(7,794,332)**
Net income (loss) attributable to:			
Equity holders of Champion		11,019,529	(5,414,318)
Non-controlling interest		9,729,409	(2,380,014)
Income (loss)		**20,748,938**	**(7,794,332)**
Other comprehensive income			
Item that may be reclassified in future years to the statement of income			
Net movement in foreign currency translation reserve		(679,471)	(743,393)
Comprehensive income (loss)		**20,069,467**	**(8,537,725)**
Comprehensive income (loss) attributable to:			
Equity holders of Champion		10,340,058	(6,157,711)
Non-controlling interest		9,729,409	(2,380,014)
Comprehensive income (loss)		**20,069,467**	**(8,537,725)**
Earnings (loss) per share			
Basic	22	0.03	(0.01)
Diluted	22	0.02	(0.01)

Should be read in conjunction with the notes to the consolidated financial statements

Champion Iron Limited
Consolidated Statements of Changes in Equity
June 30, 2018 and 2017
(expressed in Canadian dollars)
(unaudited)

	Ordinary shares		Contributed surplus	Warrants	Foreign currency translation	Non-controlling interest	Accumulated deficit	Total
	Shares	$	$	$	$	$	$	$
Balance, March 31, 2018	414 617 847	224,336,103	21,203,767	17,730,000	578,455	822,684	(210,223,052)	54,447,957
Income	-	-	-	-	-	9,729,409	11,019,529	20,748,938
Other comprehensive loss	-	-	-	-	(679,471)	-	-	(679,471)
Total comprehensive income	-	-	-	-	(679,471)	9,729,409	11,019,529	20,069,467
Exercise of stock options	1,250,000	250,000	-	-	-	-	-	250,000
Fair value of stock options exercised	-	175,000	(175,000)	-	-	-	-	-
Share-based compensation	-	-	190,383	-	-	-	-	190,383
Balance, June 30, 2018	415 867 847	224,761,103	21,219,150	17,730,000	(101,016)	10,552,093	(199,203,523)	74,957,807
Balance, March 31, 2017 (Restated*)	385 934 339	201,989,902	20,120,494	-	588,200	2,362,819	(135,748,075)	89,313,340
Loss	-	-	-	-	-	(2,380,014)	(5,414,318)	(7,794,332)
Other comprehensive loss	-	-	-	-	(743,393)	-	-	(743,393)
Total comprehensive loss	-	-	-	-	(743,393)	(2,380,014)	(5,414,318)	(8,537,725)
Exercise of stock options	1,150,000	575,000	-	-	-	-	-	575,000
Fair value of stock options exercised	-	285,500	(285,500)	-	-	-	-	-
Share-based compensation	-	-	720,432	-	-	-	-	720,432
Balance, June 30, 2017 (Restated*)	387 084 339	202,850,402	20,555,426	-	(155,193)	(17,195)	(141,162,393)	82,071,047

Should be read in conjunction with the notes to the consolidated financial statements
Refer to Note 2 for detail regarding the restatement adjustment

Champion Iron Limited
Consolidated Statements of Cash Flow
June 30, 2018 and 2017
(expressed in Canadian dollars)
(unaudited)

	Quarter ended June 30, 2018 $	Quarter ended June 30, 2017 $
Cash provided by (used in)		
Operating activities		
Net income (loss)	20,748,938	(7,794,332)
Items not affecting cash		
Interest not received	-	(1,755)
Share-based compensation	190,383	720,432
Depreciation	3,056,616	1,090,482
Gain on sale of property, plant and equipment	-	(1,171,861)
Unrealized loss on investments	445,000	254,000
Unrealized foreign exchange loss (gain)	2,702,481	(1,683,676)
Change in fair value of derivative liability	3,050,000	93,596
Accretion of note payable	774,309	-
Accretion of borrowing costs and debt discount	1,209,616	236,000
Accretion of the rehabilitation obligation	48,000	171,000
Interest not paid	7,390,232	253,470
	39,615,575	(6,026,644)
Changes in non-cash operating working capital		
Receivables	(17,313,396)	5,703,624
Prepaid expenses and advances	(4,358,233)	(1,094,817)
Inventories	15,918,064	-
Accounts payable and accrued liabilities	3,079,976	2,189,292
Income tax payable	5,529,743	-
Property taxes payable	1,806,000	1,806,000
	44,277,729	771,455
Financing activities		
Proceeds of bridge loan	-	5,000,000
Bridge loan transaction costs	-	(254,168)
Proceeds of long-term debt	28,390,500	-
Borrowing costs	(342,189)	-
Proceeds of convertible debenture, Glencore	-	10,000,000
Exercise of stock options	-	575,000
Repayment of note payable	-	(5,994,977)
	28,048,311	9,325,855
Investing activities		
Investment in term deposits	-	(4,553,592)
Advance payments	2,447,559	(2,000,000)
Proceeds on sale of equipment	-	1,171,861
Purchase of property, plant and equipment	(9,867,843)	(4,108,474)
Exploration and evaluation	(389,409)	(248,878)
	(7,809,693)	(9,739,083)
Net increase in cash and cash equivalents	64,516,347	358,227
Cash and cash equivalents, beginning of period	7,894,505	1,863,387
Effects of exchange rate changes on cash	(732,269)	(760)
Cash and cash equivalents, end of period	71,678,583	2,220,854

Should be read in conjunction with the notes to the consolidated financial statements

1. Basis of preparation

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, 2018, 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 August 7, 2018.

2. Significant accounting policies and future accounting changes

The accounting policies used in these condensed interim consolidated financial statements are consistent with those disclosed in the Company's audited consolidated financial statements for the year ended March 31, 2018.

Effective April 1, 2018, the Company adopted the following accounting policies:

IFRS 9, Financial Instruments ("IFRS 9")
In July 2014, the International Accounting Standards Board ("IASB") issued IFRS 9, which represents the final version of this standard and completes the IASB's project to replace International Accounting Standard ("IAS") 39, Financial Instruments: Recognition and Measurement. This standard includes updated guidance on the classification and measurement of financial assets and liabilities. This standard also introduces a new, expected credit loss impairment model that will require more timely recognition of expected credit losses. IFRS 9 also introduces a substantially-reformed model for hedge accounting with enhanced disclosures about risk management activity and aligns hedge accounting. There was no significant impact to the Group's consolidated financial statements as a result of adopting this standard.

IFRS 15, Revenue from contracts with customers ("IFRS 15")
IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18, Revenue, IAS 11, Construction Contracts, and several revenue-related interpretations. This standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRS, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities. The Group adopted IFRS 15 on April 1, 2018. As the Group did not have any revenues in the previous financial year, adoption of IFRS 15 had no impact on the opening balances of the Group's consolidated 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 quarter ended June 30, 2018.

IFRS 16, Leases ("IFRS 16")
IFRS 16 will replace IAS 17 'Leases' and three related Interpretations. It completes the IASB's long-running project to overhaul lease accounting. Leases will be recorded in the statement of financial position in the form of a right-of-use asset and a lease liability. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019. The Company is yet to fully assess the impact of the Standard and therefore is unable to provide quantified information. However, in order to determine the impact, the Company is in the process of:

• performing a full review of all agreements to assess whether any additional contracts will become lease contracts under IFRS 16's new definition of a lease;

(expressed in Canadian dollars)

• deciding which transitional provision to adopt; either full retrospective application or partial retrospective application (which means comparatives do not need to be restated). The partial application method also provides optional relief from reassessing whether contracts in place are, or contain, a lease, as well as other reliefs. Deciding which of these practical expedients to adopt is important as they are one-off choices;

• determining which optional accounting simplifications are available and whether to apply them and assessing the additional disclosures that will be required.

Restatement of deferred tax liability
During the period ended March 31, 2018, the Group identified a prior period adjustment in respect of accounting for deferred tax liabilities arising on mining duties. The adjustment required originated prior to the beginning of the financial year ended March 31, 2017 and involved the use of deferred tax assets arising in respect of non-capital loss carry-forwards originating from a separate tax authority to offset the deferred tax liability arising in respect of mining duties. The restatement relates to non-cash accounting entries only. The restatement does not impact the statement of comprehensive loss for the period ended June 30, 2017.

3. Short-term investments

Maturity	Interest rate	As at June 30, 2018	As at March 31, 2018
April 15, 2018	0.50%	-	250,000
April 23, 2018	0.55%	-	100,000
June 4, 2018	1.62%	-	13,595,794
June 4, 2018	1.62%	-	790,453
August 8, 2018	0.50%	212,000	212,000
September 3, 2018	1.73%	13,595,794	-
September 3, 2018	0.45%	790,453	-
October 30, 2018	0.50%	1,000,000	1,000,000
October 30, 2018	0.50%	350,180	350,180
March 30, 2019	0.50%	577,302	577,302
March 30, 2019	0.50%	415,000	415,000
April 25, 2019	0.50%	100,000	-
May 16, 2019	0.50%	250,000	-
		17,290,729	17,290,729

As of June 30, 2018, the short-term investments have been pledged either as security for letters of credit to third parties, $16,940,729, (as of March 31, 2018 – $16,940,729) or as security for credit card obligations, $350,000 (as of March 31, 2018 – $350,000). The short-term investments need to be pledged as security as long as the agreements are in place with third parties. Maturity date of those agreement vary from 2018 to 2027.

4. Receivables

The following table represents the detail of the receivables:

	As at June 30, 2018 $	As at March 31, 2018 $
Trade receivables	23,878,789	-
Sales tax (GST, HST and QST)	18,997,011	20,060,436
Refundable tax credits	1,213,176	1,213,176
Government grants	771,272	4,228,724
Other receivables	244,255	337,333
	45,104,503	25,839,669

(expressed in Canadian dollars)

5. Prepaid expenses and advances

The following table represents the detail of the prepaid expenses and advances:

	As at June 30, 2018 $	As at March 31, 2018 $
Advances - rail transportation	7,630,007	7,558,264
Advance - port	2,060,102	1,982,769
Prepaid operational expenses	7,015,417	5,006,570
Prepaid suppliers	1,532,930	-
Prepaid insurance	554,501	34,350
Prepaid rent and deposits	418,194	492,693
Prepaid others	1,044,759	823,031
	20,255,910	15,897,677

6. Inventories

The following table represents the detail of the inventories:

	As at June 30, 2018 $	As at March 31, 2018 $
Raw materials	9,009,224	8,080,654
Concentrate inventories	17,007,635	36,448,962
Supplies and spare parts	6,235,995	3,641,302
	32,252,854	48,170,918

7. Investments

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

	As at June 30, 2018 $	As at March 31, 2018 $
Investment in listed common shares		
Fancamp Exploration Ltd. ("Fancamp")	1,980,000	1,980,000
Lamêlée Iron Ore Ltd. ("Lamêlée")	200,000	95,000
Eloro Resources Ltd. ("Eloro")	1,625,000	2,175,000
	3,805,000	4,250,000

Investments in common shares are classified as financial assets at fair value through profit or loss. For the 3 months ended June 30, 2018, the net decrease in the fair value of investments in common shares of $445,000 (for the 3 months ended June 30, 2017 - $254,000) has been recorded as an unrealized loss on investments in the consolidated statements of income (loss) and comprehensive income (loss).

Fancamp

The Company holds 22,000,000 common shares of Fancamp (as at March 31, 2018 – 22,000,000). The Company and Fancamp have entered into a reciprocal rights agreement governing certain investor rights and obligations as between them. The Company and Fancamp were restricted from transferring securities of the other until May 17, 2018, after which time, transfers will be permitted subject to certain restrictions.

Lamêlée

The Company holds 200,000 common shares of Lamêlée (as at March 31, 2018 – 200,000).

(expressed in Canadian dollars)

Eloro

The Company holds 2,500,000 common shares of Eloro (as at March 31, 2018 – 2,500,000). The Company has agreed to provide Eloro with 30 days written notice of its intention to sell common shares of Eloro, during which time, Eloro may identify purchasers and the Company shall sell to such identified purchasers at a mutually acceptable price.

Two officers of the Company are officers of Eloro.

8. Advance payments

	As at June 30, 2018 $	As at March 31, 2018 $
Port	22,747,587	23,546,119
Railway and port facilities	6,050,000	6,050,000
Rail transportation	5,271,835	6,920,862
Investment in railway and port facilities partnership	1,000,000	1,000,000
	35,069,422	37,516,981

Port

The Group made advance payments totaling $25,581,000 to the Sept-Îles Port Authority (“Port”) prior to the restart of Bloom Lake. The advance payments were made 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.

As of March 31, 2018, the Company has started to recognize loading costs as per the contract with the Port.

Railway and port facilities

On October 12, 2017, QIO entered into a railway and port facilities access agreement with SFPPN for the transportation, unloading, stockpiling and loading of iron ore concentrate from Sept-Iles to Pointe-Noire, Québec. In connection with the agreement, QIO made an advance payment of $5,000,000 which will be recovered as a credit to future costs owing under the agreement. Future credits to operating costs needs to be agreed between parties by an addendum to the original agreement. On March 26, 2018, QIO made an additional advance payment of $1,050,000 to SFPPN in regards of requested deposit in trust for port facilities as per the agreement.

Rail transportation

On June 8, 2017, QIO entered into a rail transportation agreement with Quebec North Shore and Labrador Railway Company, Inc. (“QNS&L”) for the transportation of iron ore concentrate from Bloom Lake by rail from the Wabush Lake Junction in Labrador City, Newfoundland & Labrador to the Sept-îles Junction in Sept-îles, Quebec. In connection with the agreement, QIO made an advance payment of $15,000,000 which will be recovered as a credit to future costs owing under the agreement. As of March 31, 2018, the Company has started to recognize transportation costs as per the contract with QNS&L.

Investment in railway and port facilities partnership

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

(expressed in Canadian dollars)

9. Property, plant and equipment

	Equipment	Rail and railcars	Mine and mineral rights	Assets under construction	Stripping activity asset	Housing	Others	Total
	$	$	$	$	$	$	$	$
Cost								
March 31, 2018	23,766,462	39,532,019	3,000,000	107,894,424	–	4,000,000	1,411,131	179,604,036
Additions	–	–	–	9,026,441	–	–	63,050	9,089,491
Disposals and other adjustments	91,266,749	–	10,042,991	(113,391,154)	10,620,692 –	–	1,459,881	(841)
Currency translation adjustment	–	824,125	–	–	–	–	(2,166)	821,959
June 30, 2018	**115,033,211**	**40,356,144**	**13,042,991**	**3,529,711**	**10,620,692**	**4,000,000**	**2,931,896**	**189,514,645**
Accumulated depreciation								
March 31, 2018	4,576,005	1,817,730	12,784	–	–	326,388	151,997	6,884,904
Depreciation	2,238,295	429,914	134,893	–	–	41,667	211,847	3,056,616
Disposals and other adjustments	–	–	–	–	–	–	–	–
Currency translation adjustment	–	45,631	–	–	–	–	(2,865)	42,766
June 30, 2018	**6,814,300**	**2,293,275**	**147,677**	**–**	**–**	**368,055**	**360,979**	**9,984,286**
Net book value, June 30, 2018	**108,218,911**	**38,062,869**	**12,895,314**	**3,529,711**	**10,620,692**	**3,631,945**	**2,570,917**	**179,530,359**

	Equipment	Rail and railcars	Mine and mineral rights	Assets under construction	Stripping activity asset	Housing	Others	Total
	$	$	$	$	$	$	$	$
Cost								
March 31, 2017	23,573,000	41,451,987	3,000,000	–	–	4,000,000	465,852	72,490,839
Additions	600,000	–	–	107,920,924	–	–	945,279	109,466,203
Disposals and other adjustments	(406,538)	(1,019)	–	(26,500)	–	–	–	(434,057)
Currency translation adjustment	–	(1,918,949)	–	–	–	–	–	(1,918,949)
March 31, 2018	**23,766,462**	**39,532,019**	**3,000,000**	**107,894,424**	**–**	**4,000,000**	**1,411,131**	**179,604,036**
Accumulated Depreciation								
March 31, 2017	2,259,079	103,682	–	–	–	159,722	115,700	2,638,183
Depreciation	2,316,926	1,709,898	12,784	–	–	166,666	37,875	4,244,149
Disposals and other adjustments	–	–	–	–	–	–	(1,578)	(1,578)
Currency translation adjustments	–	4,150	–	–	–	–	–	4,150
March 31, 2018	**4,576,005**	**1,817,730**	**12,784**	**–**	**–**	**326,388**	**151,997**	**6,884,904**
Net book value, March 31, 2018	**19,190,457**	**37,714,289**	**2,987,216**	**107,894,424**	**–**	**3,673,612**	**1,259,134**	**172,719,132**

(expressed in Canadian dollars)

Loan balances:

	As at June 30, 2018 $	As at March 31, 2018 $
Consideration loan	37,212,070	36,437,761

The loans have the following terms and conditions:

Maturity dates:	Consideration loan: Matures on March 10, 2019; In the event that the vendor consents to the lease of railcars by the Company, all rental payments received by the Company will be paid to the vendor. The Company has the right to repay the loan at any time without penalty or other cost.
Interest rate:	LIBOR plus 1.75% compounded monthly and payable monthly.
Security:	$60,000,000 hypothec covering all the present and future moveable property of Lac Bloom Railcars.

Dispositions
For the 3 months ended June 30, 2018, the Company received proceeds of $nil (for the 3 months ended June 30, 2017 - $1,171,861) on the disposition of equipment.

10. Exploration and evaluation assets

	March 31, 2018 $	Acquisition costs (other) $	Exploration $	Mining tax credits $	Option payment $	June 30, 2018 $
Fermont						
Consolidated Fire Lake North	57,178,304	–	–	–	–	57,178,304
Harvey-Tuttle	6,611,079	–	–	–	–	6,611,079
Moire Lake	2,934,816	–	–	–	–	2,934,816
O’Keefe Purdy	3,258,057	–	–	–	–	3,258,057
Other	1,101,589	–	166,293	–	–	1,267,882
Quinto	1,052,666	–	–	–	–	1,052,666
Bloom Lake	–	–	223,116	–	–	223,116
	72,136,511	–	389,409	–	–	72,525,920

	March 31, 2017 $	Acquisition costs (other) $	Exploration $	Mining tax credits $	Option payment $	March 31, 2018 $
Fermont						
Consolidated Fire Lake North	54,724,202	50,839	489,686	1,913,577	–	57,178,304
Harvey-Tuttle	6,599,646	1,633	9,800	–	–	6,611,079
Moire Lake	2,931,650	3,166	–	–	–	2,934,816
O’Keefe Purdy	3,222,378	10,394	25,285	–	–	3,258,057
Other	1,282,294	–	269,295	–	(450,000)	1,101,589
Quinto	863,671	50,000	138,995	–	–	1,052,666
	69,623,841	116,032	933,061	1,913,577	(450,000)	72,136,511

Exploration and evaluation assets are reported net of option payments and mining tax credits received. The mining tax credits of $1,913,577 represents refundable tax credits that the Company does not expect to receive anymore.

(expressed in Canadian dollars)

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.

As at June 30, 2018, the Company assessed its remaining properties for indicators of impairment and none were noted.

Grant of option for Cluster 3 Properties to Cartier Iron Corporation
The Company granted an option to Cartier Iron Corporation ("Cartier") to acquire a 55% interest in Audrey-Ernie, Black Dan, Jeannine Lake and Penguin Lake ("Cluster 3 Properties"). On December 22, 2017, Cartier earned its 55% interest in the Cluster 3 Properties.

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

Upon Cartier earning its 55% interest on December 22, 2017, a joint venture was formed to incur additional exploration expenditures. If the Company does not fund its proportionate interest in the joint venture, its interest will be diluted and, when its interest is reduced below 10%, its interest would be reduced solely to a 1% royalty. Cartier will have the option to reduce the royalty from 1% to 0.5% by making a payment of $3,000,000. From inception to June 30, 2018, the joint venture made exploration expenditures of $5,395.

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

11. Accounts payable and accrued liabilities
The following table represents the detail of the payables:

	As at June 30, 2018 $	As at March 31, 2018 $
Trade payable and accrued liabilities	61,582,907	58,096,025
Wages and benefits	4,384,596	5,031,824
Loans equipment	43,363	53,043
	66,010,866	63,180,892

12. Convertible debenture, Altius

	$
Balance, March 31, 2018	9,790,998
Gain on extension of maturity date	(713,284)
Accretion of debt discount	307,837
Balance, June 30, 2018	9,385,551

The convertible debenture of $10,000,000 is unsecured, bears interest at the rate of 8% payable quarterly in advance and has a maturity date that was extended from June 1, 2018 to December 31, 2018 ("Debenture"). In accordance with IFRS 9, the Group remeasured the carrying value of the liability based on the amended maturity date using the existing effective interest rate. This resulted in the reduction of the carrying value and a corresponding non-cash gain of $713,284 being recorded in the current period. The Debenture is convertible at the option of the holder at any time into ordinary shares of the Company at a conversion price of $1.00 per share. The maximum number of shares that may be issued upon conversion of the Debenture is 50,000,000 shares, with the balance of the unconverted principal amount of the Debenture to be repaid in cash or converted into a proportion of the Royalty at the option of the Company. If the principal amount is not repaid in full on or before June 1, 2019, the holder will have the right to convert the entire outstanding principal amount into a 0.21% gross overriding royalty on Bloom Lake ("Royalty").

(expressed in Canadian dollars)

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

13. Property taxes payable

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

Property taxes payable as at June 30, 2018 of $18,552,150 (as at March 31, 2018 – $16,275,960) includes property taxes of $16,275,000 (as at March 31, 2018 – $14,469,000) and accrued interest of $2,277,150 (as at March 31, 2018 – $1,806,960).

14. Long-term debt

	Sprott $	**CDP** $	**As at June 30, 2018** $	**As at March 31, 2018** $
Advances	81,620,136	102,025,170	183,645,306	155,254,806
Transactions costs	(1,391,450)	(766,445)	(2,157,895)	(2,157,895)
Commitment fees	(1,549,088)	(2,550,629)	(4,099,717)	(3,484,590)
Amortization of transaction costs	213,076	79,132	292,208	191,485
Amortization of commitment fees	215,144	236,245	451,389	279,174
Standby fees payable	–	1,605,179	1,605,179	1,322,924
Fair value of warrants	(1,980,000)	(15,750,000)	(17,730,000)	(17,730,000)
Accretion of debt discount	733,204	855,096	1,588,300	1,007,202
Interest capitalized	3,582,571	5,631,957	9,214,528	3,510,178
Foreign exchange unrealized	3,392,472	4,240,590	7,633,062	3,031,938
	84,836,065	95,606,295	180,442,360	141,225,222

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

Lender:	Sprott Private Resource Lending (Collector), LP ("Sprott")
Amount:	US$80,000,000
Maturity:	June 30, 2022
Work fee:	0.50% of the Amount
Interest:	7.5% per annum plus the greater of US dollar 3-month LIBOR and 1% per annum calculated, compounded and payable quarterly. QIO has the option to pay or capitalize such interest.
Additional interest:	1.75% of the principal amount of each advance.
Repayment:	Commencing on March 31, 2019, and quarterly thereafter, 1/14th of the principal balance outstanding on March 31, 2019.
Prepayment:	Option to prepay in whole or in part at any time.

Mandatory prepayment:	Cash proceeds received on the disposal of any assets. Provided that a default or event of default has occurred, cash proceeds received on the disposal of any assets by a guarantor. Proceeds of any equity or debt (including convertible debt) financings, excluding intercompany financings. In the event of a change of control, QIO will repay the principal and interest. No amount shall be payable if the person acquiring control has financial strength equal to or superior to the financial strength of the Guarantor, in the discretion of the Lender. Insurance proceeds greater than $1,000,000 unless the QIO uses the proceeds to repair or purchase a replacement for the asset which was subject to the insurable event.
Prepayment premium:	Until October 16, 2020, 3% of the principal amount prepaid
Security:	(i) a title insured first ranking hypothec over the universality of movable and immovable property, corporeal and incorporeal, present and future, including all assets, titles and rights, in any nature whatsoever, related to the Project (including for greater certainty, the Mining Lease and all mining claims), subject only to Permitted Encumbrances; (ii) a first ranking general security agreement under Newfoundland and Labrador law in respect of the movable assets located in Newfoundland and Labrador, subject to Permitted Encumbrances; (iii) a title insured first ranking mortgage under Newfoundland and Labrador law in respect of the immovable assets located in Newfoundland and Labrador, subject only to Permitted Encumbrances; (iv) subordination agreements in favour of the Lender with respect to all amounts due from time to time by the Borrower to any Affiliates, including the Guarantor
Guarantors:	(i) The Company, supported by a first ranking hypothec on securities pursuant to which the Company pledged and granted a first-priority encumbrance over all of the issued and outstanding shares of QIO held by the Company. (ii) Lac Bloom Railcars Corporation Inc., supported by a second ranking hypothec over all of its present and future movable property and a second ranking general security agreement over movable assets in Newfoundland and Labrador.

Lender:	CDP Investissements Inc.
Amount:	US$100,000,000
Maturity:	October 23rd, 2024
Interest:	12% per annum for the first year, and thereafter, at an interest rate linked to the price of iron ore calculate and capitalized monthly
Commitment fee:	2.5% payable of the date of each advance
Standby fee:	1.0% on the undisbursed portion of the loan payable quarterly in arrears
Repayment:	October 23rd, 2023 - 50% of principal and capitalized interest October 23rd, 2024 - the balance of the principal and capitalized interest, subject to the option to defer the payment of capitalized interest for 1 year
Mandatory Prepayment:	In the event of a change of control or the closing of a public offering of QIO within 2 years from October 23rd 2017, QIO will repay the principal and interest calculated at 14% per annum since October 23rd 2017 and a performance maintenance fee equal to the present value of all interest payments from the date of the initial advance to the maturity date. In the event of a change of control or the closing of a public offering of QIO after 2 years from October 23rd 2017, QIO will repay the principal and capitalized interest and an early redemption fee of 6%, 5%, 3%, 2% and 1% in years 3, 4, 5, 6, and 7, respectively.

(expressed in Canadian dollars)

	In the event of a change in control, no amount shall be payable if the person acquiring control has the financial strength equal to or superior to the financial strength of the Guarantor, in the discretion of CDP.
Prepayment:	After 2 years from October 23rd, 2017, QIO has the option to prepay the principal and capitalized interest subject to the payment of an early redemption fee of 6%, 5%, 3%, 2% and 1% in years 3, 4, 5, 6, and 7, respectively

In connection with the debt financing, the Company issued: (a) 3,000,000 common share purchase warrants to Sprott, entitling the holder to purchase 3,000,000 ordinary shares of the Company for $1.125 until October 16, 2022 and (b) 21,000,000 common share purchase warrants to Caisse, entitling the holder to purchase 21,000,000 ordinary shares of the Company for $1.125 after October 16, 2018 until October 16, 2024. Ressources Québec ("RQ") will provide compensation commensurate with their 36.8% interest in QIO to the Company for issuing the common share purchase warrants.

The fair value of the common share purchase warrants was calculated using the Black-Scholes option pricing model with the following assumptions:

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

15. Convertible debenture, Glencore

		Derivative asset	**Derivative liabilities**		
	Convertible debenture $	**Prepayment option $**	**Conversion option $**	**Interest rate %**	**Total $**
Balance, March 31, 2018	14,016,128	–	24,683,000	–	24,683,000
Change in fair value	–	–	3,050,000	–	3,050,000
Accretion of debt discount	1,033,965	–	–	–	–
Capitalized interest	933,436	–	–	–	–
Balance, June 30, 2018	15,983,529	–	27,733,000	–	27,733,000

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

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

(expressed in Canadian dollars)

Mandatory Conversion:	Mandatory conversion of the Debenture into ordinary shares of the Company at a conversion price of \$0.85 per ordinary share upon (a) the occurrence of a mandatory conversion event or (b) Sprott or Caisse, lenders for the debt financing of US180,000,000 for QIO, exercises their respective option to require a mandatory conversion.
Mandatory Conversion events:	(i) quarterly average iron ore prices during a quarter are such that the Bloom Lake financial model fails to demonstrate that the Bloom Lake has the capacity to meet all future obligations as they become due; (ii) start-up of the Bloom Lake is delayed beyond April 30, 2018; (iii) commercial production is not achieved by September 30, 2018 and the Bloom Lake financial model fails during a quarter to demonstrate that Bloom Lake has the capacity to meet all future obligations as they become due; (iv) capital expenditures for the Bloom Lake exceed US\$326,800,000; (v) QIO is merged into, absorbed or acquired by the Company and total net debt (being debt minus freely available cash and short-term investments) of the merged entity exceeds US\$270,000,000; or (vi) total net debt from the Company, QIO and Lac Bloom Railcars Corporation Inc. exceeds US\$250,000,000.

As of June 30, 2018, the mandatory conversion events of the start-up of the Bloom Lake (ii) and the capital expenditures (iv) are not potential events anymore.

In connection with the closing of the Debenture, QIO entered into an off-take agreement with Glencore to grant global off-take rights for life-of-mine of Bloom Lake with fixed commercial terms for a 10-year period for all tones of future iron ore production at Bloom Lake not sold in Japan under the existing off-take agreement with Sojitz. In the event of a Mandatory Conversion, the off-take terms will apply for the life-of-mine of Phase 1 of Bloom Lake and Glencore will have the option to convert the marketing fees under the off-take terms into a FOB-based royalty under certain circumstances. In addition, Glencore has been granted a right of first refusal in connection with the financing and off-take rights for iron ore production of Phase II of Bloom Lake not allocated to certain strategic investors.

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

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

Valuation date	March 31, 2018	June 30, 2018
Conversion options granted	27,733,333	27,733,333
Exercise price	\$1.125	\$1.125
Share price	\$0.89	\$1.00
Risk-free interest rate	2.5%	2.5%
Expected volatility based on historical volatility	80%	80%
Expected life of conversion option	7.5 years	7.3 years
Expected dividend yield	0%	0%
Forfeiture rate	0%	0%
Fair value	\$24,683,000	\$27,733,000

The equity conversion feature is accounted for as a derivative liability on the consolidated statement of financial position.

(expressed in Canadian dollars)

16. Royalty payable

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

On March 31, 2014, the Company recorded an estimate of the fair value of the 3% NSR as an acquisition cost of exploration and evaluation assets 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”). The Arrangement remains the best indicator of the fair value of the 1.5% NSR, and therefore, as at June 30, 2018, the fair value of the 1.5% NSR has been estimated to be $300,000 (as at March 31, 2018 - $300,000).

17. Rehabilitation obligation

	As at June 30, 2018 $	As at March 31, 2018 $
Balance, beginning of period	35,893,491	25,155,500
Increase due to reassessment of the rehabilitation obligation	–	10,042,991
Accretion of rehabilitation obligation	48,000	695,000
Balance, end of period	35,941,491	35,893,491

The accretion in rehabilitation obligation was evaluated as the amount of the expenditure required to settle the present obligation at the end of the reporting period, discounted by the number of years between the reporting date and the rehabilitation date (discount rate used of 0.53%). The future rehabilitation obligation was reassessed based on the new reclamation plan submitted to the government in February 2018.

18. Capital stock

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

The Company has issued 1 special voting share (“SVS”) to a trustee which will hold the SVS on behalf of all holders of exchangeable shares in order that holders of exchangeable shares will be able to vote at the Company’s shareholder meetings. The SVS will carry as many votes at shareholder meetings of the Company as there are exchangeable shares on issue at the voting eligibility cut-off time of the meeting. The SVS is not transferable, will not be listed and will cease to have any voting rights at meetings of the Company’s shareholders once all exchangeable shares have been converted to ordinary shares.

Issued

	Number of shares	$
Ordinary shares		
Balance, March 31, 2018	414,617,847	224,336,103
Exercise of options	1,250,000	250,000
Fair value of options exercised	-	175,000
Balance, June 30, 2018	415,867,847	224,761,103

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

(expressed in Canadian dollars)

Stock options

	Number of stock options	Weighted-average exercise price $
Balance, March 31, 2018	12,800,000	0.44
Granted	1,200,000	1.28
Exercised	(1,250,000)	0.20
Balance, June 30, 2018	12,750,000	0.54

A summary of the Company's outstanding and exercisable stock options at March 31, 2018 is presented below:

		Number of stock options	
Exercise price	**Expiry date**	**Outstanding**	**Exercisable**
A$0.30	August 20, 2018	1,000,000	666,667
A$0.50	November 29, 2018	2,300,000	2,300,000
A$0.30	November 4, 2019	500,000	500,000
A$0.20	April 11, 2020	5,000,000	5,000,000
A$1.00	May 25, 2020	1,650,000	1,800,000
A$1,08	July 11, 2020	600,000	200,000
A$1.00	August 21, 2020	500,000	166,667
A$1.24	April 26, 2021	200,000	200,000
A$1.33	June 24, 2021	1,000,000	-
		12,750,000	10,833,334

The exercise price of outstanding stock options ranges from A$0.30 to A$1.33 and the weighted-average remaining contractual life of outstanding stock options is 1.54 years.

Grant of stock options

On April 26, 2018, the Company granted 200,000 stock options to an employee entitling the holder to purchase one ordinary share for A$1.24 until April 26, 2021. On the satisfaction of the Recommissioning KPM, 200,000 stock options were vested.

On June 24, 2018, the Company granted 1,000,000 stock options to two officers entitling the holder to purchase one ordinary share for C$1.33 until June 24, 2021. The stock options vest, as follows: 333,332 on June 24, 2019, 333,332 on June 24, 2020 and 333,336 on June 24, 2021.

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 26, 2018	June 24, 2018
Expiry date	April 26, 2021	June 24, 2021
Options granted	200,000	1,000,000
Exercise price	A$1.24	A$1.33
Share price	A$1.19	A$1.33
Risk-free interest rate	2.5%	2.5%
Expected volatility based on historical volatility	80%	80%
Expected life of stock options	3 years	3 years
Expected dividend yield	0%	0%
Forfeiture rate	0%	0%
Fair value	$124,000	$700,000
Fair value per stock option	$0.62	$0.70

(expressed in Canadian dollars)

Stock options granted outside of the Share Incentive Plan

The Company is authorized to issue 83,173,569 stock options and share rights (March 31, 2018 – 82,923,569) equal to 20% of the issued and outstanding ordinary shares for issuance under the share incentive plan.

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

Compensation options

	Exercise price	Expiry date	Number of options outstanding and exercisable	Weighted-average exercise price
Balance, March 31, 2018 and June 30, 2018	$0.25	February 1, 2020	21,000,000	$0.25

Warrants

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

19. Sales

The Company sold 1,740,369 of dried metric tons (''dmt'') of iron ore concentrate for the quarter ended June 30, 2018. The net realized price is $86.61 per dmt.

20. Information included in the consolidated statements of income (loss) comprehensive income (loss)

Cost of sales	3 months ended June 30, 2018 $	2017 $
Transportation	29,922,463	-
Sub-contractors	18,433,564	-
Operating supplies and parts	18,001,657	-
Salaries, benefits and other employee expenses	13,396,663	-
Other production costs	2,283,450	-
Change in inventories	15,690,648	-
	97,728,445	-

(expressed in Canadian dollars)

General and administrative expenses

Property and school taxes	2,467,534	-
Office and other expenses	847,271	459,047
Salaries, benefits and other employee expenses	762,101	860,857
Professional fees	532,796	111,692
Travel expenses	319,784	115,265
Depreciation	103,969	-
	5,033,455	1,546,861

Net finance costs

Interest on term facilities	6,837,872	66,667
Change in fair value of derivative liabilities	3,050,000	236,000
Foreign exchange loss (gain)	1,485,436	(1,693,222)
Other interest and finance costs	1,442,067	562,892
Unrealized loss on investments	445,000	254,000
Accretion of borrowing costs and debt discount	1,209,615	93,596
Accretion of rehabilitation obligation	48,000	171,000
	14,517,990	(309,067)

Depreciation

From the total depreciation of property plant and equipment of $3,056,616 (note 9), $2,952,647 is allocated in the calculation of the gross operating margin (for the 3 months ended June 30, 2017, $1,090,482) and $103,969 to general and administrative expenses (for the 3 months ended June 30, 2017, nil).

21. Income tax

The component of the income tax expense for the three months ended June 30, 2018 represents mining duties tax. No other income tax is payable due do the availability of non-capital losses.

22. Earnings (loss) per share

Earnings (loss) per share amounts are calculated by dividing the net income (loss) attributable to shareholders for the 3 months ended June 30 by the weighted average number of shares outstanding during the 3 months ended June 30.

	3 months ended June 30,	
	2018	**2017**
	$	**$**
Net income (loss)	11,019,529	(5,414,318)
Weighted average number of common shares outstanding	414,961,254	386,890,932
Dilutive share options and convertible financial liabilities	39,465,470	-
Weighted average number of outstanding shares for diluted earnings (loss) per share	454,426,724	386,890,932
Basic earnings (loss) per share	0.03	(0.01)
Diluted earnings (loss) per share	0.02	(0.01)

(expressed in Canadian dollars)

23. Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Cash and cash equivalents, short-term investments, receivables and accounts payable and accrued liabilities
The fair values of cash and cash equivalents, short-term investments, receivables and accounts payable and accrued liabilities approximate their carrying value due to their short term to maturity.

Investments
The fair values of the investment in common shares of Fancamp, Lamêlée and Eloro are measured at the bid market price on the measurement date.

Convertible debenture
The convertible debentures are evaluated by the Company based on parameters such as interest rates and the risk characteristics of the financial assets. As at June 30, 2018, the carrying amount of the convertible debentures was not materially different from its calculated value.

Note payable
The note payable is evaluated by the Company based on parameters such as interest rates and the risk characteristics of the financed assets. As at June 30, 2018, the carrying amount of the note payable was not materially different from its calculated fair value.

Stock options
The fair value of stock options is measured using a Black-Scholes option pricing model. Measurement inputs include share price on grant date, exercise price, expected volatility (based on historical volatility or historical volatility of securities of comparable companies), weighted average expected life and forfeiture rate (both based on historical experience and general option holder behavior), expected dividends, and the risk-free interest rate (based on government bonds).

Classification and fair values

As at June 30, 2018

	Fair value through profit and loss **$**	**Loans and receivables at amortized cost** **$**	**Financial liabilities at amortized cost** **$**	**Total carrying amount** **$**	**Total fair value** **$**
Assets					
Current					
Cash and cash equivalents	71,678,583	–	–	71,678,583	71,678,583
Short-term investments	–	17,290,729	–	17,290,729	17,290,729
Receivables	–	45,104,503	–	45,104,503	45,104,503
Non-current					
Investments	3,805,000	–	–	3,805,000	3,805,000
	75,483,583	62,395,232	–	137,878,815	137,878,815

(expressed in Canadian dollars)

Liabilities					
Current					
Accounts payable and accrued liabilities	–	–	66,010,866	66,010,866	66,010,866
Income tax payable	–	–	5,114,937	5,114,937	5,114,937
Convertible debenture, Altius	–	–	9,385,551	9,385,551	9,385,551
Note payable	–	–	37,212,070	37,212,070	37,212,070
Non-current					
Property taxes payable	–	–	18,552,150	18,552,150	18,552,150
Long-term debt	–	–	180,442,360	180,442,360	180,442,360
Derivative liabilities	27,733,333	–	–	27,733,333	27,733,333
Convertible debenture, Glencore	–	–	15,983,529	15,983,529	15,983,529
Royalty payable	–	–	300,000	300,000	300,000
	27,733,333	–	333,001,463	360,734,796	360,734,796

As at March 31, 2018

	Fair value through profit and loss $	Loans and receivables at amortized cost $	Financial liabilities at amortized cost $	Total carrying amount $	Total fair value $
Assets					
Current					
Cash and cash equivalents	7,894,505	–	–	7,894,505	7,894,505
Short-term investments	–	17,290,729	–	17,290,729	17,290,729
Receivables	–	25,839,669	–	25,839,669	25,839,669
Non-current					
Investments	4,250,000	–	–	4,250,000	4,250,000
	12,144,505	43,130,398	–	55,274,903	55,274,903
Liabilities					
Current					
Accounts payable and accrued liabilities	–	–	63,180,892	63,180,892	63,180,892
Convertible debenture, Altius	–	–	9,790,998	9,790,998	9,790,998
Note payable	–	–	36,437,761	36,437,761	36,437,761
Non-current					
Property taxes payable	–	–	16,275,960	16,275,960	16,275,960
Long-term debt	–	–	141,225,222	141,225,222	141,225,222
Derivative liabilities	24,683,000	–	–	24,683,000	24,683,000
Convertible debenture, Glencore	–	–	14,016,128	14,016,128	14,016,128
Royalty payable	–	–	300,000	300,000	300,000
	24,683,000	–	281,226,961	305,909,961	305,909,961

Fair value measurements recognized in the consolidated statement of loss and comprehensive loss

Subsequent to initial recognition, the Company measures financial instruments at fair value grouped into the following levels based on the degree to which the fair value is observable.

(expressed in Canadian dollars)

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

As at June 30, 2018

	Level 1 $	Level 2 $	Level 3 $	Total $
Financial asset at fair value through profit and loss				
Cash and cash equivalents and short-term investments	88,969,312	–	–	88,969,312
Investments				
Common shares	3,805,000	–	–	3,805,000
Financial liabilities				
Convertible debenture, Altius	–	9,385,551	–	9,385,551
Note payable	–	37,212,070	–	37,212,070
Long-term debt	–	180,442,360	–	180,442,360
Derivative liabilities	–	27,733,000	–	27,733,000
Convertible debenture, Glencore	–	15,983,529	–	15,983,529

As at March 31, 2018

	Level 1 $	Level 2 $	Level 3 $	Total $
Financial asset at fair value through profit and loss				
Cash and cash equivalents and short-term investments	25,185,234	–	–	25,185,234
Investments				
Common shares	4,250,000	–	–	4,250,000
Financial liabilities				
Convertible debenture, Altius	–	9,790,998	–	9,790,998
Note payable	–	36,437,761	–	36,437,761
Long-term debt	–	141,225,222	–	141,225,222
Derivatives liabilities	–	24,683,000	–	24,683,000
Convertible debenture, Glencore	–	14,016,128	–	14,016,128

24. Related party transactions

	3 months ended June 30,		Outstanding as at,	
	2018 $	2017 $	June 30, 2018 $	March 31, 2017 $
General and administrative expenses				
Paid on market terms for rent to a company controlled by a director and to a company with two members of key management personnel	25,317	13,635	–	–

(expressed in Canadian dollars)

25. Commitments and contingencies

Commitments for annual basic premises rent and contracts with vendors are as follows:

	As at June 30, 2018 $	As at March 31, 2018 $
Less than 1 year	100,919,877	173,920,286
1-5 years	309,798,930	272,592,796
More than 5 years	15,469,986	8,459,041
	426,188,793	454,972,123

The Group does not have any contingent liabilities.

26. Segment information

The Company operates in one business segment being iron ore exploration and development 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.

27. Subsequent events

Other than as described in the notes to the financial report, no matter or circumstance has arisen since June 30, 2018 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.

28. Comparative figures

Certain of the prior quarter comparative figures have been reclassified to conform to the current quarter's presentation.