Champion Iron Limited

(ACN: 119 770 142)

Consolidated Financial Statements
For the Years Ended March 31, 2019 and 2018

(Expressed in thousands of Canadian dollars - audited)

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, which includes making significant accounting judgments and estimates in accordance with International Financial Reporting Standards and ensuring that all information in the annual report is consistent with the consolidated financial statements, selecting appropriate accounting principles and methods, and making decisions that affect the measurement of transactions.

The Board of Directors and Audit Committee are composed primarily of Directors who are neither management nor employees of the Company. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfills these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Audit Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee is also responsible for recommending the appointment of the Company's external auditors.

Ernst & Young, an independent partnership of Chartered Accountants, has been appointed by the shareholders to audit the consolidated financial statements as at March 31, 2019 and 2018 and for the years then ended and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Audit Committee and management to discuss their audit findings.

/s/ *David Cataford*
David Cataford, Chief Executive Officer

/s/ *Natacha Garoute*
Natacha Garoute, Chief Financial Officer

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Champion Iron Limited

Opinion

We have audited the consolidated financial statements of Champion Iron Limited and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at March 31, 2019 and 2018, and the consolidated statements of income (loss), consolidated statements of comprehensive income (loss), consolidated statements of equity and consolidated statements of cash flow for fiscal years ended March 31, 2019 and 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for fiscal years ended March 31, 2019 and 2018 in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises:

- The information, other than the consolidated financial statements and our auditor's report thereon, in the Annual Report

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the Annual Report prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Ryan Fisk.

Ernst & Young

Chartered Accountants
Sydney, Australia
June 20, 2019

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Champion Iron Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 March 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 31 March 2019 and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Revenue from Iron Ore Sales

Why significant	How our audit addressed the key audit matter
The Group recognised revenues of $655.1 million from the sale of iron ore for the year ended 31 March 2019. The amount of revenue recognised is impacted by the Group's provisional pricing arrangements, where the final sales price is determined based on iron ore prices subsequent to a shipment arriving at the port of discharge. The Group initially recognises sales at the contracted provisional price on the shipment date and re-estimates the consideration to be received using forecast iron ore prices at the end of each reporting period. The impact of iron ore price movements until final settlement is recorded as an adjustment to sales revenue. This was considered to be a key audit matter due to the estimation involved in re-measuring receivables on sales that remain provisional at period-end.	Our audit procedures included the following: ▸ Selected a sample of provisional and final sales and agreed volumes, iron ore quality and pricing to shipping documentation and contracts and agreed cash receipts to bank statements; ▸ For the sample referred to above, confirmed timing of recognition of revenue was appropriate; ▸ Re-performed the measurement of receivables for which final pricing remained outstanding as at 31 March 2019, including assessing the appropriateness of forecast iron ore prices used in forming the estimate; and ▸ Confirmed the existence of a sample of receivables outstanding as at 31 March 2019 by agreeing collection to subsequent cash receipt.

Bloom Lake Rehabilitation Provision

Why significant	How our audit addressed the key audit matter
As at 31 March 2019, the consolidated statement of financial position included $36.6m of mine rehabilitation and closure provisions in respect of Bloom Lake. As a consequence of its operations, the Group incurs obligations to restore and rehabilitate the land and area impacted by mining. Rehabilitation activities are governed by a combination of legislative requirements and Group policies.	Our audit procedures included the following: ▸ Considered the qualifications, competence and objectivity of the Group's internal experts, who produced the surveys and the cost estimates; ▸ Assessed the appropriateness of the changes in the cost estimates against the prior year calculations, which was prepared by an external expert;

Estimating the costs associated with these future activities requires considerable judgment in relation to factors such as when the rehabilitation will take place, the time period required for the rehabilitation to be effective, the extent and costs of rehabilitation activities, technological and regulatory changes, cost increases and changes in economic assumptions, including an appropriate rate to discount these future costs back to their net present value. This was considered to be a key audit matter due to the significant judgments and assumptions involved in the calculation of these mine rehabilitation and closure provisions.	▸ Performed a site inspection of Bloom Lake and understood changes to the disturbed areas since the previous annual reporting period; ▸ Tested the mathematical accuracy of the rehabilitation model to support the provision balance; and ▸ Considered the discount rate applied in determining the present value of the provision.

Fair Value of and Disclosures Relating to Master Financing Arrangement

Why significant	How our audit addressed the key audit matter
As described in Notes 16 and 17 of the financial report, the Group is party to a Master Financing Arrangement ("MFA") comprised of a mandatorily convertible debenture and two loan facilities. The MFA facilities contain embedded derivatives related to the conversion option and interest rate on the mandatorily convertible debenture, interest rate on the CDPI facility and prepayment options on the CDPI and Sprott loan facilities. Australian Accounting Standards require embedded derivatives to be measured at fair value at each reporting period, with movements in fair value being recognised through the statement of comprehensive income. The Group exercised a significant degree of judgment to determine the fair value of the embedded derivatives. Accordingly, this was considered to be a key audit matter.	Our audit procedures included the following: ▸ Utilised our valuation specialists to assess the methodology and assumptions used by the Group to determine the fair value of the embedded derivatives; ▸ Re-calculated the fair values of the embedded derivatives as at period-end and the movement in fair values from the prior reporting period; and ▸ Assessed whether the disclosures within the financial report were in accordance with Australian Accounting Standards.

Information Other than the Financial Report and Auditor’s Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company’s 2019 Annual Report other than the financial report and our auditor’s report thereon. We obtained the Chairman’s Report, Report on Operations and Directors’ Report that are to be included in the Annual Report, prior to the date of this auditor’s report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor’s report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor’s report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Building a better working world

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 37 to 57 of the directors' report for the year ended 31 March 2019.

In our opinion, the Remuneration Report of Champion Iron Limited for the year ended 31 March 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Ernst & Young

Ryan Fisk
Partner
Sydney
20 June 2019

Champion Iron Limited

Consolidated Statements of Financial Position

(Expressed in thousands of Canadian dollars - audited)

	Notes	As at March 31, 2019	As at March 31, 2018
Assets			
Current			
Cash and cash equivalents	**3**	**135,424**	7,895
Short-term investments	**4**	**17,907**	17,291
Receivables	**5**	**93,012**	25,838
Prepaid expenses and advances	**6**	**24,186**	15,898
Inventories	**7**	**44,154**	48,171
		314,683	115,093
Non-current			
Investments	**8**	**2,653**	4,250
Advance payments	**9**	**38,250**	37,517
Property, plant and equipment	**10**	**224,123**	172,719
Exploration and evaluation assets	**11**	**81,508**	72,137
Derivative assets	**18**	**10,800**	—
Total assets		**672,017**	**401,716**
Liabilities			
Current			
Accounts payable and accrued liabilities	**12**	**44,697**	63,481
Convertible debenture, Altius	**13**	**—**	9,791
Note payable	**14**	**—**	36,438
Income tax payable	**25**	**34,059**	—
Current portion of long-term debt	**16**	**35,852**	—
		114,608	109,710
Non-current			
Property taxes payable	**15**	**13,940**	16,276
Long-term debt	**16**	**193,038**	141,225
Convertible debenture, Glencore	**17**	**12,067**	14,016
Derivative liabilities	**17**	**43,819**	24,683
Rehabilitation obligation	**19**	**36,565**	35,893
Other long-term liability		**4,798**	—
Deferred tax liability	**25**	**37,460**	5,465
Total liabilities		**456,295**	**347,268**
Shareholders' Equity			
Share capital		**237,969**	224,336
Contributed surplus		**21,404**	21,204
Warrants		**17,730**	17,730
Foreign currency translation reserve		**420**	578
Non-controlling interest		**65,376**	823
Accumulated deficit		**(127,177)**	(210,223)
Total equity		**215,722**	**54,448**
Total liabilities and equity		**672,017**	**401,716**
Commitments	**30**		
Subsequent events	**36**		

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

Approved on June 20, 2019 on behalf of the directors

/s/ *Michael O'Keeffe*
Director

/s/ *Andrew Love*
Director

Champion Iron Limited

Consolidated Statements of Income (Loss)

(Expressed in thousands of Canadian dollars, except per share amounts - audited)

		Year Ended March 31,	
	Notes	2019	2018
Revenues		**655,129**	—
Cost of sales	**21**	**(351,946)**	—
Depreciation		**(14,551)**	(4,244)
Gross profit (loss)		**288,632**	**(4,244)**
Other Expenses			
Share-based payments	**20**	**(1,808)**	(3,179)
General and administrative expenses	**22**	**(14,039)**	(10,627)
Restart costs		**(4,497)**	(65,999)
Sustainability and other community expenses	**23**	**(12,226)**	—
Property taxes adjustment	**15**	**7,559**	—
Exploration and evaluation		**—**	(201)
Operating income (loss)		**263,621**	**(84,250)**
Net finance costs	**24**	**(50,010)**	(23,081)
Income (loss) before income tax		**213,611**	**(107,331)**
Current income tax	**25**	**(34,017)**	—
Deferred income tax	**25**	**(31,995)**	—
Net income (loss)		**147,599**	**(107,331)**
Attributable to:			
Champion shareholders		**83,046**	(74,475)
Non-controlling interest		**64,553**	(32,856)
Earnings (loss) per share	**26**		
Basic		**0.20**	(0.19)
Diluted		**0.18**	(0.19)
Weighted Average Number of Common Shares Outstanding - Basic		**420,677,000**	398,125,000
Weighted Average Number of Common Shares Outstanding - Diluted		**449,508,000**	398,125,000

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

Champion Iron Limited

Consolidated Statements of Comprehensive Income (Loss)

(Expressed in thousands of Canadian dollars, except per share amounts - audited)

	Year Ended March 31,	
	2019	2018
Net income (loss)	**147,599**	**(107,331)**
Item that may be reclassified subsequently to the consolidated statement of income		
Net movement in foreign currency translation reserve	**(158)**	(10)
Comprehensive income (loss)	**147,441**	**(107,341)**
Attributable to:		
Champion shareholders	**82,888**	(74,485)
Non-controlling interest	**64,553**	(32,856)

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

Champion Iron Limited

Consolidated Statements of Equity

(Expressed in thousands of Canadian dollars, except per share amounts - audited)

	Notes	Ordinary Shares: Shares[1]	Ordinary Shares: $	Contributed Surplus	Warrants	Foreign Currency Translation	Non-Controlling Interest	Accumulated Deficit	TOTAL
Balance - March 31, 2018		414,618,000	224,336	21,204	17,730	578	823	(210,223)	54,448
Net income		—	—	—	—	—	64,553	83,046	147,599
Other comprehensive loss		—	—	—	—	(158)	—	—	(158)
Total comprehensive income (loss)		—	—	—	—	(158)	64,553	83,046	147,441
Exercise of stock-options	**20**	5,100,000	2,633	(608)	—	—	—	—	2,025
Exercise of share rights	**20**	752,000	1,000	(1,000)	—	—	—	—	—
Exercise of conversion option - Altius	**20**	10,000,000	10,000	—	—	—	—	—	10,000
Share-based payments	**20**	—	—	1,808	—	—	—	—	1,808
Balance - March 31, 2019		**430,470,000**	**237,969**	**21,404**	**17,730**	**420**	**65,376**	**(127,177)**	**215,722**
Balance - March 31, 2017		385,934,000	201,990	20,121	—	588	2,363	(135,748)	89,314
Net loss		—	—	—	—	—	(32,856)	(74,475)	(107,331)
Other comprehensive loss		—	—	—	—	(10)	—	—	(10)
Total comprehensive loss		—	—	—	—	(10)	(32,856)	(74,475)	(107,341)
Public offering of subscription receipts		21,034,000	18,930	—	—	—	—	—	18,930
Share issue costs		—	(1,115)	—	—	—	—	—	(1,115)
Private placement		—	—	—	—	—	31,316	—	31,316
Exercise of stock-options	**20**	5,400,000	1,703	—	—	—	—	—	1,703
Fair value of share rights exercised	**20**	2,250,000	2,828	(2,828)	—	—	—	—	—
Share-based payments	**20**	—	—	3,179	—	—	—	—	3,179
Fair value of warrants issued		—	—	—	17,730	—	—	—	17,730
Derecognition of derivative liability		—	—	732	—	—	—	—	732
Balance - March 31, 2018		414,618,000	224,336	21,204	17,730	578	823	(210,223)	54,448

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

1 All issued ordinary shares are fully paid and have no par value.

Champion Iron Limited

Consolidated Statements of Cash Flow

(Expressed in thousands of Canadian dollars - audited)

		Year Ended March 31,	
	Notes	**2019**	2018
Cash provided by (used in)			
Operating Activities			
Net income (loss)		**147,599**	**(107,331)**
Items not affecting cash			
Depreciation	**10,34**	**14,551**	4,244
Share-based payments	**20**	**1,808**	3,179
Loss on sale of property, plant and equipment		**—**	(994)
Change in fair value of derivative asset	**18,24**	**(10,800)**	—
Change in fair value of derivative liability	**24**	**19,136**	3,590
Unrealized foreign exchange loss		**3,446**	—
Unrealized loss (gain) on investments	**24**	**1,597**	(1,056)
Accretion of borrowing costs and debt discount	**24**	**3,811**	4,207
Accretion of the rehabilitation obligation	**24**	**672**	695
Deferred income tax	**25**	**31,995**	—
Interest not paid		**17,650**	6,583
		231,465	(86,883)
Changes in non-cash operating working capital	**34**	**(54,767)**	(44,766)
Net cash flow from operating activities		**176,698**	**(131,649)**
Financing Activities			
Proceeds of long-term debt		**74,195**	158,287
Repayment of long-term debt		**(7,636)**	—
Termination of production payment agreement ("PPA")		**(4,564)**	—
Borrowing costs		**(1,618)**	(3,849)
Proceeds of convertible debenture, Altius		**—**	10,000
(Repayment) of capitalized interest, Proceeds Glencore		**(4,429)**	31,200
Public offering of subscription receipts		**—**	18,930
Share issue cost		**—**	(1,115)
Private placement of common shares of Quebec Iron Ore Inc.		**—**	31,316
Exercise of stock-options		**2,025**	1,703
Repayment of note payable		**(37,472)**	(7,171)
Proceeds of bridge loan		**—**	16,000
Repayment of bridge loan		**—**	(16,000)
Bridge loan transaction costs		**—**	(500)
Net cash flow from financing activities		**20,501**	**238,801**
Investing Activities			
Investment in short-term investments		**(616)**	(5,825)
Due from Cartier Iron Corporation		**—**	348
Proceeds on sale of equipment		**—**	1,427
Purchase of property, plant and equipment		**(62,942)**	(97,569)
Exploration and evaluation		**(9,372)**	439
Net cash flow from investing activities		**(72,930)**	**(101,180)**
Net increase in cash and cash equivalents		**124,269**	**5,972**
Cash and cash equivalents, beginning of year		**7,895**	1,863
Effects of exchange rate changes on cash		**3,260**	60
Cash and cash equivalents, end of year		**135,424**	**7,895**
Interest paid		13,526	1,819

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

(Expressed in thousands of Canadian dollars, except where otherwise indicated)

1. Nature of operations

Champion Iron Limited ("Champion" or the "Company") was incorporated under the laws of Australia in 2006 and is listed on the Toronto Stock Exchange (TSX: CIA) and Australian Securities Exchange (ASX: CIA). Champion is an iron ore mining company with its key asset, the Bloom Lake Mine, a long-life, large-scale open pit operation located in northern Quebec, approximately 300 km north of Sept-Iles and 13 km from the town of Fermont, Quebec, Canada. The Company declared commercial production at the Bloom Lake Mine as of June 30, 2018. Champion owns a 63.2% interest in its subsidiary, Quebec Iron Ore Inc. ("QIO"). Ressources Québec, a subsidiary of governmental agency Investissement Québec, is the owner of the remaining 36.8% share. The Bloom Lake Mine assets are held through QIO.

2. Summary of significant accounting policies

A. Basis of preparation

These consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial assets and financial liabilities to fair value.

The financial report is a general purpose financial report which has been prepared for a for-profit enterprise in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, except for investments and derivative financial instruments which have been measured at fair value.

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

B. Statement of Compliance

These audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The Company has consistently applied the accounting policies used in the preparation of its IFRS consolidated financial statements with the exception of those arising from new accounting standards issued and adopted by the Company as described in this note. These consolidated financial statements were approved and authorized for issue by the Board of Directors on June 20, 2019.

C. Significant accounting policies and future accounting changes

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

Basis of consolidation and functional currency
The consolidated financial statements include the accounts of the Company and its significant subsidiaries listed below:

	Ownership percentage	Country of incorporation	Functional currency
Champion Iron Mines Limited	100.0%	Canada	Canadian dollars
Québec Iron Ore Inc.	63.2%	Canada	Canadian dollars
Lac Bloom Railcars Corporation Inc.	100.0%	Canada	US dollars

There have been no changes in ownership percentages from the comparative period.

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;
- the ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. All intra-group assets and liabilities, revenues, expenses and cash flows relating to intra-group transactions are eliminated.

2. Summary of significant accounting policies (continued)

C. Significant accounting policies and future accounting changes (continued)

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 consolidated statements of financial position and consolidated statements of income (loss). Losses within a subsidiary are attributable to the non-controlling interests even if that results in a deficit balance.

Segment reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is responsible for allocating resources and assessing the performance of the operating segments, and which has been identified as the management team that makes strategic decisions.

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

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

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

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

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

Inventories
Inventories of ore and concentrate are measured and valued at the lower of average production cost and net realizable value. Net realizable value is the estimated selling price of the concentrates in the ordinary course of business based on the prevailing metal prices on the reporting date, less estimated costs to complete production and to bring concentrates to sale. Production costs that are inventoried include the costs directly related to bringing the inventory to its current condition and location, such as materials, labour and manufacturing overhead costs, based on normal capacity of the production facilities.

Supplies and spare parts are valued at the lower of cost or net realizable value. Any provision for obsolescence is determined by reference to specific items of stock. A regular review is undertaken to determine the extent of any provision for obsolescence.

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

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

Mining and processing equipment	Straight-line over 2 to 12 years or units-of-production basis over the recoverable reserves
Locomotives, railcars and rails	Straight-line over 23 to 24 years or units-of-production basis over the recoverable reserves
Tailings dykes	Units-of-production basis over recoverable reserves
Stripping activity asset	Units-of-production basis over recoverable reserves
Others	Straight-line over 3 to 24 years

2. Summary of significant accounting policies (continued)

C. Significant accounting policies and future accounting changes (continued)

Stripping (waste removal) costs
Where the benefits are realized in the form of improved access to ore to be mined in the future, the costs are recognized as a non-current asset, referred to as a stripping costs, if the following criteria are met:

a) Future economic benefits (being improved access to the ore body) are probable;
b) The component of the ore body for which access will be improved can be accurately identified;
c) The costs associated with the improved access can be reliably measured.

If any of the criteria are not met, the production stripping costs are charged to profit or loss as operating costs as they are incurred.

The stripping ratio varies depending of the stage of the mine life. In the case of the Bloom Lake mine, the life of mine stripping ratio is estimated at 0.5 based on the 43-101 Technical report on the Bloom Lake mine re-start feasibility study ("The Feasibility Study"). All costs related to a stripping ratio over the life of mine ratio are capitalized and all costs related to a stripping ratio lower than the life of mine ratio results in amortization of the stripping activity asset. The capitalized expenses are revalued on a monthly basis. Stripping costs incurred in the pre-production period have also been capitalized using the same methodology. The production start date has been determined by the Company using various relevant criteria as level of capital expenditures incurred compared to original budget, completion of reasonable period of testing, ability to produce concentrate in saleable form and ability to sustain ongoing production of concentrate.

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

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

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

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

ii) Impairment
Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

An impairment loss is recognized in the consolidated statements of income (loss) if the carrying amount of a property exceeds its estimated recoverable amount. The recoverable amount of property used in the assessment of impairment of exploration and evaluation assets is the greater of its value in use (VIU) and its fair value less costs of disposal (FVLCTS). VIU is determined by estimating the present value of the future net cash flows at a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the property.

FVLCTS refers to the price that would be received to sell the property in an orderly transaction between market participants. For a property that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to

2. Summary of significant accounting policies (continued)

C. Significant accounting policies and future accounting changes (continued)

which the property belongs. Impairment losses previously recognized are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount only to the extent that the property's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognized.

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

Long-term debt
The long-term are initially measured at fair value, net of transactions costs, and are subsequently measured at amortized cost using the effective interest rate method, with interest expense recognized on an effective yield basis.

Convertible debenture, Altius
The convertible debenture, Altius consists of a debt instrument, minimum interest obligation and an equity conversion feature. The Company has identified the minimum interest obligation and equity conversion features as embedded derivatives. At initial recognition, the Company estimated the fair value of the equity conversion feature and the present value of the minimum interest obligation. The difference between the gross proceeds and these amounts was allocated to the debt liability under the residual method. The debt balance will be unwound up to the maturity date using the effective interest method.

Convertible debenture, Glencore
The convertible debenture, Glencore consists of a debt instrument with a derivative liability conversion option. At initial recognition, the Company estimated the fair value of the derivative feature. The fair value of the derivative is reassessed at each balance sheet date. The equity conversion feature is accounted for as a derivative liability on the Company’s consolidated financial statements.

Rehabilitation obligation
The Company records a rehabilitation obligation for legal and constructive asset retirement obligations. Rehabilitation obligation is recorded for an amount that represent the expenditure required to settle the present obligation at the end of the reporting period. Where the effect of the time value of money is material, the Company will adjust the amount of the provision which will be the present value of the expenditures expected to be required to settle the obligation, discounted by the number of years between the reporting date and the rehabilitation date.

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

Foreign currency translation reserve
Exchange differences relating to the translation of the results and net assets of the Company’s operations from their functional currency to the Company’s presentation currency are recognized directly in other comprehensive income and accumulated in the foreign currency translation reserve with the exception of those balances that are within the scope of AASB 9 Financial Instruments and IFRS 9 Financial Instruments.

Foreign currency transactions
Foreign currency transactions are translated into the functional currency of the Company’s entities using the exchange rates prevailing at the dates of the transactions or an appropriate average exchange rate. Generally, foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than the Company’s functional currency are recognized in the consolidated statements of income (loss). Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the

2. Summary of significant accounting policies (continued)

C. Significant accounting policies and future accounting changes (continued)

date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in other comprehensive income or profit or loss are also recognized in other comprehensive income or profit or loss, respectively).

Functional and presentation currency
Items included in the financial statements of each consolidated entity of the Company are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements of entities that have a functional currency different from the Company are translated into Canadian dollars as follows: assets and liabilities are translated at the closing rate at the date of the statement of financial position, and income and expenses are translated at the average rate during an appropriate year. Equity transactions are translated using the exchange rate at the date of the transaction and all resulting changes are recognized in other comprehensive income as cumulative translation adjustments.

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

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

Restart costs
Care and maintenance costs have been incurred during the period of operation idle. Day-to-day servicing expenses as well as regular maintenance expenses to ensure assets integrity have been expensed. Most of 2018 fiscal year was not in a care and maintenance mode. Non-capital restart costs, that cover the period from May 1st 2017 to January 31st, 2018, includes all costs related to staff mobilization and training, expenses incurred to return an asset back to historical level and other expenditures that did not increase capacity or life duration and have been expensed.

Government grants
The Company receives certain grants from the government. Those grants are recognized only when there is a reasonable assurance that the Company will comply with any conditions attached to the grants and the grants will be received. Those grants are recorded against the expenditure that they are intended to compensate.

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

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

2. Summary of significant accounting policies (continued)

C. Significant accounting policies and future accounting changes (continued)

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

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

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

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

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

Financial Assets
i) Initial recognition
Under IFRS 9 and AASB 139, there is a change in the classification and measurement requirements relating to financial assets. Previously, there were four categories of financial assets: loans and receivables, fair value through profit or loss, held to maturity and available for sale. Under IFRS 9, financial assets are either classified as amortized cost, fair value through profit or loss or fair value through other comprehensive income.

For debt instruments, the classification is based on two criteria: the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' (SPPI) on the principal amount outstanding. A financial asset can only be measured at amortized cost if both of the following are satisfied:

- Business model: the objective of the business model is to hold the financial asset for the collection of the contractual cash flows
- Contractual cash flows: the contractual cash flows under the instrument relate solely to payments of principal and interest

The assessment of the Company business model was made as of the date of initial application, April 1, 2018, and then applied retrospectively to those financial assets that were not derecognised before April 1, 2018. The assessment of whether contractual cash flows on debt instruments are SPPI was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of IFRS 9 did not have a significant impact on the Company.

ii) Derecognition of financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's consolidated statements of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

2. Summary of significant accounting policies (continued)

C. Significant accounting policies and future accounting changes (continued)

Financial Assets *(continued)*

ii) Derecognition of financial assets (continued)

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

iii) Financial assets at fair vale through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, e.g., derivative instruments, financial assets designated upon initial recognition at fair value through profit or loss, e.g., debt or equity instruments, or financial assets mandatorily required to be measured at fair value, i.e., where they fail the SPPI test. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that do not pass the SPPI test are required to be classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch. Financial assets at fair value through profit or loss are carried in the statements of financial position at fair value with net changes in fair value recognized in profit or loss.

A derivative embedded in a hybrid contract with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms

A derivative embedded in a hybrid contract with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

As IFRS 9 now has the SPPI test for financial assets, the requirements relating to the separation of embedded derivatives is no longer needed for financial assets. An embedded derivative will often make a financial asset fail the SPPI test thereby requiring the instrument to be measured at fair value through profit or loss in its entirety. This is applicable to the Company’s trade receivables (subject to provisional pricing). These receivables relate to sales contracts where the selling price is determined after delivery to the customer, based on the market price at the relevant quotation period stipulated in the contract. This exposure to the commodity price causes such trade receivables to fail the SPPI test. As a result, these receivables are measured at fair value through profit or loss from the date of recognition of the corresponding sale, with subsequent movements being recognized in the consolidated statements of income (loss).

iv) Impairment of financial assets

The Company recognizes an allowance for expected credit loss ("ECL") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate ("EIR"). The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

2. Summary of significant accounting policies (continued)

C. Significant accounting policies and future accounting changes (continued)

iv) Impairment of financial assets *(continued)*
ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables (not subject to provisional pricing) and other receivables due in less than 12 months, the Company applies the simplified approach in calculating ECL, as permitted by IFRS 9. Therefore, the Company does not track changes in credit risk, but instead, recognizes a loss allowance based on the financial asset's lifetime ECL at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. For any other financial assets carried at amortized cost (which are due in more than 12 months), the ECL is based on the 12-month ECL. The 12-month ECL is the proportion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment including forward-looking information.

The Company considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows and usually occurs when past due for more than one year and not subject to enforcement activity. At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Financial liabilities

i) Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

ii) Loans and borrowings and trade and other payables
After initial recognition, interest-bearing loans and borrowings and trade and other payables are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the consolidated statements of income (loss) when the liabilities are derecognized, as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the consolidated statements of income (loss).

iii) Derecognition
A financial liability is derecognized when the associated obligation is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statements of income (loss).
Financial instruments valuation
The Company measures derivatives at fair value at each balance-sheet date. Also, fair values of financial instruments measured at amortized costs are disclosed in Note 27. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that he transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

2. Summary of significant accounting policies (continued)

C. Significant accounting policies and future accounting changes (continued)

Financial instruments valuation *(continued)*
The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described, as follows, based on the lowest-level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities, or
- Level 2 — Valuation techniques for which the lowest-level input that is significant to the fair value measurement is directly or indirectly observable, or
- Level 3 — Valuation techniques for which the lowest-level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. An analysis of fair values of financial instruments and further details as to how they are measured are provided in notes 16 and 27.

D. Significant accounting judgments, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

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

Estimates of mineral reserves and resources
The amounts used in impairment indicators analysis are based on estimates of mineral reserves and resources. Reserve and resource estimates are based on engineering data, estimated future prices, expected future rates of production and the timing of future capital expenditures, all of which are subject to many uncertainties and interpretations. The Company expects that, over time, its reserve and resource estimates will be revised upward or downward based on updated information such as the results of future drilling, testing and production levels, and may be affected by changes in iron ore prices. See note 10, Property, Plant and Equipment.

Units of production depreciation
The units of production used in the depreciation calculation is based on the ore feed of the mill compared to the economically recoverable reserves.

Stripping costs
Stripping costs are estimated based on additional volume mined due to a higher stripping ratio. A standard unit cost is applied to the volume. The unit cost is revalued on a quarterly basis.

Impairment of exploration and evaluation assets
Exploration and evaluation assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable through future exploitation or sale. Such circumstances include the period for which the Company has the right to explore in a specific area, actual and planned expenditures, results of exploration, whether an economically-viable operation can be established and significant negative industry or economic trends. Management judgment is also applied in determining cash generating units, the lowest levels of exploration and evaluation assets grouping, for which there are separately identifiable cash flows, generally on the basis of areas of geological interest. See note 11, Exploration and Evaluation Assets.

2. Summary of significant accounting policies (continued)

D. Significant accounting judgments, estimates and assumptions (continued)

Estimate of rehabilitation obligation
The rehabilitation obligation is based on the best estimate of the expenditures required to settle the present obligation at the end of the reporting period. The best estimate of the expenditure required to settle the present obligation is the amount that the company would rationally pay to settle obligation at the end of the reporting period or to transfer it to a third party. The rehabilitation obligation has been determined based on the Company's internal estimates. Assumptions based on the current economic environment have been made, which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary rehabilitation works required that will reflect market conditions at the time. Furthermore, the timing of rehabilitation is likely to depend on when the Bloom Lake ceases to produce at economically viable rates. This, in turn, will depend upon future iron ore prices, which are inherently uncertain. See note 19, Rehabilitation Obligation.

Share-based payments
The Company uses the Black-Scholes option pricing model in determining share-based payments, which requires a number of assumptions to be made, including the risk-free interest rate, expected life, forfeiture rate and expected share price volatility. Consequently, actual share-based compensation may vary from the amounts estimated. See note 20, Share Capital and Reserves.

Revenue recognition
The Company recognizes revenue from sales of concentrate when control of the concentrate passes to the customer, which occurs upon shipment. Revenue is recognized, at fair value of the consideration received or receivable to the extent that it is probable that economic benefits will flow to the Company and the revenue can be reliably measured, net of sale taxes.

For all the sales contracts, the sales price is determined provisionally at the date of sale, with the final pricing determined at a mutually agreed date (generally between 2 to 3 months from the date of the sale), at a quoted market price at that time. This provisional pricing arrangement has the characteristics of an embedded derivative which does not qualify for hedge accounting and is recorded at fair value based on the forward iron concentrate prices for the relevant contract period. All subsequent mark-to-market adjustments are recorded in sales revenue up to the date of final settlement.

Price changes for shipments awaiting final pricing at year-end could have a material effect on future revenues. As at March 31, 2019, there was US$81,472,000 (March 31, 2018: nil) in revenues that were awaiting final pricing.

Valuation of deferred income tax assets
To determine the extent to which deferred income tax assets can be recognized, management estimates the amount of probable future taxable profits that will be available against which deductible temporary differences and unused tax losses can be utilized. Such estimates are made as part of the budget on an undiscounted basis and are reviewed on a quarterly basis. Management exercises judgment to determine the extent to which realization of future taxable benefits is probable, considering factors such as the number of years to include in the forecast period. See Note 25 - Income taxes for more details.

E. New accounting standards issued and adopted by the Company

A number of new or amended standards became applicable for the current reporting period and the Company had to change its accounting policies as a result of adopting the following standards:

- IFRS 9 Financial Instruments, and
- IFRS 15 Revenue from Contracts with Customers.

The impact of the adoption of these standards and the new accounting policies are disclosed below. The other standards did not have any impact on the Company's accounting policies and did not require retrospective adjustments.

2. Summary of significant accounting policies (continued)

E. New accounting standards issued and adopted by the Company (continued)

i) 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 impact to the Company's consolidated financial statements as a result of adopting this standard.

The accounting policies for financial instruments have been updated and disclosed in note 2C above.

ii) 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 Company adopted IFRS 15 on April 1, 2018.

As a result of the IFRS 15 adoption, the accounting policy for iron ore sales has been adopted and disclosed in note 2C above.

F. New significant Standards and Interpretations not yet adopted

Australian Accounting Standards and International Financial Reporting Standards that have been issued but are not yet effective have not been adopted by the Company for the year ended March 31, 2019.

i) IFRS 16, Leases ("IFRS 16")
In January 2016, the IASB released IFRS 16, Leases, to replace the previous leases Standard, IAS 17, Leases, and related Interpretations. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, the customer (lessee) and the supplier (lessor). IFRS 16 eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. IFRS 16 also substantially carries forward the lessor accounting requirements. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

IFRS 16 will be effective for the Company's fiscal year beginning on April 1, 2019, and the Company elected to use the modified retrospective approach. The Company will elect to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Company will therefore not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4. In addition, the Company will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms end within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

The Company evaluated the impact the adoption of this standard will have on its consolidated financial statements. Where the Company is a lessee, IFRS 16 will result in on-balance sheet recognition of its leases that are considered operating leases under IAS 17. The Company does not expect a significant impact of the adoption of IFRS 16.

3. Cash and cash equivalents

As at March 31, 2019, cash and cash equivalents totaling $135,424,000 (March 31, 2018: $7,895,000) consisted of cash in bank chequing accounts. As at March 31, 2019, the Company's cash balance is comprised of $36,823,000 U.S. dollars ($49,207,000), $265,000 Australian dollars ($251,000), and $85,966,000 Canadian dollars.

(Expressed in thousands of Canadian dollars, except where otherwise indicated)

4. Short-Term Investments

As of March 31, 2019, short-term investments of $17,907,000 (March 31, 2018: $17,291,000) include an amount of $16,941,000 which is pledged as security for letters of credit to third parties (March 31, 2018: $16,941,000) and an amount of $350,000 pledged as security for credit card obligations (March 31, 2018: $350,000). These short-term investments need to be pledged as security as long as the agreements are in place with third parties. Maturity date of those agreements vary from 2019 to 2027. Balance of $616,000 represents unpledged short-term investments (March 31, 2018: nil).

5. Receivables

	As at March 31, 2019	As at March 31, 2018
Trade receivables	**79,464**	—
Sales tax	**12,705**	20,060
Government grants	**—**	4,229
Refundable tax credits	**—**	1,213
Other receivables	**843**	336
	93,012	**25,838**

For the year ended March 31, 2019, no specific provision was recorded on any of the Company's receivables (March 31, 2018: nil). They are generally settled within six months and are therefore, collectable.

6. Prepaid Expenses and Advances

	As at March 31, 2019	**As at March 31, 2018**
Rail transportation	9,245	7,558
Port	1,943	1,983
Operational expenses	10,714	5,007
Others	2,284	1,350
	24,186	**15,898**

7. Inventories

	As at March 31, 2019	As at March 31, **2018**
Stockpiles ore	**14,572**	8,081
Concentrate inventories	**10,196**	36,449
Supplies and spare parts	**19,386**	3,641
	44,154	**48,171**

The amount of inventories recognized as cost of sales totalled $366,497,000 for the fiscal year 2019 (nil for the fiscal year 2018).

(Expressed in thousands of Canadian dollars, except where otherwise indicated)

8. Investments

	As at March 31, 2019	As at March 31, 2018
Investments in Listed Common Shares		
Fancamp Exploration Ltd.	1,980	1,980
Others	673	2,270
	2,653	**4,250**

Investments in listed common shares are classified as financial assets at fair value through profit or loss. For the year ended March 31, 2019, the net decrease in the fair value of investments in common shares of $1,597,000 (increase for the year ended March 31, 2018 – $1,056,000) has been recorded as an unrealized loss (gain) on investments in the net finance costs of the consolidated statements of income (loss).

9. Advance Payments

	As at March 31, 2019	As at March 31, 2018
Port	21,842	23,546
Railway and port facilities	4,610	6,050
Rail transportation	—	6,921
Deposit related to rehabilitation obligation	6,000	—
Investment in railway and port facilities partnership	1,000	1,000
Other long term advance	4,798	—
	38,250	**37,517**

Port

On July 13, 2012, the Company signed an 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 made an advance payment of $25,581,000 and take-or-pay payments as an advance on its future shipping, wharfage and equipment fees. In 2018, the Company has started to recognize loading costs as per the contract with the Port, the current portion of the advance is presented under Prepaid Expenses and Advances (note 6) and associated credit is now deducted from the advance on a monthly basis based on the agreed rate per ton.

Railway and port facilities

On October 12, 2017, the Company entered into a railway and stockyard facilities access agreement with Société Ferroviaire et Portuaire de Pointe-Noire ("SFPPN") for the transportation, unloading, stockpiling and loading of iron ore concentrate from Sept-Iles to Pointe-Noire, Québec. In connection with the agreement, the Company make yearly advance payments of $3,750,000 to SFPPN to guarantee access to the yard. In addition, during the year ended March 31, 2019, the Company made additional advance to SFPPN to support its working capital needs of approximately $800,000.

Rail transportation

On June 8, 2017, the Company 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, the Company made an advance payment of $15,000,000 which is recovered as a credit to transportation costs owing under the agreement based on the agreed rate per ton. In 2018, the Company has started to recognize transportation costs as per the contract with QNS&L. As of March 31, 2019, the advance was all transferred to Prepaid Expenses and Advances (note 6) as the outstanding balance is expected to be deducted in total within the next year.

9. Advance Payments (continued)

Deposit related to rehabilitation obligation

In accordance with the Quebec regulations, the Company deposited $6,000,000 to the Ministry of Finance during the year ended March 31, 2019 (March 31, 2018: nil). The deposit is kept by the Ministry of Finance and will be reimbursed to the Company at the end of the mine life once the Company has completed its obligation with respect to the rehabilitation of the mine site.

Other long-term advance

The other long-term advance relates to amounts paid to SFPPN annually and recoverable from under the guarantee access agreement if certain conditions are met.

(Expressed in thousands of Canadian dollars, except where otherwise indicated)

10. Property, Plant and Equipment

	Mining and Processing Equipment	Locomotives, Railcars and Rails	Tailings Dykes	Assets under Construction	Stripping Activity Asset	Others	TOTAL
COST							
March 31, 2018	**23,766**	**39,532**	**3,000**	**107,894**	**—**	**5,412**	**179,604**
Additions	6,552	6,823	14,941	21,795	11,740	1,291	63,142
Transfers, disposals and others	86,255	—	10,107	(104,989)	8,124	(101)	(604)
Foreign exchange	—	1,411	—	—	—	(5)	1,406
March 31, 2019	**116,573**	**47,766**	**28,048**	**24,700**	**19,864**	**6,597**	**243,548**
ACCUMULATED DEPRECIATION							
March 31, 2018	**4,576**	**1,818**	**13**	**—**	**—**	**478**	**6,885**
Depreciation	8,837	2,194	938	—	447	927	13,343
Disposals and others	(501)	—	—	—	—	(101)	(602)
Foreign exchange	—	(194)	—	—	—	(7)	(201)
March 31, 2019	**12,912**	**3,818**	**951**	**—**	**447**	**1,297**	**19,425**
Net book value - March 31, 2019	**103,661**	**43,948**	**27,097**	**24,700**	**19,417**	**5,300**	**224,123**

	Mining Equipment	Locomotives, Railcars and Rails	Tailings Dykes	Assets under Construction	Stripping Activity Asset	Others	TOTAL
COST							
March 31, 2017	**23,573**	**41,452**	**3,000**	**—**	**—**	**4,466**	**72,491**
Additions	600	—	—	107,921	—	946	109,467
Transfers, disposals and others	(407)	—	—	(27)	—	—	(434)
Foreign exchange	—	(1,920)	—	—	—	—	(1,920)
March 31, 2018	**23,766**	**39,532**	**3,000**	**107,894**	**—**	**5,412**	**179,604**
ACCUMULATED DEPRECIATION							
March 31, 2017	**2,259**	**104**	**—**	**—**	**—**	**276**	**2,639**
Depreciation	2,317	1,710	13	—	—	204	4,244
Disposals and others	—	—	—	—	—	(2)	(2)
Foreign exchange	—	4	—	—	—	—	4
March 31, 2018	**4,576**	**1,818**	**13**	**—**	**—**	**478**	**6,885**
Net book value - March 31, 2018	**19,190**	**37,714**	**2,987**	**107,894**	**—**	**4,934**	**172,719**

(Expressed in thousands of Canadian dollars, except where otherwise indicated)

11. Exploration and Evaluation Assets

	As at	Exploration	Others	As at
	2018			**2019**
Labrador Trough (Quebec portion)	71,868	7,442	(17)	79,293
Newfoundland	269	1,946	—	2,215
	72,137	**9,388**	**(17)**	**81,508**

	As at	Exploration	Others	As at
	2017			**2018**
Labrador Trough (Quebec portion)	69,624	780	1,464	71,868
Newfoundland	—	269	—	269
	69,624	**1,049**	**1,464**	**72,137**

Exploration and evaluation assets mainly comprise mining rights and exploration and evaluation expenditures which typically include costs associated with prospecting, sampling, trenching, drilling and other work involved in searching for ore such as topographical, geological, geochemical and geophysical studies.

Exploration and evaluation assets are reported net of option payments and mining tax credits received, if any.

12. Accounts Payable and Accrued Liabilities

	As at March 31, 2019	As at March 31, 2018
Trade payable and accrued liabilities	37,478	45,683
Wages and benefits	7,219	5,032
Restart costs	—	12,766
	44,697	**63,481**

13. Convertible Debenture, Altius

	As at March 31, 2019	As at March 31, 2018
Opening balance	**9,791**	**—**
Proceeds (conversion)	(10,000)	10,000
Fair value of derivatives	—	(1,191)
Gain on extension of maturity date	(713)	—
Accretion of debt discount	922	982
Ending balance	**—**	**9,791**

In accordance with the agreement, on December 31, 2018, the convertible debenture was converted into 10,000,000 ordinary shares of the Company at a conversion price of $1.00 per share.

(Expressed in thousands of Canadian dollars, except where otherwise indicated)

14. Note payable

	As at March 31, 2019	As at March 31, 2018
Consideration loan (US$28,260,000)	**—**	**36,438**

On March 10, 2017, the Company entered into a Railcar Installment Sale Agreement to acquire 735 specialized iron ore railcars for consideration of US$30,078,000. The Company made a down payment of US$1,818,000 with the balance of the consideration being financed by a note owing to the vendor. The note matured on March 10, 2019 and has been fully repaid by the Company.

15. Property Taxes Payable

The property taxes payable relate to the real estate taxes of the municipality of Fermont, Quebec.

Following the acquisition of the Bloom Lake property, the Company requested a revision of the property assessment. In December 2018, the authorities have approved a revised assessment confirming a lower taxable value. The decision resulted in a provision decrease amounting to $7,559,000.

As at March 31, 2019, property taxes payable of $13,940,000 (March 31, 2018: $16,276,000) includes property taxes of $8,956,000 (March 31, 2018: $14,469,000), accrued interest of $1,918,000 (March 31, 2018: $1,807,000) and property transfer duties of $3,066,000 (March 31, 2018: nil).

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

16. Long-Term Debt

	Sprott	**CDPI**	**As at March 31, 2019**	As at March 31, 2018
Opening balance	**67,553**	**73,672**	**141,225**	**—**
Advances	25,340	41,220	66,560	155,255
Transactions costs	(588)	(1,030)	(1,618)	(5,642)
Termination fees PPA	(4,564)	0	(4,564)	—
Accretion	2,217	1,728	3,945	1,478
Fair value of warrants	—	—	—	(17,730)
Interest capitalized	4,253	10,462	14,715	4,833
Unrealized foreign exchange	3,775	4,852	8,627	3,031
	97,986	**130,904**	**228,890**	**141,225**
Less current portion	(32,270)	(3,582)	(35,852)	—
Ending balance	**65,716**	**127,322**	**193,038**	**141,225**

(Expressed in thousands of Canadian dollars, except where otherwise indicated)

16. Long-Term Debt (continued)

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
Interest:	7.5% per annum plus the greater of US dollar 3-month LIBOR and 1% per annum calculated, compounded and payable quarterly. QIO had the option to capitalize the interest until September 30, 2018.
Repayment:	Commencing on March 31, 2019, and quarterly thereafter, 1/14th of the principal balance outstanding (inclusive of any capitalized interest) on September 30, 2018.
Prepayment:	Option to prepay in whole or in part at anytime with a premium of 3%.
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 QIO uses the proceeds to repair or purchase a replacement for the asset which was subject to the insurable event.
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.

Derivative
A prepayment option derivative asset exists in respect with that option. The fair value of the prepayment option derivative asset was calculated to be $5,879,000 (note 18). The Company does not expect the execution of any of the mandatory conversion events.

(Expressed in thousands of Canadian dollars, except where otherwise indicated)

16. Long-Term Debt (continued)

Lender:	**CDP Investissements Inc. ("CDPI")**
Amount:	US$100,000,000
Maturity:	October 23rd, 2024
Interest:	12% per annum for the first year, calculated and capitalized monthly. Thereafter, the interest rate calculated on a monthly basis will change if the price of Iron ore per the IODEX 65% Fe CFR North China is: (i) lower than US$66/t: 14% (capitalized, no option to pay); (ii) higher than US$66/t but lower than US$76/t: 12% (the Company has the option to capitalized or to pay); (iii) higher than US$76/t: 10% (payable, no option to capitalized). From October 22, 2018, the actual interest rate was 10% and interest were paid as per schedule. Schedule payments are the last day of June and December.
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 the date of the initial advance, QIO will repay the principal and interest calculated at 14% per annum since the date of the initial advance and a performance maintenance fee equal to the present value of all interest payments from the date of the initial advance to the maturity date. In the event of a change of control or the closing of a public offering of QIO after 2 years from the date of the initial advance, QIO will repay the principal and capitalized interest and an early redemption fee of 6%, 5%, 3%, 2% and 1% in years 3, 4, 5, 6, and 7, respectively. In the event of a change of 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 CDPI.
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. An early redemption fee of 14% over the initial term of the loan is applicable if prepaid before October 23, 2019.

Derivative
A variable interest derivative asset exists and the fair value was calculated to be $3,904,000 (note 18). The Company does not expect to take advantage of this asset.

Warrants
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 CDPI, entitling the holder to purchase 21,000,000 ordinary shares of the Company for $1.125 after October 16, 2018 until October 16, 2024.

The fair value of the common share purchase warrants was calculated using the Black-Scholes option pricing model. The fair values attributed to Sprott and CDPI warrants are respectively at $1,980,000 and $15,750,000. The common share warrants were accounted for as warrants in the consolidated statements of equity.

(Expressed in thousands of Canadian dollars, except where otherwise indicated)

17. Convertible Debenture, Glencore

	As at March 31, 2019		As at March 31, 2018	
	Convertible Debenture	**Conversion Option**	**Convertible Debenture**	**Conversion Option**
Opening balance	**14,016**	**24,683**	**—**	**—**
Issue of convertible debenture	—	—	31,200	—
Fair value of derivatives	—	—	(20,634)	20,634
Change in fair value	—	19,136	—	4,049
Accretion of debt discount	(215)	—	1,716	—
Capitalized interest	2,695	—	1,734	—
Payment of capitalized interest	(4,429)	—	—	—
Ending balance	**12,067**	**43,819**	**14,016**	**24,683**

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% per annum for the first year, calculated and capitalized quarterly, payable in arrears on December 31, 2018. Thereafter, the interest rate calculated on a quarterly basis will change if the price of Iron ore per the IODEX 65% Fe CFR North China is: (i) lower than US$66/t: 14%; (ii) higher than US$66/t but lower than US$76/t: 12%; (iii) higher than US$76/t: 10%. From October 13, 2018, the actual interest rate was 10% and interest were paid quarterly in arrears.
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.
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 CDPI, 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) 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 (iii) total net debt from the Company, QIO and Lac Bloom Railcars Corporation Inc. exceeds US$250,000,000.
Restriction on conversion:	A conversion or mandatory conversion may not have the effect of causing Glencore to own 20% or more of the outstanding ordinary shares.

(Expressed in thousands of Canadian dollars, except where otherwise indicated)

17. Convertible Debenture, Glencore (continued)

As of March 31, 2019, the Company does not expect the execution of any of the mandatory conversion events.

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 I 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.

Derivative
A prepayment option derivative exists in respect of that option. The fair value of the prepayment option derivative asset was calculated to be nil.

A variable interest derivative asset exists and the fair value was calculated to be $1,017,000 (note 18). The Company does not expect to take advantage of this asset.

A conversion option derivative liability exists in respect to the option of Glencore to convert and the option of Sprott and CDPI 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:

	As at March 31, 2019	As at March 31, 2018
Conversion options granted	27,733,333	27,733,333
Exercise price	$1.125	$1.125
Share price	$1.96	$1.17
Risk-free interest rate	1.6%	2.5%
Expected volatility based on historical volatility	86%	80%
Valuation date	March 31, 2019	March 31, 2018
Expected life of conversion option	6.5 years	7.5 years
Expected dividend yield	0%	0%
Forfeiture rate	0%	0%
Fair value	**$43,819,000**	**$24,683,000**

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

18. Derivative Assets

	Notes	**As at March 31, 2019**	**As at March 31, 2018**
Prepayment option - Sprott	**16**	5,879	—
Variable interest - CDPI	**16**	3,904	—
Variable interest - Glencore	**17**	1,017	—
		10,800	**—**

19. Rehabilitation Obligation

	As at March 31, 2019	As at March 31, 2018
Opening balance	**35,893**	**25,155**
Increase due to reassessment of the rehabilitation obligation	—	10,043
Accretion of rehabilitation obligation	672	695
Ending balance	**36,565**	**35,893**

The accretion of 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 using a discount rate of 0.46% (0.53% for the year ended on March 31, 2018) representing a free-risk rate. The future rehabilitation obligation was reassessed during the year ended March 31, 2018 based on the reclamation plan submitted to the government in February 2018. Reassessment have been performed as at March 31, 2019 and no further revision was needed this year. The undiscounted amount related to the rehabilitation obligation is estimated at $39.9M.

20. Share Capital and Reserves

a) Share issuances

	Year ended March 31,	
	2019	2018
	(in thousands)	(in thousands)
Shares		
Opening balance	**414,618**	**385,934**
Shares issued for public offering	—	21,034
Shares issued for exercise of options - incentive plan	4,100	5,400
Shares issued for exercise of options - outside incentive plan	1,000	—
Shares issued for exercise of share rights	752	2,250
Shares issued - conversion of Altius debenture	10,000	—
Ending balance	**430,470**	**414,618**

During the year ended March 31, 2019, the Company issued 15,852,000 common shares, as follows:

i) 4,100,000 common shares issued for exercise of option - incentive plan
During the year ended March 31, 2019 the Company issued 4,100,000 shares pursuant to the exercise of stock options with a weighted average exercise price of $0.38 per share, for total net proceeds of $1,575,000. At the time the options were exercised the shares were trading at a weighed average price of $1.30.

ii) 1,000,000 common shares issued for exercise of option - outside incentive plan
A number of 1,000,000 shares were issued pursuant to the exercise of stock options outside the share incentive plan with a weighted average exercise price of $0.45 per share, for total net proceeds of $450,000. At the time the options were exercised the shares were trading at a weighed average price of $1.35.

iii) 752,000 common shares issued for exercise of shares rights
During the year ended March 31, 2019 the Company issued 752,000 common shares following the vesting of shares rights previously granted to a director.

iv) 10,000,000 common shares issued - conversion of Altius debenture
On December 31, 2018, Altius exercised its option to retire a debt associated with a $10,000,000 convertible debenture outstanding, which triggered the issuance of 10,000,000 common shares (refer to note 13).

20. Share Capital and Reserves (continued)

b) Share-based payments

A summary of the share-based payment expenses is detailed as follows:

	Year ended March 31, 2019	2018
Stock-options costs	808	1,012
Share rights costs	1,000	2,167
Total share-based payments expensed	**1,808**	**3,179**

c) Stock-options

The Company is authorized to issue 43,047,000 stock options and share rights (March 31, 2018: 82,924,000) equal to 10% (March 31, 2018: 20%) of the issued and outstanding ordinary shares for issuance under the Omnibus incentive plan.

The following table details the stock options activities of the share incentive plan:

	Year ended March 31, 2019		Year ended March 31, 2018	
	Number of Stock Options (in thousands)	Weighted-Average Exercise Price	Number of Stock Options (in thousands)	Weighted-Average Exercise Price
Opening balance	**12,800**	**0.44**	**15,450**	**0.30**
Granted	1,730	1.33	2,750	1.00
Exercised	(4,100)	0.38	(5,400)	0.32
Cancelled	(1,650)	0.90	—	—
Ending balance	**8,780**	**0.56**	**12,800**	**0.44**
Options exercisable - end of year	**7,410**	**0.43**	**11,733**	**0.41**

A total of 1,730,000 new options were issued to independent directors and employees of the Company during the year ended March 31, 2019 out of which 500,000 were cancelled. The fair market value of the outstanding options granted during the year ended March 31, 2019 totalled $855,000. The options granted will mainly vest over a three-year period.

A summary of the Company's outstanding and exercisable stock options as at March 31, 2019 is presented below:

		Number of Stock Options	
Expiry Date	**Exercise Price**	**Outstanding** (in thousands)	**Exercisable** (in thousands)
November 4, 2019	0.30	500	500
April 11, 2020	0.20	5,000	5,000
May 25, 2020	1.00	950	800
July 10, 2020	1.08	600	400
August 21, 2020	1.00	500	333
April 26, 2021	1.24	200	200
June 24, 2021	1.33	500	—
September 14, 2021	1.24	201	67
February 15, 2022	1.46	329	110
		8,780	**7,410**

20. Share Capital and Reserves (continued)

c) Stock-options (continued)

The exercise price of outstanding stocks options ranges from $0.20 to $1.46 and the weighted-average remaining contractual life of outstanding stock options is 1.22 years.

The share-based payment cost was calculated according to the fair value of options issued based on the Black Scholes valuation model using the following weighted average:

	As at March 31, 2019	As at March 31, 2018
Risk-free interest rate	1.8% - 2.5%	2.5%
Expected volatility based on historical volatility	68% - 86%	80%
Expected life of stock options	3 years	3 years
Expected dividend yield	0%	0%
Forfeiture rate	0%	0%
Fair value per stock option - weighted average of options issued	$0.70	$0.48

d) Share rights

The following table details the share rights activities of the share incentive plan:

	Year ended March 31,	
	2019	2018
	Number of Share rights (in thousands)	**Number of Share rights** (in thousands)
Opening balance	—	—
Granted	752	2,250
Exercised	(752)	(2,250)
Ending balance	—	—

On August 17, 2018, at the annual general meeting, 751,900 share rights were granted to the director and executive chairman. The share rights vested and were converted into 751,900 ordinary shares at $1.33 per share. A share-based payment expense amounting to $1,000,000 was recorded.

e) Compensation Options

Exercise Price	**Expiry Date**	**Outstanding and exercisable**
$0.250	February 1, 2020	21,000,000
Balance - March 31, 2018 and March 31, 2019		**21,000,000**

f) Warrants

Exercise Price	**Notes**	**Expiry Date**	**Outstanding and exercisable**
$1.125	16	October 16, 2022	3,000,000
$1.125	16	October 16, 2024	21,000,000
Balance - March 31, 2018 and March 31, 2019			**24,000,000**

(Expressed in thousands of Canadian dollars, except where otherwise indicated)

21. Cost of Sales

	Year ended March 31,	
	2019	2018
Land transportation	131,461	—
Operating supplies and parts	82,524	—
Salaries, benefits and other employee expenses	60,270	—
Sub-contractors	62,847	—
Other production costs	7,756	—
Change in inventories	7,088	—
	351,946	**—**

The Company considers that the pre-commercial activities at its Bloom Lake mine started April 1, 2018, when the shipment of high-grade iron ore was first made. Consequently, they are no mining operating expenses for the comparative periods ended March 31, 2018.

22. General and Administrative Expenses

	Year ended March 31,	
	2019	2018
Salaries, benefits and other employee expenses	6,923	5,046
Professional fees	3,302	3,380
Office and other expenses	3,152	2,136
Travel expenses	860	287
Other income	(198)	(222)
	14,039	**10,627**

23. Sustainability and other community expenses

	Year ended March 31,	
	2019	2018
Property and school taxes	8,359	—
Impact and benefits agreement	3,439	—
Other expenses	428	—
	12,226	**—**

(Expressed in thousands of Canadian dollars, except where otherwise indicated)

24. Net Finance Costs

	Year ended March 31, 2019	2018
Interest on long-term debts and convertible debentures	**28,943**	13,231
Change in fair value of derivative liabilities	**19,136**	3,590
Change in fair value of derivative assets	**(10,800)**	—
Realized and unrealized foreign exchange loss	**5,077**	2,585
Accretion of borrowing costs and debt discount	**3,811**	4,207
Unrealized loss (gain) on investments	**1,597**	(1,056)
Accretion of rehabilitation obligation	**672**	695
Other interest and finance costs (income)	**1,574**	(171)
	50,010	**23,081**

25. Income and Mining Tax

a) Deferred Income Tax

	As at March 31, 2019	As at March 31, 2018
Deferred tax asset	15,549	—
Deferred tax liability	(53,009)	(5,465)
Net deferred tax liabilities	**(37,460)**	**(5,465)**

The movement in deferred income tax asset during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax asset	Operating losses carried forward	Rehabilitation obligation	Transaction costs	Exploration and evaluation assets	Other	Total
As at April 1, 2017 (restated)	—	—	—	—	—	—
Charged to statement of loss	—	—	—	—	—	—
As at March 31, 2018	**—**	**—**	**—**	**—**	**—**	**—**
Credited to statement of income	1,614	9,690	128	2,309	1,808	15,549
As at March 31, 2019	**1,614**	**9,690**	**128**	**2,309**	**1,808**	**15,549**

The movement in deferred income tax liability during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax liability	Property, plant and equipment	Mining tax	Other	Total
As at April 1, 2017 (restated)	—	5,465	—	5,465
Charged to statement of loss	—	—	—	—
As at March 31, 2018	**—**	**5,465**	**—**	**5,465**
Charged to statement of income	38,418	7,320	1,806	47,544
As at March 31, 2019	**38,418**	**12,785**	**1,806**	**53,009**

(Expressed in thousands of Canadian dollars, except where otherwise indicated)

25. Income and Mining Tax (continued)

a) Deferred Income Tax (continued)

The Company has $11,532,000 of net deductible temporary differences, other than Canadian exploration expenses, cumulative Canadian development expenses and tax losses, for which deferred tax assets have not been recognized as at March 31, 2019 (March 31, 2018: $11,267,000).

As at March 31, 2019, the Company has $63,199,000 (March 31, 2018: $157,201,000) in operating losses carried forward that can be carried forward against future taxable income ($54,215,000 - expire between 2027 and 2039 and $8,984,000 - indefinitely). Out of those losses, $57,108,000 (March 31, 2018: $155,694,000) were not recognized.

As at March 31, 2019, the Company has cumulative Canadian exploration expenses of $35,225,000 (March 31, 2018: $36,402,000) and cumulative Canadian development expenses of $17,668,000 (March 31, 2018: $7,028,000) which may be carried forward indefinitely to reduce taxable income in future years. The Company did not recognize deferred tax assets in respect of $44,179,043 (March 31, 2018: $43,430,000) of those expenses.

As at March 31, 2019, the Company has $1,778,000 (March 31, 2018: $1,778,000) of investment tax credit that can be carried forward against future income tax payable and that will expire between 2033 and 2035.

b) Income and Mining Tax Expense

	Year ended March 31,	
	2019	2018
Current income tax		
Current income tax on profits for the year	**(42)**	—
Current mining tax on profits for the year	**34,059**	—
Total current income tax	**34,017**	**—**
Deferred income tax		
Deferred income tax for the year	**24,675**	—
Deferred mining tax for the year	**7,320**	—
Total deferred income tax	**31,995**	
Income and Mining tax expense	**66,012**	**—**

The tax on the Company's income before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	Year ended March 31,	
	2019	2018
Income (loss) before income tax	**213,611**	(107,331)
Canadian combined tax rate	26.68%	26.78%
Tax calculated at Canadian combined tax rate	**56,991**	(28,743)
Tax effects of:		
Difference in tax rate	**(655)**	—
Recognition of previously unrecognized tax benefits	**(32,513)**	—
Unrecorded tax benefits	**9,092**	28,743
Expenses not deductible for tax purposes	**1,851**	—
Other taxes included in income tax expense	**30,452**	—
Other	**794**	—
Income and Mining tax expense	**66,012**	**—**

(Expressed in thousands of Canadian dollars, except where otherwise indicated)

26. Earnings (Loss) per Share

Earnings (loss) per share amounts are calculated by dividing the net income (loss) attributable to shareholders for the year ended March 31, 2019 by the weighted average number of shares outstanding during the year.

	Year ended March 31,	
	2019	2018
Net income (loss)	83,046	(74,475)
Weighted average number of common shares outstanding	420,677,000	398,125,000
Dilutive share options and convertible financial liabilities	28,831,000	—
Weighted average number of outstanding shares for diluted earnings (loss) per share	449,508,000	398,125,000
Basic earnings (loss) per share	**0.20**	**(0.19)**
Diluted earnings (loss) per share	**0.18**	**(0.19)**

27. Financial Instruments

Measurement Categories

Financial assets and financial liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value, whether changes in fair value are recognized in the profit or loss or in OCI. These categories are financial assets at amortized cost, financial assets at FVTPL and financial liabilities at amortized cost. The following table shows the carrying values of assets and liabilities for each of these categories as at March 31, 2019 and March 31, 2018.

As at March 31, 2019	**Fair Value Through Profit and Loss**	**Financial Assets at Amortized Cost**	**Financial Liabilities at Amortized Cost**	**Total Carrying Amount and Fair Value**
Assets				
Current				
Cash and cash equivalents	—	135,424	—	**135,424**
Short-term investments	—	17,907	—	**17,907**
Receivables (excluding sales tax)	80,307	—	—	**80,307**
Non-current				
Investments	2,653	—	—	**2,653**
Derivative assets	**10,800**	**—**	**—**	**10,800**
	93,760	**153,331**	**—**	**247,091**
Liabilities				
Current				
Accounts payable and accrued liabilities	—	—	44,697	**44,697**
Current portion of long-term debt	—	—	35,852	**35,852**
	—	**—**	**80,549**	**80,549**
Non-current				
Property taxes payable	—	—	13,940	**13,940**
Long-term debt	—	—	193,038	**193,038**
Convertible debenture, Glencore	—	—	12,067	**12,067**
Derivative liabilities	43,819	—	—	**43,819**
	43,819	**—**	**299,594**	**343,413**

(Expressed in thousands of Canadian dollars, except where otherwise indicated)

27. Financial Instruments (continued)

As at March 31, 2018	Fair Value Through Profit and Loss	Loans and receivables	Financial Liabilities at Amortized Cost	Total Carrying Amount and Fair value
Assets				
Current				
Cash and cash equivalents	—	7,895	—	7,895
Short-term investments	—	17,291	—	17,291
Receivables (excluding sales tax)	—	5,777	—	5,777
Non-current				
Investments	4,250	—	—	4,250
	4,250	**30,963**	**—**	**35,213**
Liabilities				
Current				
Accounts payable and accrued liabilities	—	—	63,481	63,481
Convertible debenture, Altius	—	—	9,791	9,791
Note payable	—	—	36,438	36,438
	—	**—**	**109,710**	**109,710**
Non-current				
Property taxes payable	—	—	16,276	16,276
Long-term debt	—	—	141,225	141,225
Convertible debenture, Glencore	—	—	14,016	14,016
Derivative liabilities	24,683	—	—	24,683
	24,683	**—**	**281,227**	**305,910**

Financial Risk Factors

a) Market

i. Fair Value

Non current - Investments

The fair values of the investment are measured at the common share market price on the measurement date.

Derivative assets

Prepayment options are measured based on discounted cash flow adjusted to the actual potential refinancing rate at the measurement date. Variable interest rate feature is measured based on a discounted cash flow using the forward price of iron ore concentrate at the measurement date.

(Expressed in thousands of Canadian dollars, except where otherwise indicated)

27. Financial Instruments (continued)

Financial Risk Factors (continued)

a) Market (continued)

i. Fair Value (continued)

Derivative liabilities - Convertible Debenture

The conversion feature included in the convertible debenture is evaluated by the Company based on parameters such as interest rates and the risk characteristics of the financial assets using Black-Scholes evaluation model.

There are no transfers between Level 1, Level 2 and Level 3 during the year ended March 31, 2019. The following table shows the carrying values of assets and liabilities for each of these level as at March 31, 2019 and March 31, 2018.

As at March 31, 2019	Level 1	Level 2	Level 3	Total
Financial Asset at Fair Value Through Profit and Loss				
Non-current investments	2,653	—	—	**2,653**
Derivative assets	—	10,800	—	**10,800**
Financial Liabilities				
Derivative liabilities		43,819	—	**43,819**

As at March 31, 2018	Level 1	Level 2	Level 3	Total
Financial Asset at Fair Value Through Profit and Loss				
Non-current investments	4,250	—	—	**4,250**
Financial Liabilities				
Derivatives liabilities	—	24,683	—	**24,683**

ii. Interest rate risk

Interest risk is the risk that the value of assets and liabilities will change when the related interest rates change. The Company is exposed to interest rate risk primarily on its long-term debt and does not take any particular measures to protect itself against fluctuations in interest rates.

The long-term debt with Sprott provides for an interest on the outstanding principal amount from the date of advance to the Company at a rate equal to 7.5% per annum plus the greater of US dollar 3-month LIBOR and 1% per annum. Related interest rates are based on market interest rates. A decrease in the LIBOR rate for the long-term debt of 1% would generate an increase of US$785,000 in net income over a 12 months horizon based on the outstanding balances as at March 31, 2019. An increase in the LIBOR rate for the long-term debt of 1% would generate a decrease of US$785,000 in net income and equity over a 12 months horizon based on the outstanding balances as at March 31, 2019.

As for the long-term debt with CDPI, the interest rate equals 12% per annum for the first year, and thereafter, at an interest rate linked to the iron ore price indexes. From October 22, 2018, the actual interest rate was 10%. A decrease in the iron ore price between US$66 and US$76 would generate a decrease of US$2,210,000 in net income over a 12 months horizon based on the outstanding balances as at March 31, 2019. A decrease in the iron ore price lower than US$66 would generate a decrease of US$4,420,000 in net income over a 12 months horizon based on the outstanding balances as at March 31, 2019.

The convertible debenture with Glencore has the same interest rate determination mechanism as CDPI. A decrease in the iron ore price between US$66 and US$76 would generate a decrease of $624,000 in net income over a 12 months horizon based on the outstanding balances as at March 31, 2019. A decrease in the iron ore price lower than US$66 would generate a decrease of $1,248,000 in net income over a 12 months horizon based on the outstanding balances as at March 31, 2019.

With the exception of its long-term debt, the Company's current financial assets and financial liabilities are not significantly exposed to interest rate risk because either they are of a short-term nature or because they are non-interest bearing.

(Expressed in thousands of Canadian dollars, except where otherwise indicated)

27. Financial Instruments (continued)

a) Market (continued)

iii. Commodity price risk

Commodity price risk arises from fluctuations in market prices of iron ore. The Company is exposed to the commodity price risk, as its iron ore sales are predominantly subject to prevailing market prices. The Company has limited ability to directly influence market prices of iron ore. The Company has sought to establish strategies that mitigate its exposure to iron ore price volatility in the short-term. The strategy of utilizing renowned brokers is aimed at providing some protection against decreases in the iron ore price while maintaining some exposure to pricing upside.

However, the Company's iron ore sales contracts are structured using the iron ore price indexes. These are provisionally priced sales volumes for which price finalization is referenced to the relevant index at a future date or the valuation is prescribed in some of the contracts. The estimated consideration in relation to the provisionally priced contracts is marked to market using the spot iron ore price at the end of each reporting period with the impact of the iron ore price movements recorded as an adjustment to operating sales revenue.

The Company's exposure at balance date to the impact of movements in the iron ore price upon provisionally invoiced sales volumes is set out below:

(in US dollars)	**Year ended March 31,**	
Sensitivity of Ore Sales Revenue for Provisionally Priced Sales Volumes as at:	**2019**	2018
Ore sales Revenue over 1,026,000 tonnes (DMT):		
10% increase in iron ore prices	**8,147**	—
10% decrease in iron ore prices	**(8,147)**	—

The sensitivities have been determined as the dollar impact on ore sales revenues of a 10% increase and decrease in realized prices at each reporting date, while holding all other variables, including foreign exchange rates, constant. The relationship between iron ore prices and exchange rates is complex, and movements in exchange rates can impact commodity prices. The above sensitivities should therefore be used with caution.

iv. Foreign Exchange Risk

Foreign currency risk is the risk that the Company financial performance could be affected by fluctuations in the exchange rates between currencies. The Company's sales, sea freight and credit facilities costs are denominated in US dollars. As such, the Company benefits from a natural hedge between its revenues and its sea freight and credit facilities costs. Still, the Company is exposed to foreign currency fluctuations as its cost of sales and general and administrative expenses are mainly incurred in Canadian dollars. Currently, the Company has no hedging contracts in place and therefore has exposure to the foreign exchange rate fluctuations. The strengthening of the US dollar would positively impact the Company's net income and cash flow while the strengthening of the Canadian dollar would reduce its operating margin and cash flow.

The following table indicates the foreign currency exchange risk as at March 31, 2019 and March 31, 2018.

(in US dollars)	**As at March 31, 2019**	As at March 31, 2018
Current Assets		
Cash and cash equivalents	36,823	17
Receivables (excluding sales tax)	59,466	—
Current Liabilities		
Accounts payable and accrued liabilities	(722)	(10)
Current portion of long-term debt	(26,830)	—
Note payable	—	28,259
Non-current - Long-term debt	(162,148)	(125,696)
Total foreign currency net assets and liabilities in USD	**(93,411)**	**(97,430)**
CAD dollar equivalents	**(124,825)**	**(130,195)**

(Expressed in thousands of Canadian dollars, except where otherwise indicated)

27. Financial Instruments (continued)

iv. Foreign Exchange Risk (continued)

Assuming that all other variables are constant, a 10% weakening of the US dollar exchange rate would have generated an increase of $12,482,000 in net income for the year ended March 31, 2019 (March 31, 2018: $13,019,000). A 10% strengthening of the US dollar exchange rate would have generated a decrease of $12,482,000 in net income for the year ended March 31, 2019 (March 31, 2018: $13,019,000).

b) 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 trade receivables. The Company's major exposure to credit risk is in respect of trade receivables. Trade receivable credit risk is mitigated through established credit monitoring activities. These include conducting financial and other assessments to establish and monitor a customer's credit worthiness, setting customer limits, monitoring exposure against these limits.

c) 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.

28. Capital Risk Management

Capital of the Company consists the components of shareholders' equity and debt facilities. 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.

Historically, borrowings and equity financing were the Company's principal source of capital. As the Company commenced selling iron ore on April 1, 2018, the Company is now generating cash flows. Accordingly, the Company anticipates that its mine operations will generate sufficient working capital and cash flow to cover operating requirements for the next twelve months including principal debt and interest repayments. The following table presents the contractual principal repayments of the long-term debt.

	As at March 31, 2019	**As at March 31, 2018**
Less than a year	30,544	5,025
1 to 5 years	202,354	109,969
More than 5 years	—	43,969
Total	**232,898**	**158,963**

(Expressed in thousands of Canadian dollars, except where otherwise indicated)

29. Key management compensation

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

	Year ended March 31,	
	2019	2018
Salaries	1,870	1,078
Bonus	2,594	4,660
Share-based payments, representing share-based compensation	1,554	2,775
Consulting fees	289	626
All other remuneration	745	108
	7,052	**9,247**

30. Commitments and Contingencies

The Company has various obligations related to take-or-pay features of its logistics contracts. The Company has also other commitments with the Innu community related to the Impact and Benefits Agreement. Future minimum payments under these agreements are as follow:

	As at March 31,	**As at March 31,**
	2019	**2018**
Less than a year	135,798	64,927
1 to 5 years	75,894	163,812
More than 5 years	186,660	91,905
Total	**398,352**	**320,644**

The Company does not have any contingent liabilities.

(Expressed in thousands of Canadian dollars, except where otherwise indicated)

31. Parent Entity Information

Information relating to Champion Iron Limited:

	As at March 31, 2019	As at March 31, 2018
Current assets	33,238	24,873
Non-current assets	77,853	89,016
Total assets	**111,091**	**113,889**
Current liabilities	2,084	10,095
Non-current liabilities	55,886	38,699
Due to QIO	—	6,000
Total liabilities	**57,970**	**54,794**
Net assets	**53,121**	**59,095**
Share capital	91,761	78,590
Contributed surplus	8,888	9,079
Accumulated deficit	(47,528)	(28,574)
Total equity	**53,121**	**59,095**
Net loss of the parent entity	18,716	11,606
Comprehensive loss of the parent entity	**18,716**	**11,606**

(Expressed in thousands of Canadian dollars, except where otherwise indicated)

32. Subsidiary Entity Information

Set out below is the Company's summarized financial information for its subsidiary, Quebec Iron Ore Inc., which has a material non-controlling interests. The amounts disclosed for its subsidiary are based on those included in the financial statements before inter-company eliminations.

Quebec Iron Ore Inc.

Summarized statement of financial position for Quebec Iron Ore Inc. before inter-company eliminations

	As at March 31, 2019	As at March 31, 2018
Non-controlling interest percentage - Ressources Quebec	**36.8%**	**36.8%**
Current assets		
Other current assets	302,873	106,984
Current inter-company assets	1,748	—
Total current assets	**304,621**	**106,984**
Current liabilities		
Other current liabilities	110,742	59,890
Current inter-company liabilities	4,685	14,585
Total current liabilities	**115,427**	**74,475**
	189,194	**32,509**
Non-current assets		
Other non-current assets	241,022	171,851
Non-current inter-company assets	36,406	6,000
Non-current assets	**277,428**	**177,851**
Non-current liabilities	**280,240**	**193,395**
Net assets	**186,382**	**16,965**

Summarized statement of income for Quebec Iron Ore Inc. before inter-company eliminations

	Year ended March 31,	
	2019	2018
Revenues	**655,129**	—
Net income (loss) and comprehensive income (loss)	**175,416**	(89,282)
Net income (loss) attributable to non-controlling interest	**64,553**	(32,856)

The accumulated non-controlling interest in Quebec Iron Ore is $65,376,000 as at March 31, 2019 (March 31, 2018: $823,000).

(Expressed in thousands of Canadian dollars, except where otherwise indicated)

32. Subsidiary Entity Information (continued)

Summarized cash flows for Quebec Iron Ore Inc. before inter-company eliminations

	Year ended March 31,	
	2019	2018
Cash flows from operating activities	133,506	(126,355)
Cash flows from financing activities	60,376	238,936
Cash flows from investing activities	(71,160)	(113,628)
Net generated cash flow	**122,722**	**(1,047)**

33. Auditors Remuneration

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

	Year ended March 31,	
	2019	2018
E&Y Canada		
Audit fees	230	202
Audit related fees	45	44
Tax fees	33	25
All other fees	42	63
	350	**334**
E&Y Australia		
Audit fees	171	149
Audit related fees	—	—
Remuneration consulting services	—	—
Tax fees	—	—
All other fees	—	—
	171	**149**
	521	**483**

(Expressed in thousands of Canadian dollars, except where otherwise indicated)

34. Financial Information Included in the Consolidated Statement of Cash Flows

a) Changes in non-cash operating working capital

	Year Ended March 31,	
	2019	2018
Receivables	(65,981)	(19,196)
Prepaid expenses and advances	(8,288)	(15,619)
Inventories	2,609	(48,171)
Advance payments	(733)	(30,517)
Accounts payable and accrued liabilities	(18,784)	61,513
Current income tax	34,059	—
Property taxes not paid	(2,447)	7,224
Other long-term liability	4,798	—
	(54,767)	**(44,766)**

b) Supplementary Cash Flow Information

	Year ended March 31,	
	2019	2018
Depreciation of property, plant and equipment allocated to stripping activity asset	(200)	—
Net effect of depreciation of property, plant and equipment allocated to inventory	1,408	—

(Expressed in thousands of Canadian dollars, except where otherwise indicated)

35. Segment Information

The Company is conducting exploration and evaluation and mining operations activities in Canada. The business segments presented reflect the management structure of the Company and the way in which the Company's chief operating decision maker reviews business performance. The Company evaluates the performance of its operating segments primarily based on segment operating income, as defined below. Since the Company has started production at the mine site which represent all the mining operation, it was identified as a segment. The exploration and corporate were identified as a separate segment due to their specific nature.

Year Ended March 31, 2019	Mine Site	Exploration and Evaluation	Corporate	Total
Revenues	655,129	—	—	655,129
Cost of sales	(351,946)	—	—	(351,946)
Depreciation	(14,511)	—	(40)	(14,551)
Gross profit (loss)	**288,672**	**—**	**(40)**	**288,632**
Share-based payments	—	—	(1,808)	(1,808)
General and administrative expenses	(3,391)	—	(10,648)	(14,039)
Restart costs	(4,497)	—	—	(4,497)
Sustainability and other community expenses	(12,210)	—	(16)	(12,226)
Property taxes adjustment	7,559	—	—	7,559
Exploration and evaluation	—	—	—	—
Operating income (loss)	**276,133**	**—**	**(12,512)**	**263,621**
Non-operating expenses	(91,912)	—	(24,110)	(116,022)
Income (loss)	**184,221**	**—**	**(36,622)**	**147,599**
Segmented total assets	**573,927**	**81,508**	**16,582**	**672,017**
Segmented total liabilities	**(390,982)**	**—**	**(65,313)**	**(456,295)**
Segmented capital expenditures	**223,802**	**—**	**321**	**224,123**

Year Ended March 31, 2018	Mine Site	Exploration and Evaluation	Corporate	Total
Revenues	—	—	—	—
Cost of sales	—	—	—	—
Depreciation	(4,206)	—	(38)	(4,244)
Gross profit (loss)	**(4,206)**	**—**	**(38)**	**(4,244)**
Share-based payments	—	—	(3,179)	(3,179)
General and administrative expenses	(1,067)	—	(9,560)	(10,627)
Restart costs	(65,999)	—	—	(65,999)
Sustainability and other community expenses	—	—	—	—
Property taxes adjustment	—	—	—	—
Exploration and evaluation	—	(201)	—	(201)
Operating income (loss)	**(71,272)**	**(201)**	**(12,777)**	**(84,250)**
Non-operating expenses	(15,340)	—	(7,741)	(23,081)
Income (loss)	**(86,612)**	**(201)**	**(20,518)**	**(107,331)**
Segmented total assets	**315,861**	**72,137**	**13,718**	**401,716**
Segmented total liabilities	**(289,735)**	**—**	**(57,533)**	**(347,268)**
Segmented capital expenditures	**172,360**	**—**	**359**	**172,719**

36. Subsequent Events

Capital restructuring

The Company also announced on May 29, 2019, that it has entered into an agreement with Caisse de dépôt et placement du Québec for a preferred share offering for proceeds of $185 million (the "Investment") plus a commitment for a fully underwritten US$200 million credit facility (the "New Credit Facility") with The Bank of Nova Scotia ("Scotiabank") and Societe Generale ("SocGen"). Proceeds from the Investment and the New Credit Facility will be used to fund current and future strategic initiatives and repay Champion's existing debt.

The dividend rate associated with the preferred shares will be based on the gross realized iron price and will fluctuate from 9.25% when the gross realized iron price for Bloom Lake 66.2% iron ore is greater than US$85/dmt to 13.25% should the gross realized iron ore price decrease below US$65/dmt. The New Credit Facility will be available by way of a US$180 million senior secured fully amortizing non-revolving credit facility (the "Term Facility") in addition to a US$20 million senior secured revolving credit facility (the "Revolving Facility"). The New Credit Facility will bear interest between LIBOR plus 2.85% if the net debt to EBITDA ratio is lower or equal to 1.00x to LIBOR plus 3.75% if the net debt to EBITDA ratio is greater than 2.50x. The Term Facility will mature five years from the closing date while the Revolving Facility will mature three years from the closing date. The Term Facility shall be repaid in equal quarterly installments of principal and accrued interest starting on the second full year following the closing date and is not subject to prepayment penalties.

Acquisition of Ressources Quebec equity interest

On May 29, 2019, the Company announced a transaction to acquire RQ's 36.8% equity interest in QIO, operator of the Bloom Lake Mining Complex, for a total cash consideration of C$211 million (the "Transaction"). The Transaction would increase Champion's stake in QIO to 100%. As a result of this transaction, the entire net income of QIO will be allocated to Champion shareholders and there will no longer be non-controlling interests.

Bloom Lake Phase II Feasibility Study Update

The company announced on June 20, 2019 positive results of the Phase II Feasibility Study ("Feasibility Study" or "Study") prepared in accordance with Canadian and Australian regulations for the Bloom Lake Mining Complex ("Bloom Lake"), located near the town of Fermont, in north-eastern Quebec. The Feasibility Study envisions further exploiting the Bloom Lake Mine which would increase overall capacity from 7.4Mtpa to 15Mtpa of 66.2% Fe iron ore concentrate.

For more information on the subsequent events, please refer to the Company's press release available under the Company's filings on SEDAR at www.sedar.com.

37. Comparative Figures

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