

Champion Iron Limited

(ACN: 119 770 142)

Consolidated Financial Statements

March 31, 2018 and 2017

(expressed in Canadian dollars)

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 2018, the consolidated statement of comprehensive loss, 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 2018 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.

Carrying value of property, plant and equipment

Why significant	How our audit addressed the key audit matter
<p>Property, plant and equipment represents 43% of the Group's total assets.</p> <p>The carrying values of property, plant and equipment are reviewed annually for indicators of impairment.</p> <p>Due to the significance of the property, plant and equipment balance and the subjectivity involved in the assessment of indicators of impairment, we considered this to be a key audit matter.</p> <p>Refer to Notes 14 to the financial statements for the amounts held on the Consolidated Statement of Financial Position by the Group as at 31 March 2018 and related disclosure.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> Discussed with representatives of both senior management and the Directors, their considerations and conclusions as to the existence of indicators of impairment; Considered the impact of external market information, including current and forecast iron ore prices and demand; Considered the short term and long term cash flow forecasts for the Bloom Lake mining operations; and Physically inspected the plant and equipment at Bloom Lake and the Port of Sept-Iles operations.

Carrying value of exploration and evaluation assets

Why significant	How our audit addressed the key audit matter
<p>Exploration and evaluation assets represent 18% of the Group's total assets.</p> <p>The ability to recognise and to continue to defer exploration evaluation expenditure assets under Australian Accounting Standards is impacted by the Group's ability, and intention, to continue to explore the tenements or its ability to realise this value through development or sale.</p> <p>Due to the significance of the exploration and evaluation assets and the subjectivity involved in assessing the existence of indicators of impairment, this was a key audit matter.</p> <p>Refer to Note 15 to the financial statements for the amounts held on the Consolidated Statement of Financial Position by the Group as at 31 March 2018 and related disclosure.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> Considered the Group's right to explore in the relevant exploration areas which included obtaining and assessing relevant documentation such as license agreements; With the assistance of our valuation specialists, obtained and compared resource multiples for comparable resources based on similar companies and recent transactions to the implied multiples for the Group's resources; and Considered the Group's intention to continue to carry out exploration and evaluation activity in the relevant exploration area which included assessment of the Group's cash-flow forecast models and discussions with senior management and Directors as to the intentions and strategy of the Group.

Fair value of and disclosures relating to Master Financing Arrangement

Why significant	How our audit addressed the key audit matter
<p>As described in Notes 19 and 20, to the financial statements, the Group finalised the Bloom Lake Master Financing Arrangement (MFA) during the year.</p> <p>The MFA comprised a mandatorily convertible debenture and two loan facilities. Each facility contained multiple embedded derivatives. Warrants were also issued to the financiers in connection with each facility.</p> <p>Australian Accounting Standards require embedded derivatives to be measured at fair value both at inception and at each subsequent reporting period.</p> <p>The fair value of the warrants issued in connection with the loan facilities must also be estimated and recorded within equity at the grant date.</p> <p>The Group exercised a significant degree of estimation and judgment to determine the fair value of the embedded derivatives and the warrants. Accordingly, this was considered to be a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> Considered the fair value of the warrants issued in connection with the two loan facilities by assessing the appropriateness of the valuation methodology selected and the assumptions used in the fair value calculations; Utilised our valuations specialists to assess the assumptions used to determine the fair value of the embedded derivatives, being the conversion option on the convertible debenture and the prepayment options on the convertible debenture and each loan facility; Re-calculated the fair values of the warrants and of the embedded derivatives at inception and as at period-end; Assessed whether the disclosures within Notes 19 and 20 of the financial report were in accordance with Australian Accounting Standards; and Considered the disclosures relating to the potential future impact upon the carrying value of each component of the MFA when the Group adopts AASB 9 from 1 April 2018.

Capitalisation of Costs Associated with Bloom Lake Restart

Why significant	How our audit addressed the key audit matter
<p>The Group incurred significant expenditure in order to restart production at the Bloom Lake mine during the year. \$109.5 million of this expenditure have been capitalised within property, plant and equipment, while \$67.0 million have been expensed within care and maintenance and restart costs in the statement of comprehensive loss.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> Assessed the Group's policy for capitalising restart costs to ensure compliance with the Australian accounting standards; Selected samples of expenditure to determine whether the expenditure had been appropriately capitalised.

There is judgement involved in determining if expenditures can be capitalised where a new owner restarts a previously closed mine. Accordingly, this was considered a key audit matter.

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 2018 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do 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, 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.



Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 2 to 8 of the directors' report for the year ended 31 March 2018.

In our opinion, the Remuneration Report of Champion Iron Limited for the year ended 31 March 2018, 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.

A handwritten signature in cursive script that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in cursive script that reads 'Ry - Fisk'.


Ryan Fisk
Partner
Sydney
29 June 2018


Champion Iron Limited
Consolidated Statements of Financial Position
March 31, 2018 and 2017
(expressed in Canadian dollars)

	Notes	As at March 31, 2018 \$	As at March 31, 2017 Restated* \$
Assets			
Current			
Cash and cash equivalents		7,894,505	1,863,387
Short-term investments	5	17,290,729	11,465,697
Receivables	6	25,839,669	6,644,087
Due from Cartier Iron Corporation	7	-	348,003
Prepaid expenses and advances	8	15,897,677	279,024
Inventories	9	48,170,918	-
		115,093,498	20,600,198
Non-current			
Receivables	6	-	3,351,692
Investments	10	4,250,000	2,794,000
Advance for investment in railway and port facilities partnership	12	1,000,000	1,000,000
Advance payments	13	36,516,981	6,000,000
Property, plant and equipment	14	171,819,414	69,852,656
Software		899,718	-
Exploration and evaluation assets	15	72,136,511	69,623,841
		401,716,122	173,222,387
Liabilities			
Current			
Accounts payable and accrued liabilities	16	63,180,892	1,667,502
Convertible debenture, Altius	17	9,790,998	-
Note payable	14	36,437,761	5,994,977
		109,409,651	7,662,479
Non-current			
Note payable	14	-	37,613,355
Property taxes payable	18	16,275,960	7,713,000
Long-term debt	19	141,225,222	-
Convertible debenture, Glencore	20	14,016,128	-
Derivative liabilities	20	24,683,000	-
Royalty payable	21	300,000	300,000
Rehabilitation obligation	22	35,893,491	25,155,500
Deferred tax liability	25	5,464,713	5,464,713
		347,268,165	83,909,047
Shareholders' equity			
Capital stock	23	224,336,103	201,989,902
Contributed surplus		21,203,767	20,120,494
Warrants		17,730,000	-
Foreign currency translation reserve		578,455	588,200
Non-controlling interest		822,684	2,362,819
Accumulated deficit		(210,223,052)	(135,748,075)
		54,447,957	89,313,340
		401,716,122	173,222,387

Should be read in conjunction with the notes to the consolidated financial statements
Certain amounts shown here do not correspond to the March 31, 2017 Consolidated Financial Report and reflect
adjustments made, refer to Note 25

On behalf of the Board:


Director


Director

Champion Iron Limited
Consolidated Statements of Loss and Comprehensive Loss
March 31, 2018 and 2017
(expressed in Canadian dollars)

	Notes	Year ended March 31, 2018 \$	Year ended March 31, 2017 \$
Revenue			
Interest		171,036	246,980
Other income		221,753	50,979
		392,789	297,959
Expenses			
Professional fees		1,648,338	301,436
Salaries		5,046,061	441,988
Consulting fees		1,731,392	701,563
Share-based compensation		3,179,273	1,331,920
General and administrative		1,803,402	904,980
Investor relations		332,112	77,554
Travel		287,012	443,687
Exploration		200,692	80,619
Care and maintenance and restart costs of Bloom Lake	24	66,993,531	26,669,074
Depreciation	14	4,244,149	2,586,047
Gain on sale of property, plant and equipment		(994,173)	(433,038)
Foreign exchange loss (gain)		2,585,027	(987)
Unrealized gain on investments	10	(1,056,000)	(1,173,233)
Change in fair value of derivative liabilities		3,590,000	-
Accretion of borrowing costs and debt discount		4,206,818	-
Accretion of rehabilitation obligation	22	695,000	632,500
Transaction costs		-	2,623,874
Interest expense		13,231,056	526,379
		107,723,690	35,714,363
Loss for the year		(107,330,901)	(35,416,404)
Loss attributable to:			
Equity holders of Champion		(74,474,977)	(23,779,223)
Non-controlling interest		(32,855,924)	(11,637,181)
Loss		(107,330,901)	(35,416,404)
Other comprehensive income			
Item that may be reclassified in future years to the statement of loss			
Net movement in foreign currency translation reserve		(9,745)	547,011
Comprehensive loss		(107,340,646)	(34,869,393)
Comprehensive loss attributable to:			
Equity holders of Champion		(74,484,722)	(23,232,212)
Non-controlling interest		(32,855,924)	(11,637,181)
Comprehensive loss		(107,340,646)	(34,869,393)
Loss per share - basic and diluted	26	(0.19)	(0.06)

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

Champion Iron Limited
Consolidated Statements of Changes in Equity
March 31, 2018 and 2017
(expressed in Canadian dollars)

	Ordinary shares		Warrants	Contributed surplus	Foreign currency translation reserve	Non-controlling interest	Accumulated deficit	Total
	Shares	\$						
Balance, March 31, 2017 (Restated*)	385,934,339	201,989,902	-	20,120,494	588,200	2,362,819	(135,748,075)	89,313,340
Loss	-	-	-	-	-	(32,855,924)	(74,474,977)	(107,330,901)
Other comprehensive loss	-	-	-	-	(9,745)	-	-	(9,745)
Total comprehensive loss	-	-	-	-	(9,745)	(32,855,924)	(74,474,977)	(107,340,646)
Public offering of subscription receipts	21,033,508	18,930,257	-	-	-	-	-	18,930,257
Private placement	-	-	-	-	-	5,152,000	-	5,152,000
Private placement	-	-	-	-	-	26,163,789	-	26,163,789
Exercise of stock options	5,400,000	1,703,335	-	-	-	-	-	1,703,335
Exercise of share rights	2,250,000	2,167,500	-	(2,167,500)	-	-	-	-
Fair value of stock options exercised	-	660,500	-	(660,500)	-	-	-	-
Share-based compensation	-	-	-	3,179,273	-	-	-	3,179,273
Fair value of warrants issued	-	-	17,730,000	-	-	-	-	17,730,000
Derecognition of derivative liability	-	-	-	732,000	-	-	-	732,000
Share issue costs	-	(1,115,391)	-	-	-	-	-	(1,115,391)
Balance, March 31, 2018	414,617,847	224,336,103	17,730,000	21,203,767	578,455	822,684	(210,223,052)	54,447,957
Balance, March 31, 2016 – as originally reported	198,319,784	174,509,902	-	16,268,574	41,189	-	(106,504,139)	84,315,526
Affect of restatement of deferred tax liability	-	-	-	-	-	-	(5,464,713)	(5,464,713)
Balance, March 31, 2016 - restated	198,319,784	174,509,902	-	16,268,574	41,189	-	(111,968,852)	78,850,813
Loss	-	-	-	-	-	(11,637,181)	(23,779,223)	(35,416,404)
Other comprehensive loss	-	-	-	-	547,011	-	-	547,011
Total comprehensive loss	-	-	-	-	547,011	(11,637,181)	(23,779,223)	(34,869,393)
Private placement of ordinary shares	187,500,000	30,000,000	-	-	-	-	-	30,000,000
Private placement of QIO	-	-	-	-	-	14,000,000	-	14,000,000
Share-based compensation	-	-	-	1,331,920	-	-	-	1,331,920
Fair value of compensation options	-	(2,520,000)	-	2,520,000	-	-	-	-
Conversion of exchangeable share	114,555	-	-	-	-	-	-	-
Balance, March 31, 2017 (Restated*)	385,934,339	201,989,902	-	20,120,494	588,200	2,362,819	(135,748,075)	89,313,340

Should be read in conjunction with the notes to the consolidated financial statements
*Refer to Note 25 for detail regarding the restatement adjustment

Champion Iron Limited
Consolidated Statements of Cash Flows
March 31, 2018 and 2017
(expressed in Canadian dollars)

	Year ended March 31, 2018 \$	Year ended March 31, 2017 \$
Cash provided by (used in)		
Operating activities		
Loss	(107,330,901)	(35,416,404)
Non-operating transaction costs	-	2,623,874
Items not affecting cash		
Interest not received	-	(22,500)
Share-based compensation	3,179,273	1,331,920
Property taxes not paid	7,224,000	7,245,000
Depreciation	4,244,149	2,586,047
Gain on sale of property, plant and equipment	(994,173)	(433,038)
Unrealized gain on investments	(1,056,000)	(1,173,233)
Change in fair value of derivative liability	3,590,000	-
Accretion of borrowing costs and debt discount	4,206,818	-
Accretion and reassessment of the rehabilitation obligation	695,000	632,500
Interest not paid	6,583,060	468,000
	(79,658,774)	(22,157,834)
Changes in non-cash operating working capital		
Receivables	(19,195,582)	(477,807)
Prepaid expenses and advances	(15,618,653)	157,432
Inventories	(48,170,918)	-
Deposit	-	1,600,000
Accounts payable and accrued liabilities	61,513,390	788,727
	(101,130,537)	(20,089,482)
Financing activities		
Proceeds of bridge loan	16,000,000	-
Repayment of bridge loan	(16,000,000)	-
Bridge loan transaction costs	(501,413)	-
Proceeds of convertible debenture, Altius	10,000,000	-
Proceeds of long-term debt	158,286,744	-
Borrowing costs	(3,848,902)	-
Proceeds of convertible debenture, Glencore	31,200,000	-
Public offering of subscription receipts	18,930,257	-
Share issue costs	(1,115,391)	-
Private placement of ordinary shares	-	30,000,000
Private placement of common shares of Quebec Iron	31,315,789	14,000,000
Exercise of stock options	1,703,335	-
Repayment of note payable	(7,170,571)	-
	238,799,848	44,000,000
Investing activities		
Receipt of refundable tax credit and credit on duties	-	2,102,675
Investment in term deposits	(5,825,032)	(10,088,395)
Proceeds on sale of investments	-	323,733
Received from Cartier Iron Corporation	348,003	-
Advance payments	(30,516,981)	-
Acquisition of Bloom Lake	-	(9,800,000)
Purchase of Quinto claims	-	(776,818)
Investment in port partnership	-	(1,000,000)
Purchase of railcars	-	(3,087,613)
Proceeds on sale of equipment	1,426,652	3,395,538
Purchase of property, plant and equipment	(96,669,555)	(3,522)
Purchase of leasehold improvements	-	(351,787)
Purchase of software	(899,718)	-
Exploration and evaluation	439,023	(977,793)
Transaction costs	-	(2,623,874)
	(131,697,608)	(22,887,856)
Net increase in cash and cash equivalents	5,971,703	1,022,662
Cash and cash equivalents, beginning of year	1,863,387	293,714
Effects of exchange rate changes on cash	59,415	547,011
Cash and cash equivalents, end of year	7,894,505	1,863,387

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

Champion Iron Limited

Notes to Consolidated Financial Statements

March 31, 2018 and 2017

(expressed in Canadian dollars)

1. Basis of preparation

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 consolidated financial statements of Champion Iron Limited and its subsidiaries (collectively the "Company") for the year ended March 31, 2018 were approved and authorized for issue by the Board of Directors on June 29, 2018.

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

Statement of compliance with IFRS

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

Presentation currency

These consolidated financial statements are presented in Canadian dollars.

2. Significant accounting policies and future accounting changes

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

Basis of consolidation and functional currency

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

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

During the year ended March 31, 2017, Lac Bloom Railcars Corporation Inc. was incorporated as a wholly-owned subsidiary of the Company to acquire railcars (note 14). 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; and
- the ability to use its power over the investee to affect its returns.

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

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

Champion Iron Limited

Notes to Consolidated Financial Statements

March 31, 2018 and 2017

(expressed in Canadian dollars)

Non-controlling interest

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

Financial instruments

Non-derivative financial assets

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

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

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

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

Financial assets at fair value through profit or loss

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

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

Loans and receivables

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

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

Non-derivative financial liabilities

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

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

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

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

Impairment of non-derivative financial assets

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

Business combinations

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

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

Cash and cash equivalents

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

Property, plant and equipment

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

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

Equipment	Straight-line over 10 years or units-of-production over life of mine
Rail and railcars	Straight-line over 23 and 24 years
Software	Straight-line over 5 years
Mine and mineral rights	Units-of-production over life of mine
Housing	Straight-line over 24 years

Exploration and evaluation assets

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.

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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 statement of loss and comprehensive loss to the extent of any impairment.

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 statement of loss and comprehensive loss if the carrying amount of a property exceeds its estimated recoverable amount. The recoverable amount of property used in the assessment of impairment of exploration and evaluation 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 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.

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.

Royalties payable

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

Share capital

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

Share-based payments

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

The fair value of share-based payment transactions to non-employees and other share-based payments including shares issued to acquire exploration and evaluation 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.

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Provisions

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

Income tax

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

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

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

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

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

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

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

Loss per share

The Company presents basic and diluted loss per share data for its ordinary shares. Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for any of its own shares held. Diluted loss per share is determined by adjusting the loss attributable to shareholders and the weighted average number of ordinary shares outstanding, adjusted for any of its own shares held, for the effects of all dilutive potential ordinary shares, which comprise outstanding warrants and stock options. As at March 31, 2018 and March 31, 2017, outstanding stock options and warrants are anti-dilutive.

Changes in accounting standards

On April 1, 2017, the Company adopted all of the mandatorily applicable new Australian Accounting Standards and International Financial Reporting Standards, amendments to standards and interpretations. The adoption of these accounting standards had no impact on these financial statements.

Effective April 1, 2017, the Company adopted the following accounting policies:

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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 debentures are financial instruments consisting of a debt instrument, minimum interest obligation and an equity conversion feature. The Company has identified the minimum interest obligation and equity conversion features as embedded derivatives. At initial recognition, the Company 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 debentures are financial instruments consisting 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.

Care, maintenance and non-capital restart costs of Bloom Lake

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.

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.

Stripping costs

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 feasibility study. All costs related to a stripping ratio over the life of mine ratio are capitalized and amortized over the life of mine. 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.

Foreign currency translation reserve

Exchange differences relating to the translation of the results and net assets of the Company's foreign operations from their functional currency to the Company's presentation currency are 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 139 Financial Instruments*.

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.

New standards and interpretations not yet adopted

Australian Accounting Standards and International Financial Reporting Standards that have been issued but are not yet effective have not been adopted by the Company for the year ended March 31, 2018.

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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 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. This standard is effective for annual periods beginning on or after January 1, 2018. For the Group, IFRS 9 will be applied from 1 April 2018. The adoption of IFRS 9 is expected to have a profit or loss impact for an amount estimated between \$6M to \$9M on the Company's separate financial statements, which represents write-downs or remeasurement of intercompany loans. There is no impact for the Group as intercompany loans eliminate on consolidation.

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 did not have any revenues in the current financial year. The company will adopt and apply IFRS 15 as of April 1, 2018.

IFRS 16, Leases ("IFRS 16")

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

- performing a full review of all agreements to assess whether any additional contracts will become lease contracts under IFRS 16's new definition of a lease;
- deciding which transitional provision to adopt; either full retrospective application or partial retrospective application (which means comparatives do not need to be restated). The partial application method also provides optional relief from reassessing whether contracts in place are, or contain, a lease, as well as other reliefs. Deciding which of these practical expedients to adopt is important as they are one-off choices;
- determining which optional accounting simplifications are available and whether to apply them and assessing the additional disclosures that will be required.

3. Significant accounting judgments, estimates and assumptions

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

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

Estimates

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

Estimates of mineral resources

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

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testing and production levels, and may be affected by changes in iron ore prices. See note 15.

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 estimated life of a mine feed.

Stripping costs

Stripping costs are estimated based on additional volume mined due to 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 15.

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 statement of 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 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 OCI or profit or loss are also recognized in OCI 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

Estimate of royalty payable

The Company used inputs that are not based on observable market data in determining the fair value of the royalty payable. The Company expects that, over time, royalty payable will be revised upward or downward based on updated information on production levels and changes in iron ore prices. See note 21.

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

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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 22.

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 23.

4. Acquisitions and private placement

Acquisition of Bloom Lake

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

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

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

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

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

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The Company has determined the acquisition date fair value of its rehabilitation liabilities by using a discount rate of 2.5%. The liabilities accrete to their future value until the obligations are completed. The estimated rehabilitation expenditures may vary based on changes in operations, cost of rehabilitation activities, and legislative or regulatory requirements.

As the acquisition was completed on April 11, 2016, the impact on revenue and loss for the year as though the acquisition had been at the beginning of the year would be insignificant.

Acquisition of Quinto Claims

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

The Quinto Claims (458 claims), which encompass the Peppler Property (118 claims), the Lamelee Property (236 claims) and the Hobdad Property (93 claims), are located approximately 50 km southwest of the Bloom Lake mine and 10 km from each other.

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

	\$
Consideration	
Cash	739,318
Deposit	37,500
	<u>776,818</u>

Private placement

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

See note 23 for a summary of the assumptions for the calculation of the fair value of those stock options using the Black-Scholes option pricing model.

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

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

Private placement by QIO

On April 11, 2016, QIO completed a private placement of 14,000,000 ordinary shares at a price of \$1 per share for gross proceeds of \$14,000,000.

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

In addition, QIO issued 3,000,000 ordinary shares to the Company to settle an amount due to Company and issued another 6,000,000 ordinary shares to the Company for providing a guarantee of \$6,000,000, following which, the Company's interest in QIO was reduced from 100% to 63.2%. There were no consequences to the reduction of the Company's interest in QIO.

See note 23 for a summary of the assumptions for the calculation of the fair value of those stock options using the Black-Scholes option pricing model.

Grant of stock options

On April 12, 2016, in connection with the Acquisitions, the Company granted 7,500,000 to employees of the Company, entitling the holder to purchase one ordinary share at the price of Australian \$0.20 until April 12, 2020.

See note 23 for a summary of the assumptions for the calculation of the fair value of those stock options using the Black-Scholes option pricing model.

5. Short-term investments

Maturity	Interest rate	As at March 31, 2018	As at March 31, 2017
On demand	0.80%	-	9,826,395
April 15, 2017	0.85%	-	250,000
April 21, 2017	0.85%	-	100,000
August 9, 2017	0.95%	-	212,000
March 30, 2018	0.50%	-	500,000
March 30, 2018	0.50%	-	577,302
April 15, 2018	0.50%	250,000	-
April 23, 2018	0.50%	100,000	-
June 4, 2018	1.62%	13,595,794	-
June 4, 2018	1.62%	790,453	-
August 8, 2018	0.50%	212,000	-
October 30, 2018	0.50%	1,000,000	-
October 30, 2018	0.50%	350,180	-
March 30, 2019	0.50%	415,000	-
March 30, 2019	0.50%	577,302	-
		17,290,729	11,465,697

As of March 31, 2018, the short-term investments has been pledged either as security for letters of credit to third parties, \$16,940,729, (2017 - \$1,077,302) or as security for credit card obligations, \$350,000 (2017 - \$350,000).

6. Receivables

The following table represents the detail of the receivables:

	As at March 31, 2018 \$	As at March 31, 2017 \$
Sales tax (gst, hst and qst)	20,060,436	6,541,921
Government grants	4,228,724	-
Refundable tax credits	1,213,176	-
Other receivables	337,333	102,166
	25,839,669	6,644,087

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The non-current receivables of \$nil as of March 31, 2018 (2017 - \$3,351,692) represents refundable tax credits. The Company expect to receive \$1,213,176 in the year ending March 31, 2019 and does not expect to receive the remaining \$1,913,577, therefore, the non-current receivable was reduced to nil and re-classified back to the exploration and evaluation assets account from which the credits were initially deducted.

7. Due from Cartier Iron Corporation

The amount due from Cartier of \$nil (\$348,003 at March 31, 2017) was a term loan which was repaid on December 22, 2017. For the year ended March 31, 2018, interest of \$6,141 was accrued (\$22,500 for the year ended March 31, 2017).

One director of the Company is a director of Cartier.

8. Prepaid expenses and advances

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

	As at March 31, 2018 \$	As at March 31, 2017 \$
Advances rail transportation	7,558,264	-
Advance port	1,982,769	-
Prepaid operational expenses	5,006,570	-
Prepaid rent and deposits	492,693	172,516
Prepaid others	857,381	106,508
	15,897,677	279,024

9. Inventories

The following table represents the detail of the inventories:

	As at March 31, 2018 \$	As at March 31, 2017 \$
Raw materials	8,080,654	-
Concentrate inventories	36,448,962	-
Supplies and spare parts	3,641,302	-
	48,170,918	-

10. Investments

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

	As at March 31, 2018 \$	As at March 31, 2017 \$
Investment in listed common shares		
Fancamp Exploration Ltd. ("Fancamp")	1,980,000	1,320,000
Lamêlée Iron Ore Ltd. ("Lamêlée")	95,000	34,000
Eloro Resources Ltd. ("Eloro")	2,175,000	1,440,000
	4,250,000	2,794,000

Investments in common shares are classified as financial assets at fair value through profit or loss. For the year ended March 31, 2018, the net increase in the fair value of investments in common shares of \$1,056,000 has been recorded as an unrealized gain on investments in the consolidated statement of loss and comprehensive loss. On December 22, 2017, in connection with the Grant of option for Cluster 3 Properties to Cartier Iron Corporation (see note 15), the Company

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received 500,000 common shares of Eloro at a deemed value of \$0.80 per share (total of \$400,000).

Fancamp

The Company holds 22,000,000 common shares of Fancamp (March 31, 2017 – 22,000,000). The Company and Fancamp have entered into a reciprocal rights agreement governing certain investor rights and obligations as between them. The Company and Fancamp were restricted from transferring securities of the other until May 17, 2018, after which time, transfers will be permitted subject to certain restrictions.

Lamêlée

The Company holds 200,000 common shares of Lamêlée (March 31, 2017 – 200,000).

Eloro

The Company holds 2,500,000 common shares of Eloro (March 31, 2017 – 2,000,000). The Company has agreed to provide Eloro with 30 days written notice of its intention to sell common shares of Eloro, during which time, Eloro may identify purchasers and the Company shall sell to such identified purchasers at a mutually acceptable price.

Two officers of the Company are officers of Eloro.

11. Investment in Cartier

For the year ended March 31, 2016, the Company's share of Cartier's net loss exceeded its remaining investment in Cartier. Accordingly, the investment in associate was written down to nil.

At March 31, 2018, the Company held 11,519,970 common shares of Cartier (March 31, 2017 – 11,519,970 common shares), representing 24.4% of the issued and outstanding common shares of Cartier (March 31, 2017 – 32.3%).

The holdings of the Company in Cartier were subject to the terms of a pre-emptive rights agreement and an agreement respecting board representation rights and standstill obligations which expired on December 31, 2017.

12. Advance for investment in railway and port facilities partnership

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

13. Advance payments

	As at March 31, 2018 \$	As at March 31, 2017 \$
Port	23,546,119	6,000,000
Rail Transportation	6,920,862	-
Railway and port facilities	6,050,000	-
	<u>36,516,981</u>	<u>6,000,000</u>

Port

On July 13, 2012, the Company's subsidiary company, Champion Iron Mines Limited ("CIML") signed an agreement ("Agreement") with the Sept-Îles Port Authority ("Port") to reserve annual loading capacity of 10 million metric tons of iron ore for an initial term of 20 years with options to renew for 4 additional 5-year terms. Pursuant to the Agreement, CIML was to make advance payments of \$25,581,000 and take-or-pay payments as an advance on its future shipping, wharfage and equipment fees. CIML provided the Port with irrevocable guarantees in the form of a deed of hypothec regarding its mining rights, title and interest over Moire Lake and Don Lake ("Mining Rights") to secure its obligations under the Agreement.

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On June 28, 2013, CIML sent to the Port a notice of termination of the Agreement and requested the repayment of advance payment of \$6,000,000 that had already been made. The Port disputed the right of CIML to terminate the Agreement.

On July 15, 2017, CIML and the Port entered into a conditional settlement agreement, providing for the settlement, without admission, of the dispute with the Port. The settlement agreement provided for payments by CIML or QIO to settle in full the remaining advance payment of \$19,581,000 and interest by December 1, 2017. Upon signing of the conditional settlement agreement, CIML made an advance payment of \$2,400,000.

On October 16, 2017, the conditions of the settlement agreement were met and QIO paid the remaining advance payments of \$17,181,000 and interest of \$2,832,740 by December 1, 2017.

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

Rail transportation

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

Railway and port facilities

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

14. Property, plant and equipment

	Equipment	Rail and railcars	Mine and mineral rights	Assets under construction	Housing	Others	Total
	\$	\$	\$	\$	\$	\$	\$
Cost							
March 31, 2017	23,573,000	41,451,987	3,000,000	—	4,000,000	465,852	72,490,839
Additions	600,000	—	—	107,920,924	—	45,561	109,466,203
Disposals and other adjustments	(406,538)	(1,019)	—	(26,500)	—	—	(434,057)
Currency translation adjustment	—	(1,918,949)	—	—	—	—	(1,918,949)
March 31, 2018	23,766,462	39,532,019	3,000,000	107,894,424	4,000,000	511,413	178,704,318

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Accumulated depreciation							
March 31, 2017	2,259,079	103,682	—	—	159,722	115,700	2,638,183
Depreciation	2,316,926	1,709,898	12,784	—	166,666	37,875	4,244,149
Disposals and other adjustments	—	—	—	—	—	(1,578)	(1,578)
Currency translation adjustment	—	4,150	—	—	—	—	4,150
March 31, 2018	4,576,005	1,817,730	12,784	—	326,388	151,997	6,884,904

Net book value, March 31, 2018	19,190,457	37,714,289	2,987,216	107,894,424	3,673,612	359,416	171,819,414
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	Equipment	Rail and railcars	Mine and mineral rights	Assets under construction	Housing	Others	Total
	\$	\$	\$	\$	\$	\$	\$
Cost							
March 31, 2016	—	—	—	—	—	114,065	114,065
Additions	26,573,000	41,451,987	3,000,000	—	4,000,000	351,787	75,376,774
Disposals	(3,000,000)	—	—	—	—	—	(3,000,000)
March 31, 2017	23,573,000	41,451,987	3,000,000	—	4,000,000	465,852	72,490,839

Accumulated Depreciation							
March 31, 2016	—	—	—	—	—	92,999	92,999
Depreciation	2,296,579	103,682	—	—	159,722	26,067	2,586,050
Disposals	(37,500)	—	—	—	—	(3,366)	(40,866)
March 31, 2017	2,259,079	103,682	—	—	159,722	115,700	2,638,183

Net book value, March 31, 2017	21,313,921	41,348,305	3,000,000	—	3,840,278	350,152	69,852,656
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Acquisition of railcars

On March 10, 2017, the Company, through its wholly-owned subsidiary, Lac Bloom Railcars Corporation Inc. ("Lac Bloom Railcars"), entered into a Railcar Instalment Sale Agreement to acquire 735 specialized iron ore railcars for consideration of \$40,700,968 (US\$30,077,570) plus Goods and Services Tax ("GST") of \$2,035,099 (US\$1,503,879) and Quebec Sales Tax ("QST") of \$4,060,023 (US\$3,000,238). The Company made a down payment of \$2,460,315 (US\$1,818,100) with the balance of the consideration, including GST and QST being financed by a note owing to the vendor.

Loan balances at March 31, 2018:

	As at March 31, 2018	As at March 31, 2017
	\$	\$
Current		
GST loan	—	2,001,661
QST loan	—	3,993,316
Consideration loan	36,437,761	—
	36,437,761	5,994,977

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Long-term

Consideration loan	-	37,613,355
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The loans have the following terms and conditions:

Maturity dates: Consideration loan: Matures on March 10, 2019; In the event that the vendor consents to the lease of railcars by the Company, all rental payments received by the Company will be paid to the vendor. The Company has the right to repay the loan at any time without penalty or other cost.
GST loan and QST loan: the earlier of 2 business days after the Company receives the input tax credit claimed to recover the GST and QST paid and August 31, 2017.
Interest rate: LIBOR plus 1.75% compounded monthly and payable monthly.
Security: \$60,000,000 hypothec covering all the present and future moveable property of Lac Bloom Railcars.

Dispositions

During the year, the Company received proceeds of \$1,426,652 (\$3,395,538 in 2017) on the disposition of equipment.

15. Exploration and evaluation assets

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

	March 31, 2016 \$	Acquisition costs (other) \$	Exploration \$	Mining tax credits \$	Option payment \$	March 31, 2017 \$
Fermont						
Consolidated Fire Lake North	54,199,922	13,624	849,798	(339,142)	—	54,724,202
Harvey-Tuttle	6,584,301	3,871	11,474	—	—	6,599,646
Moire Lake	2,930,272	1,378	—	—	—	2,931,650
O'Keefe Purdy	3,217,816	4,562	—	—	—	3,222,378
Other	1,276,060	6,234	—	—	—	1,282,294
Quinto	—	863,671	—	—	—	863,671
	68,208,371	893,340	861,272	(339,142)	—	69,623,841

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

Fermont

The Company owns a 100% interest in Fermont consisting of 11 mineral concessions covering an area of 787 square kilometres situated in northeastern Quebec ("Fermont"), subject to a net smelter return royalty of 1.5% (1.5% NSR). For reporting purposes, Fire Lake North, Oil Can, Bellechasse and Midway properties were consolidated into one property known as Consolidated Fire Lake North. Other properties include Audrey-Ernie, Black Dan, Jeannine Lake and Penguin properties.

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As at March 31, 2018, the Company assessed its remaining properties for indicators of impairment and none were noted.

Grant of option for Cluster 3 Properties to Cartier Iron Corporation

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

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

Upon Cartier earning its 55% interest, a joint venture was formed to incur additional exploration expenditures. If the Company does not fund its proportionate interest in the joint venture, its interest will be diluted and, when its interest is reduced below 10%, its interest would be reduced solely to a 1% royalty. Cartier will have the option to reduce the royalty from 1% to 0.5% by making a payment of \$3,000,000. From inception to March 31, 2018, the joint venture made exploration expenditures of \$5,395.

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

16. Accounts payable and accrued liabilities

The following table represents the detail of the payables:

	As at March 31, 2018 \$	As at March 31, 2017 \$
Trade payable and accrued liabilities	45,330,031	1,245,025
Accrued liabilities related to care and maintenance and restart costs for Bloom Lake	12,765,994	-
Wages and benefits	5,031,824	422,477
Loans equipment	53,043	-
	63,180,892	1,667,502

17. Convertible debenture, Altius

		Derivative liabilities		
	Convertible debenture \$	Equity conversion option \$	Minimum interest obligation \$	Total \$
Balance, March 31, 2017	-	-	-	-
Issue of convertible debenture on June 1, 2017	10,000,000	-	-	-
Fair value of derivatives	(1,191,000)	800,000	391,000	1,191,000
Accretion of debt discount	991,998	-	-	-
Change in fair value of derivative liabilities	-	(200,000)	(259,000)	(459,000)
Derecognition of derivative liabilities	-	(600,000)	(132,000)	(732,000)
Balance, March 31, 2018	9,790,998	-	-	-

The convertible debenture of \$10,000,000 is unsecured, bears interest at the rate of 8% payable quarterly in advance and matures on June 1, 2018 ("Debenture"). The Debenture is convertible at the option of the holder at any time into ordinary shares of the Company at a conversion price of \$1.00 per share. The maximum number of shares that may be issued upon conversion of the Debenture is 50,000,000 shares, with the balance of the unconverted principal amount of the Debenture

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to be repaid in cash or converted into a proportion of the Royalty at the option of the Company. If the principal amount is not repaid in full on or before June 1, 2019, the holder will have the right to convert the entire outstanding principal amount into a 0.21% gross overriding royalty on Bloom Lake ("Royalty"). The Company's option to extend the debenture has been exercised and the new maturity date is December 31, 2018.

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

The fair value of the equity conversion option at June 1, 2017 was calculated using the Black-Scholes option pricing model with the following assumptions:

Date of grant	June 1, 2017
Conversion options granted	10,000,000
Exercise price	\$1.00
Share price	\$0.85
Risk-free interest rate	2.5%
Expected volatility based on historical volatility	80%
Expected life of conversion option	2.5 months
Expected dividend yield	0%
Forfeiture rate	0%
Fair value	\$800,000

The fair value of the minimum interest obligation at June 1, 2017 of \$391,000 was calculated as the present value of the minimum 6 monthly interest payments of \$66,667 discounted at 8%.

The minimum interest obligation and equity conversion feature were initially accounted for as derivative liabilities on the statement of financial position. During the third quarter of the financial year, the conversion price became fixed and thus, the equity conversion feature no longer met the definition of derivative.

18. Property taxes payable

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

Property taxes payable as at March 31, 2018 of \$16,275,960 (2017 – \$7,713,000) includes property taxes of \$14,469,000 (2017 – \$7,245,000) and accrued interest of \$1,806,960 (2017 – \$468,000).

Property taxes for Bloom Lake of \$9,024,000 (2017 – \$8,890,930) are reflected in care and maintenance costs of Bloom Lake within the consolidated statement of loss and comprehensive loss.

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19. Long-term debt

	Sprott \$	CDP \$	Total \$
Balance, March 31, 2017	—	—	—
Advances	69,002,136	86,252,670	155,254,806
Transactions costs	(1,391,450)	(766,445)	(2,157,895)
Commitment fees	(1,328,273)	(2,156,317)	(3,484,590)
Amortization of transaction costs	139,629	51,856	191,485
Amortization of commitment fees	133,290	145,884	279,174
Standby fees payable	—	1,322,924	1,322,924
Fair value of warrants	(1,980,000)	(15,750,000)	(17,730,000)
Accretion of debt discount	468,838	538,364	1,007,202
Interest capitalized	1,161,946	2,348,232	3,510,178
Foreign exchange unrealized	1,347,528	1,684,410	3,031,938
Balance, March 31, 2018	67,553,644	73,671,578	141,225,222

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

Lender:	Sprott Private Resource Lending (Collector), LP ("Sprott")
Amount:	US\$80,000,000
Maturity:	June 30, 2022
Work fee:	0.50% of the Amount
Interest:	7.5% per annum plus the greater of US dollar 3-month LIBOR and 1% per annum calculated, compounded and payable quarterly. QIO has the option to pay or capitalize such interest.
Additional interest:	1.75% of the principal amount of each advance.
Repayment:	Commencing on March 31, 2019, and quarterly thereafter, 1/14th of the principal balance outstanding on March 31, 2019.
Prepayment:	Option to prepay in whole or in part at any time.
Mandatory prepayment:	Cash proceeds received on the disposal of any assets.
	Provided that a default or event of default has occurred, cash proceeds received on the disposal of any assets by a guarantor.
	Proceeds of any equity or debt (including convertible debt) financings, excluding intercompany financings.
	In the event of a change of control, QIO will repay the principal and interest. No amount shall be payable if the person acquiring control has financial strength equal to or superior to the financial strength of the Guarantor, in the discretion of the Lender.
	Insurance proceeds greater than \$1,000,000 unless the QIO uses the proceeds to repair or purchase a replacement for the asset which was subject to the insurable event.
Prepayment premium:	Until October 16, 2020, 3% of the principal amount prepaid
Security:	<ul style="list-style-type: none"> (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;

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- Guarantors:
- (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
 - (i) The Company, supported by a first ranking hypothec on securities pursuant to which the Company pledged and granted a first-priority encumbrance over all of the issued and outstanding shares of QIO held by the Company.
 - (ii) Lac Bloom Railcars Corporation Inc., supported by a second ranking hypothec over all of its present and future movable property and a second ranking general security agreement over movable assets in Newfoundland and Labrador.

Lender: CDP Investissements Inc.
Amount: US\$100,000,000
Maturity: 7 years from the date of the initial advance
Interest: 12% per annum for the first year, and thereafter, at an interest rate linked to the price of iron ore calculate and capitalized monthly
Commitment fee: 2.5% payable of the date of each advance
Standby fee: 1.0% on the undisbursed portion of the loan payable quarterly in arrears

Repayment: 6 years from the date of the initial advance - 50% of principal and capitalized interest
7 years from the date of the initial advance - the balance of the principal and capitalized interest, subject to the option to defer the payment of capitalized interest for 1 year

Mandatory Prepayment: In the event of a change of control or the closing of a public offering of QIO within 2 years from the date of the initial advance, QIO will repay the principal and interest calculated at 14% per annum since the date of the initial advance and a performance maintenance fee equal to the present value of all interest payments from the date of the initial advance to the maturity date.

In the event of a change of control or the closing of a public offering of QIO after 2 years from the date of the initial advance, QIO will repay the principal and capitalized interest and an early redemption fee of 6%, 5%, 3%, 2% and 1% in years 3, 4, 5, 6, and 7, respectively.

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

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

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

	Sprott	CDP
Date of issue	October 16, 2017	October 16, 2017
Warrants issued	3,000,000	21,000,000
Exercise price	\$1.125	\$1.125
Share price	\$1.04	\$1.04
Risk-free interest rate	2.5%	2.5%
Expected volatility based on historical volatility	80%	80%
Expected life of warrant	5 years	7 years

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Expected dividend yield	0%	0%
Forfeiture rate	0%	0%
Fair value	1,980,000	\$15,750,000

20. Convertible debenture, Glencore

	Convertible debenture \$	Derivative asset Prepayment option \$	Conversion option \$	Derivative liabilities Interest rate %	Total \$
Balance, March 31, 2017	—	—	—	—	—
Issue of convertible debenture	31,200,000	—	—	—	—
Fair value of derivatives	(20,634,000)	—	20,634,000	—	20,634,000
Change in fair value	—	—	4,049,000	—	4,049,000
Accretion of debt discount	1,716,605	—	—	—	—
Capitalized interest	1,733,523	—	—	—	—
Balance, March 31, 2018	14,016,128	—	24,683,000	—	24,683,000

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

Maturity:	October 13, 2025
Prepayment:	The Company has the option to prepay the Debenture in whole, but not in part. In the event the Company elects to prepay the Debenture and the Debenture is not converted into ordinary shares of the Company prior to prepayment, the Company will grant 27,733,333 warrants to Glencore entitling the holder to purchase one ordinary share for \$1.125 until October 13, 2025.
Interest:	12% for the first year, and thereafter, an interest rate linked to the price of iron ore, payable quarterly in arrears commencing on December 31, 2018.
Conversion:	Glencore has the option to convert the Debenture into ordinary shares of the Company at a conversion price of \$1.125 per ordinary share ("Conversion Price").
Mandatory Conversion:	Mandatory conversion of the Debenture into ordinary shares of the Company at a conversion price of \$0.85 per ordinary share upon (a) the occurrence of a mandatory conversion event or (b) Sprott or Caisse, lenders for the debt financing of US\$180,000,000 for QIO, exercises their respective option to require a mandatory conversion.
Mandatory Conversion events:	(i) quarterly average iron ore prices during a quarter are such that the Bloom Lake financial model fails to demonstrate that the Bloom Lake has the capacity to meet all future obligations as they become due; (ii) start-up of the Bloom Lake is delayed beyond April 30, 2018; (iii) commercial production is not achieved by September 30, 2018 and the Bloom Lake financial model fails during a quarter to demonstrate that Bloom Lake has the capacity to meet all future obligations as they become due; (iv) capital expenditures for the Bloom Lake exceed US\$326,800,000; (v) QIO is merged into, absorbed or acquired by the Company and total net debt (being debt minus freely available cash and short-term investments) of the merged entity exceeds US\$270,000,000; or (vi) total net debt from the Company, QIO and Lac Bloom Railcars Corporation Inc. exceeds US\$250,000,000.
Restriction on conversion:	A conversion or mandatory conversion may not have the effect of causing Glencore to own 20% or more of the outstanding ordinary shares.

In connection with the closing of the Debenture, QIO entered into an off-take agreement with Glencore to grant global off-take rights for life-of-mine of Bloom Lake with fixed commercial terms for a 10-year period for all tones of future iron ore

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

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

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

Valuation date	March 31, 2018	October 13, 2017
Conversion options granted	27,733,333	27,733,333
Exercise price	\$1.125	\$1.125
Share price	\$0.89	\$0.99
Risk-free interest rate	2.5%	2.5%
Expected volatility based on historical volatility	80%	80%
Expected life of conversion option	7.5 years	8 years
Expected dividend yield	0%	0%
Forfeiture rate	0%	0%
Fair value	24,683,000	\$20,634,000

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

21. Royalty payable

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

On March 31, 2014, the Company recorded an estimate of the fair value of the 3% NSR as an acquisition cost of exploration and evaluation assets and an offsetting royalty payable. On June 25, 2015, the Company completed an arrangement to reduce the 3% NSR to 1.5% NSR by paying \$50,000 on closing and \$250,000 on October 25, 2015 ("Arrangement"). The Arrangement remains the best indicator of the fair value of the 1.5% NSR, and therefore, as at March 31, 2018, the fair value of the 1.5% NSR has been estimated to be \$300,000 (2017 - \$300,000).

22. Rehabilitation obligation

	As at March 31, 2018 \$	As at March 31, 2017 \$
Balance, beginning of year	25,155,500	—
Obligation arising on acquisition of Bloom Lake (note 4)	—	24,523,000
Increase due to reassessment of the rehabilitation obligation	10,042,991	—
Accretion of rehabilitation obligation	695,000	632,500
Balance, end of year	35,893,491	25,155,500

The accretion in rehabilitation obligation was evaluated as the amount of the expenditure required to settle the present obligation at the end of the reporting period, discounted by the number of years between the reporting date and the rehabilitation date (discount rate used of 1.0053). The future rehabilitation obligation was reassessed based on the new reclamation plan submitted to the government in February 2018.

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23. Capital stock

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

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

Issued

	Number of shares	\$
Ordinary shares		
Balance, March 31, 2016	198,319,784	174,509,902
Private placement (note 4)	187,500,000	30,000,000
Fair value of compensation warrants granted (note 4)	—	(2,520,000)
Conversion of exchangeable shares	114,555	—
Balance, March 31, 2017	385,934,339	201,989,902
Public offering of subscription receipts	21,033,508	18,930,257
Exercise of options	5,400,000	1,703,335
Share issue costs	—	(1,115,391)
Fair value of options exercised	—	660,500
Exercise of share rights	2,250,000	2,167,500
Balance, March 31, 2018	414,617,847	224,336,103

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

Public offering of subscription receipts

On September 29, 2017, the Company completed a public offering of 21,033,508 subscription receipts at a price of \$0.90 per subscription receipt for gross proceeds of \$18,930,257 which was placed in escrow pending the satisfaction of the certain escrow release conditions. On October 16, 2017, the escrow release conditions were satisfied and the proceeds of the subscription receipts were released to the Company and holders of the subscription receipts received one ordinary share of Company for each subscription receipt held.

Stock options

	Number of stock options	Weighted- average exercise price \$
Balance, March 31, 2016	10,000,166	0.62
Granted	8,000,000	0.21
Expired	(2,550,166)	1.28
Balance, March 31, 2017	15,450,000	0.30
Granted	2,750,000	1.00
Exercised	(5,400,000)	0.32
Balance, March 31, 2018	12,800,000	0.44

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

Exercise price	Expiry date	Number of stock options	
		Outstanding	Exercisable
A\$0.30	August 20, 2018	1,000,000	666,667
A\$0.50	November 29, 2018	2,300,000	2,300,000
A\$0.30	November 4, 2019	500,000	500,000
A\$0.20	April 11, 2020	6,250,000	6,250,000
A\$1.00	May 25, 2020	1,650,000	1,650,000
A\$1.08	July 11, 2020	600,000	200,000
A\$1.00	August 21, 2020	500,000	166,667
		12,800,000	11,733,334

The exercise price of outstanding stock options ranges from A\$0.20 to A\$1.08 and the weighted-average remaining contractual life of outstanding stock options is 1.68 years.

Grant of stock options

On May 25, 2017, the Company granted 1,650,000 stock options to eligible individuals pursuant to the Company's share incentive plan entitling the holder to purchase one ordinary share for A\$1.00 until May 25, 2020. The stock options vest, as follows: 650,000 on May 25, 2017, 150,000 on May 25, 2018, 150,000 on May 25, 2019 and 700,000 on satisfaction of the key performance measure of recommissioning of the plant at Bloom Lake at a capacity of 7 million tonnes per annum.

After receiving shareholder approval on July 10, 2017, the Company granted 600,000 stock options to directors entitling the holder to purchase one ordinary share for A\$1.08 until July 11, 2020. The stock options vest, as follows: 200,000 on July 11, 2017, 200,000 on July 11, 2018 and 200,000 on July 11, 2019.

On August 21, 2017, the Company granted 500,000 stock options to a director entitling the holder to purchase one ordinary share for A\$1.00 until August 21, 2020. The stock options vest, as follows: 166,667 on August 21, 2017, 166,666 on August 21, 2018 and 166,666 on August 21, 2019.

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

Date of grant	May 25, 2017	July 11, 2017	August 21, 2017
Expiry date	May 25, 2020	July 11, 2020	August 21, 2020
Options granted	1,650,000	600,000	500,000
Exercise price	A\$1.00	A\$1.08	A\$1.00
Share price	A\$0.88	A\$1.08	A\$0.97
Risk-free interest rate	2.5%	2.5%	2.5%
Expected volatility based on historical volatility	80%	80%	80%
Expected life of stock options	3 years	3 years	3 years
Expected dividend yield	0%	0%	0%
Forfeiture rate	0%	0%	0%
Fair value	\$726,000	\$342,000	\$255,000
Fair value per stock option	\$0.44	\$0.57	\$0.51

Stock options granted outside of the Share Incentive Plan

The Company is authorized to issue 82,923,569 stock options and share rights (March 31, 2017 – 77,185,986) equal to 20% of the issued and outstanding ordinary shares for issuance under the share incentive plan.

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	Exercise price	Expiry date	Number of options outstanding and exercisable	Weighted-average exercise price
Balance, March 31, 2017 and March 31, 2018	\$0.45	September 1, 2018	1,000,000	\$0.45

Compensation options

	Exercise price	Expiry date	Number of options outstanding and exercisable	Weighted-average exercise price
Balance, March 31, 2017 and March 31, 2018	\$0.25	February 1, 2020	21,000,000	\$0.25

Share rights

	Number of share rights
Balance, March 31, 2017	—
Granted	2,250,000
Exercised	(2,250,000)
Balance, March 31, 2018	—

Grant of share rights

On May 25, 2017, the Company granted 1,250,000 share rights to employees entitling the holder to receive one ordinary share per share right upon vesting. The share rights vest on the satisfaction of the key performance measures of the completion of the total financing package required to facilitate the recommissioning of the plant at the Bloom Lake at a rated capacity of 7 million tons per annum and the actual recommissioning of the plant at Bloom Lake at a capacity of 7 million tons per annum.

After receiving shareholder approval on July 10, 2017, the Company granted 1,000,000 share rights to a director entitling the holder to receive one ordinary share per share right upon vesting. The share rights vest on the satisfaction the key performance measures of the completion of the total financing package required to facilitate the recommissioning of the plant at the Bloom Lake at a rated capacity of 7 million tons per annum and the actual recommissioning of the plant at Bloom Lake at a capacity of 7 million tons per annum.

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

	May 25, 2017	July 11, 2017
Date of grant	On satisfaction of key performance measures	
Maturity	1,250,000	1,000,000
Share rights granted	\$Nil	\$Nil
Exercise price	\$0.88	\$1.08
Share price	2.5%	2.5%
Risk-free interest rate	80%	80%
Expected volatility based on historical volatility	9 months	12 months
Expected life of share rights		

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Expected dividend yield	0%	0%
Forfeiture rate	0%	0%
Fair value	\$875,000	\$1,080,000
Fair value per share right	\$0.87	\$1.08

Warrants

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

24. Care and maintenance and restarts costs of Bloom Lake

Care and maintenance costs of Bloom Lake of \$66,993,531 represent the costs incurred at Bloom Lake for the year ended March 31, 2018 (2017 - \$26,669,074). Costs include property taxes (note 18), salaries and wages, housing costs, utilities and water management and environmental costs.

25. Income taxes

The Company's effective income tax rate differs from the amount that would be computed by applying the federal and provincial statutory rate of 26.70% (2017 – 26.90%) to the loss for the year. The reasons for the difference are as follows:

	2018 \$	2017 \$
Income tax recovery based on combined statutory rate	(28,657,351)	(9,393,619)
Share-based compensation and other non-deductible items	434,728	27,892
Effect of changes in rate on temporary items	–	(4,183)
Tax losses and other deductible temporary differences not recognized	28,222,623	9,369,910
	–	–

Deferred income tax assets and liabilities

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

	As at March 31 2018	As at March 31 2017 Restated (a)
Assets		
Non-capital loss carry-forward and share issue costs	41,756,998	16,652,999
Asset retirement obligation	9,511,775	6,666,208
Investment tax credits	1,306,838	1,306,838
	52,575,612	24,626,045
Liabilities		
Property, plant and equipment	(3,535,558)	(4,405,674)
Exploration and evaluation assets	(1,538,845)	(4,150,806)
Other	(139,920)	–
Mining duties	(5,464,713)	(5,464,713)
	(10,679,036)	(14,021,192)
Deferred income tax assets not recognized	(47,361,288)	(16,069,565)
Net deferred tax liability	(5,464,713)	(5,464,713)

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Losses carried forward

At March 31, 2018, the Company had non-capital loss carryforwards which expire as follows:

	\$
2027	153,000
2028	406,000
2029	1,089,000
2030	1,812,000
2031	4,314,000
2032	5,989,000
2033	5,638,000
2034	9,332,000
2035	4,481,000
2036	2,192,000
2037	27,815,000
2038	93,980,000
	157,201,000

Resource deductions

At March 31, 2018, the Company has cumulative Canadian exploration expenses of \$36,402,396 (2017 - \$32,343,122) and cumulative Canadian development expenses of \$7,027,538 (2017 - \$6,911,506) which may be carried forward indefinitely to reduce taxable income in future years.

(a) Restatement of deferred tax liability

During the current period, the Group identified a prior period adjustment in respect of accounting for deferred tax liabilities arising in on mining duties. The adjustment required originated prior to the beginning of the comparative period and involved the use of deferred tax assets arising in respect of non-capital loss carry-forwards originating from a separate tax authority to offset the deferred tax liability arising in respect of mining duties. The restatement relates to non-cash

accounting entries only. The restatement does not impact the statements of comprehensive loss for the years ended March 31, 2016 or 2017.

The effect of the restatement on each of the affected financial statement line items as at April 1, 2016 and March 31, 2017 is as follows:

	March 31, 2017	April 1, 2016
Increase to deferred tax liability	5,464,713	5,464,713
Decrease to opening retained earnings	5,464,713	5,464,713

26. Loss per share

Loss per share amounts are calculated by dividing the net loss attributable to shareholders for the year by the weighted-average number of shares outstanding during the year.

	2018 \$	2017 \$
Net loss attributable to equity holders of the parent	(74,474,977)	(23,779,223)
Basic and diluted weighted-average number of shares	398,125,332	380,212,024
Basic and diluted loss per share attributable to equity holders of the parent	(0.19)	(0.06)

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All options and warrants that are anti-dilutive have been excluded from the diluted weighted-average number of common shares.

27. Determination of fair values

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

Cash and cash equivalents, short-term investments, receivables, due from Cartier and accounts payable and accrued liabilities

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

Investments

The fair values of the investment in common shares of Fancamp, Lam  e and Eoro are measured at the bid market price on the measurement date.

Convertible debenture

The convertible debentures are evaluated by the Company based on parameters such as interest rates and the risk characteristics of the financial assets. As at March 31, 2018, the carrying amount of the convertible debentures was not materially different from its calculated value.

Note payable

The note payable is evaluated by the Company based on parameters such as interest rates and the risk characteristics of the financed assets. As at March 31, 2018, the carrying amount of the note payable was not materially different from its calculated fair value.

Stock options

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

Classification and fair values

As at March 31, 2018

	Fair value through profit and loss \$	Loans and receivables \$	Other liabilities \$	Total carrying amount \$	Total fair value \$
Assets					
Current					
Cash and cash equivalents	7,894,505	—	—	7,894,505	7,894,505
Short-term investments	17,290,729	—	—	17,290,729	17,290,729
Receivables	—	24,626,493	—	24,626,493	24,626,493
Non-current					
Investments	4,250,000	—	—	4,250,000	4,250,000
	29,435,234	24,626,493	—	54,061,727	54,061,727

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Liabilities					
Current					
Accounts payable and accrued liabilities	—	—	63,180,892	63,180,892	63,180,892
Convertible debenture, Altius	—	—	9,790,998	9,790,998	9,790,998
Note payable	—	—	36,437,761	36,437,761	36,437,761
Non-current					
Property taxes payable	—	—	16,275,960	16,275,960	16,275,960
Long-term debt	—	—	141,225,222	141,225,222	141,225,222
Convertible debenture, Glencore	—	—	14,016,128	14,016,128	14,016,128
Royalty payable	—	—	300,000	300,000	300,000
	—	—	281,226,961	281,226,961	281,226,961

As at March 31, 2017

	Fair value through profit and loss \$	Loans and receivables \$	Other liabilities \$	Total carrying amount \$	Total fair value \$
Assets					
Current					
Cash and cash equivalents	1,863,387	—	—	1,863,387	1,863,387
Short-term investments	11,465,697	—	—	11,465,697	11,465,697
Receivables	—	6,644,087	—	6,644,087	6,644,087
Due from Cartier	—	348,003	—	348,003	348,003
Non-current					
Receivables	—	3,351,692	—	3,351,692	3,351,692
Investments	2,794,000	—	—	2,794,000	2,794,000
	16,123,084	10,343,782	—	26,466,866	26,466,866

Liabilities					
Current					
Accounts payable and accrued liabilities	—	—	1,667,504	1,667,504	1,667,504
Note payable	—	—	5,994,977	5,994,977	5,994,977
Non-current					
Note payable	—	—	37,613,355	37,613,355	37,613,355
Royalty payable	—	—	300,000	300,000	300,000
	—	—	45,575,836	45,575,836	45,575,836

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

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

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- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at March 31, 2018

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

As at March 31, 2017

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial asset at fair value through profit and loss				
Cash and cash equivalents and short-term investments	13,329,084	—	—	13,329,084
Investments				
Common shares	2,794,000	—	—	944,500
Financial liability				
Note payable	—	43,608,332	—	43,608,332

28. Financial risk management

The Company's activities expose it to a variety of financial risks that arise as a result of its exploration, development and financing activities, including credit risk, liquidity risk and market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors oversees management's establishment and execution of the Company's risk management framework. Management has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities.

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the Company's cash and cash equivalents, short-term investments, receivables and amount due from Cartier. The Company limits its exposure to credit risk on its cash and cash equivalents by holding its cash and cash equivalents and short-term investments in deposits with high credit quality Australian and Canadian chartered banks. The Company is able to limit the credit risk on the amount due from Cartier by settling the amount in common shares of Cartier.

Foreign currency risk

Foreign currency risk is the risk that the Company financial performance will be affected by fluctuations in the exchange rates between currencies. The Company is subject to foreign exchange risk as some costs are denominated in United

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States dollar and Australian dollar. Therefore, the Company is subject to gains and losses due to fluctuations of those currencies. The Company does not use derivatives to manage the exposure to foreign exchange risk.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial liabilities that are settled in cash or other financial assets. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities as they come due. The amounts for accounts payable and accrued liabilities are subject to normal trade terms.

Market risk

Market risk is the risk that changes in market prices, such as equity prices, foreign exchange rates and interest rates will affect the Company's income or the value of its financial instruments. The Company is exposed to equity price risk with respect to investments. The Company estimates that if the fair value of its investments as at March 31, 2018 had changed by 10%, with all other variables held constant, the loss would have decreased or increased by approximately \$425,000.

Capital 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.

The Company's principal source of capital is from the issue of ordinary shares or new loans and borrowings. In order to achieve its objectives, the Company intends to raise additional funds as required.

Certain debt facilities contain operating and financial covenants that could restrict the ability of the Company and its subsidiaries to, among other things, incur additional indebtedness need to fund its respective operations. There are no other restrictions or externally imposed capital requirements to the Company.

29. Related party transactions

	Years ended March 31,		Outstanding at March 31,	
	2018	2017	2018	2017
	\$	\$	\$	\$
General and administrative				
Paid on market terms for rent to a company controlled by a director and to a company with two members of key management personnel	102,136	54,540	—	—

See note 7 for other related party transactions with Cartier.

Compensation of key management personnel

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

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	Years ended March 31, 2018	2017
	\$	\$
Salaries	1,157,500	746,141
Consulting fees	722,000	686,250
Bonus	4,660,000	175,000
Non-monetary benefits	115,642	144,084
Post-employment benefits	30,057	42,725
Termination payments	-	90,000
Share-based payments, representing share-based compensation	2,871,273	1,232,920
	9,556,472	3,117,120

30. Commitments and contingencies

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

	As at March 31, 2018	As at March 31, 2017
	\$	\$
Less than 1 year	173,920,286	202,680
1-5 years	272,592,796	819,878
More than 5 years	8,459,041	1,188,990
	454,972,123	2,211,728

The Group does not have any contingent liabilities.

31. Parent entity information

Information relating to Champion Iron Limited:

	As at March 31, 2018	As at March 31, 2017
	\$	\$
Current assets	5,717,189	7,183,616
Non-current assets	108,171,229	45,032,863
Total assets	113,888,418	52,216,479
Current liabilities	10,094,816	258,320
Non-current liabilities	38,699,128	-
Due to QIO	6,000,000	6,000,000
Total liabilities	54,793,944	6,258,320
Net assets	59,094,474	45,958,159
Issued capital	78,590,008	56,243,809
Reserves	9,078,918	4,932,824
Accumulated losses	(28,574,452)	(15,218,474)
Total equity	59,094,474	45,958,159

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	Years ended March 31,	
	2018	2017
	\$	\$
Loss of parent entity	11,606,453	3,064,812
Total comprehensive loss of the parent entity	11,606,453	3,064,812

32. Auditors remuneration

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

	Years ended March 31,	
	2018	2017
	\$	\$
<i>Ernst & Young Australian firm</i>		
Audit of the financial report	125,000	88,000
Review of interim financial statements	70,500	46,000
Remuneration consulting services	—	15,000
<i>Ernst & Young Canadian firm</i>		
Audit of the financial statements of QIO	155,000	25,000
Transaction advisory services	62,973	89,626
Preparation of income tax returns	24,650	10,000
	438,123	273,626

33. Segment information

The Company operates in one business segment being iron ore exploration and development in Canada. As the Company is focused on exploration, the Board monitors the Company based on actual versus budgeted exploration expenditure incurred by project. The internal reporting framework is the most relevant to assist the Board with making decisions regarding this Company and its ongoing exploration activities, while also taking into consideration the results of exploration work that has been performed to date.

34. Subsequent events

Other than as described in the notes to the financial report, no matter or circumstance has arisen since March 31, 2018 that has significantly affected, or may significantly affect:

- The Company's operations in the future financial years, or
- The results of those operations in future financial years, or
- The Company's state of affairs in future financial years.

35. Comparative figures

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