CHAMPION IRON

FINANCIAL REPORT

For the half year ended
September 30, 2018

COMPANY DIRECTORY

DIRECTORS	Michael O'Keeffe (Executive Chairman and Chief Executive Officer) Gary Lawler (Non-Executive Director) Andrew Love (Non-Executive Director) Michelle Cormier (Non-Executive Director) Wayne Wouters (Non-Executive Director) Jyothish George ((Non-Executive Director)
COMPANY SECRETARIES	Jorge Estepa and Pradip Devalia
REGISTERED & PRINCIPAL OFFICE	Level 1, 91 Evans Street Rozelle NSW 2039 Australia Telephone: +61 2 9810 7816 Facsimile: +61 2 8065 5017 Website: http://www.championiron.com ACN 119 770 142
AUDITORS	Ernst & Young 200 George Street Sydney NSW 2000 Australia
SHARE REGISTRIES	Security Transfer Registrars Pty Ltd Suite 1, Alexandria House 770 Canning Highway Applecross WA 6153 Telephone: +61 8 9315 2333 Facsimile: +61 8 9315 2233 TSX Trust Company 200 University Avenue, Suite 300 Toronto, ON, M5H 4H1 Canada Telephone: (416) 361-0930 Facsimile: (416) 361-0470
STOCK EXCHANGES	The Company's shares are listed on the Australian Stock Exchange (ASX) and Toronto Stock Exchange (TSX)
ASX CODE & TSX SYMBOL	CIA (Fully Paid Ordinary Shares)

Financial Report

For the Three and Six-month Periods Ended September 30, 2018

CHAMPION IRON

ASX: CIA - TSX: CIA

As at November 8, 2018

DIRECTORS	Michael O'Keeffe (Executive Chairman and Chief Executive Officer) Gary Lawler (Non-Executive Director) Andrew Love (Non-Executive Director) Michelle Cormier (Non-Executive Director) Wayne Wouters (Non-Executive Director) Jyothish George ((Non-Executive Director)
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The following Director's report of Champion Iron Limited. ("Champion Iron" or the "Company") has been prepared as of November 8, 2018. This Director's report is intended to supplement the condensed interim consolidated financial statements ("Financial Statements") for the three and six-month periods ended September 30, 2018 and related notes thereto, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), including IAS 34, Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB") and it should be read in conjunction with the Company's annual financial statements and Director's report for the year ended March 31, 2018.

Management is responsible for the preparation and integrity of its Financial Statements, including the maintenance of appropriate information systems, procedures and internal controls. Management is also responsible for ensuring that information disclosed externally, including the Financial Statements and Director's report , is complete and reliable.

All dollar figures stated herein are expressed in Canadian dollars, except for: (i) tabular amounts which are in millions of Canadian dollars; (ii) per share or per tonne amounts; or (iii) unless otherwise specified. Certain non-IFRS financial performance measures are included in this Director's report. The following abbreviations are used throughout this document: USD or US$ (United States dollar), CAD or CA$ (Canadian dollar), AISC (All-in sustaining costs), wmt (wet metric tonnes), dmt (dried metric tonnes), M (Million), km (kilometres) and m (metres).

The Financial Statements and other information pertaining to the Company are available on the ASX at www.asx.com and on its website at www.championIron.com.

This Director's report contains forward-looking statements. Particular attention should be given to the risk factors described in the "Risk Factors" section and to the "Cautionary note regarding forward-looking statements" section of this document.

The utilization of the "Company" or "Champion Iron", refers to Champion Iron Limited and/or one, or more, or all of its subsidiaries, as it may apply.

Non-IFRS financial performance measures

Champion Iron believes that these measures, in addition to conventional measures prepared in accordance with IFRS, provide investors an improved ability to evaluate the underlying performance of the Company. These measures are intended to provide additional information and should not be considered in isolation, or as a substitute for, measures of performance prepared in accordance with IFRS. These measures do not have any standardized meaning prescribed under IFRS, and therefore may not be comparable to other issuers. The non-IFRS financial performance measures included in this document are: total cash costs, all-in sustaining costs ("AISC"), average realized selling price and mining operating margin. For a detailed description of each of the non-GAAP measures used in this Director's report and a detailed reconciliation to the most directly comparable measure under International Financial Reporting Standards ("IFRS"), please refer to the "Non-IFRS financial performance measures" section of this Director's report included in note 15.

1. Description of Business

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

The Company continues to focus on improving the Bloom Lake mine and on organic growth by exploring and developing its large Bloom Lake property, which consists of a block of mining claims and leases. In addition, through its wholly-owned subsidiary Champion Iron Mines Limited (CIML), the Company owns interests in 9 properties (each a "Property"), covering approximately 752 square kilometres (collectively, the "Fermont Holdings") located in the Fermont Iron Ore District of northeastern Quebec. The Company also owns 100% of the Gullbridge-Powderhorn property located in Northern Central Newfoundland.

The Company's near-term strategy is to continue with operational improvements at the Bloom Lake mining operation while applying cost and capital discipline. With the mine now generating positive cash flow from operations, the Company is in a position to focus on strengthening its financial position and pursuing growth opportunities.

2. Second Quarter Highlights

	Commercial Production Three Months Ended September 30 2018[1]	Pre-Commercial Production Three Months Ended June 30 2018	Six Months Ended September 30 2018	Six Months Ended September 30 2017
Iron ore concentrate produced[2] (wmt)	1,858,300	1,542,900	3,401,200	-
Iron ore concentrate sold (dmt)	1,931,700	1,740,400	3,672,100	-
Financial Data (in thousands of dollars, except per share amounts)				
Sales	174,678	150,741	325,419	-
Operating income (loss)	77,238	40,517	117,755	(22,907)
Net income	67,497	20,749	88,246	(24,010)
Basic earnings per share attributable to shareholders	0.10	0.03	0.13	(0.04)
Diluted earnings per share attributable to shareholders	0.09	0.02	0.12	(0.04)
Cash and cash equivalent - end of period	97,866	71,679	97,866	1,315
Short-term investments	17,759	17,290	17,759	-
Total assets	582,637	477,513	582,637	196,920
Statistics (in dollars per dmt sold)				
Average realized selling price[3]	90.4	86.6	88.6	-
Total cash cost[3] (C1 cash cost)	45.2	55.0	49.8	-
All-in sustaining cost[3]	52.9	59.9	56.1	-

1 The Company considers that pre-commercial production operations at the Bloom Lake mine commenced on April 1, 2018 when the first shipment of high-grade iron ore concentrate was made and that commercial production began on June 30th, 2018.
2 First concentrate produced was in the fourth quarter of the fiscal year ended March 31, 2018 during commission of the processing plant which resulted in 623,300 tonnes of concentrate produced which are not presented in the table above.
3 Average realized selling price, total cash cost and all-in sustaining cost are non-IFRS financial performance measures with no standard definition under IFRS. See the "Non-IFRS financial performance measures" section of this Director's report included in note 15.

During the three-month period ended September 30, 2018, the Company:

- ✓ Achieved its first quarter of commercial production;
- ✓ Produced over 1,858,300 wmt of high-grade 66% iron ore concentrate and 4,024,500 wmt since the mine commenced operations;
- ✓ Achieved name plate capacity and record production of 648,400 wmt of iron ore concentrate during the month of September;
- ✓ Increased iron ore concentrate revenues by 16% with iron ore concentrate sold totalling $174.7 million compared to $150.7 million in the previous quarter;
- ✓ Incurred a total cash cost[4] of $45.2 per dmt sold and an all-in sustaining cost[4] of $52.9 per dmt sold;
- ✓ Generated operating cash flow[5] totalling $49.6 million for the six-month period;
- ✓ Generated a mining operating margin[4] of $45.2 per tonne compared to $31.6 per tonne in the first quarter of operation;
- ✓ Generated a net income of $67.5 million for the quarter;
- ✓ Generated a net income of $88.2 million for the six months ended September 30, 2018;
- ✓ Ended with cash on hand of $115.6 million and trade receivables of $86.4 million as period end, including two shipments totalling approximately $31.0 million (US$24.2 million) received on October 2, 2018;
- ✓ Commenced work on the Feasibility Study ("FS") of the Bloom lake mine Phase II expansion and appointed BBA to lead the study which is planned for completion in the second half of 2019;
- ✓ Intersected several zinc rich intervals as part of the exploration program at the Powderhorn property.

4 Total cash cost, mining operating margin and all-in sustaining cost are non-IFRS financial performance measures with no standard definition under IFRS. See the "Non-IFRS financial performance measures" section of this Director's report included in note 15.
5 Operating cash flow includes change in non-cash operating working capital.

3. Key Drivers and Trends

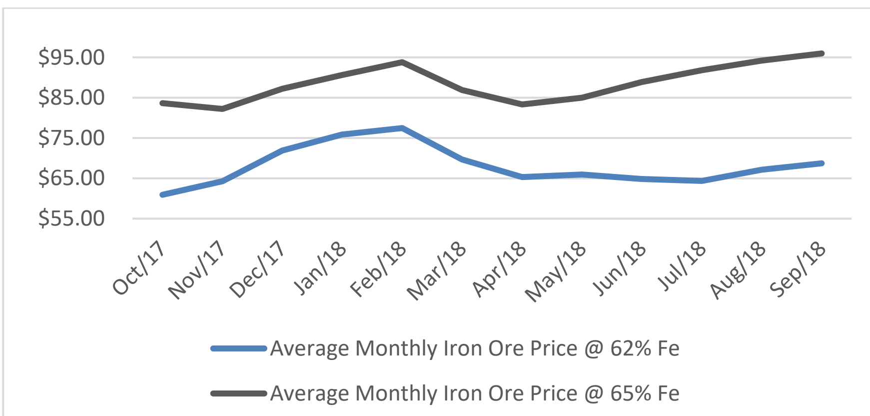
A. Iron Ore Concentrate Price

The price of iron ore concentrate is the most significant factor determining the Company's financial results. As such, cash flow from operations and the Company's development may, in the future, be significantly adversely affected by a decline in the price of iron ore concentrate. The iron ore concentrate price fluctuates on a daily basis and is affected by a number of industry and macroeconomic factors beyond the control of the Company.

Due to the high-quality nature of its 66.2% iron ore concentrate, the Company's sales attract a significant premium over the Platts 62% Index widely used as the reference price in the industry. During the three-month period ended September 30, 2018, the price of high-grade iron ore based on the Platts 65% Index fluctuated from a low of $89.5 per dmt to a high of $96.9 per dmt. The average iron ore P65 price was $93.9 per dmt for the period, an improvement of 10% over the previous quarter resulting in a premium of 41% over P62. The Company's equivalent realized price for the period US$92.5 per dmt before shipping. The premium captured by the Platts 65 Index is attributable to two main factors; steel mills are recognizing that higher iron ore grades offer a benefit to optimize output while significantly decreasing CO2 emissions. Additionally, as some major producers continue to experience operational challenges, the shortages in the market for high-grade sinter feeds also contribute to the upward pressure on high-grade iron ore prices.

Champion Iron is well positioned to benefit from higher iron ore prices as it has no hedging contracts in place and it is not subject to a net smelter royalty.

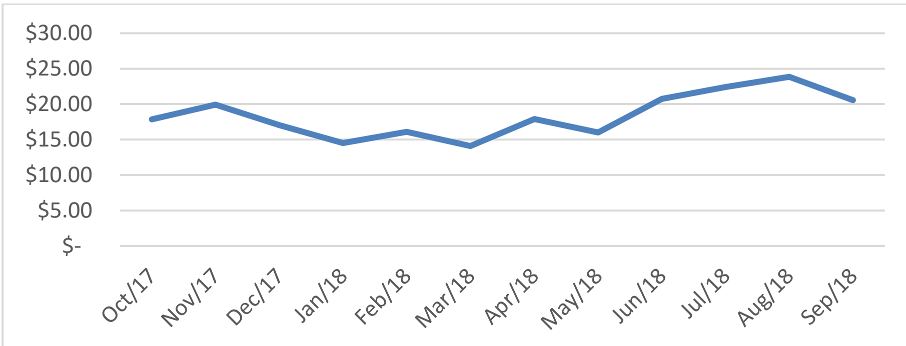
USD Sales of Iron ore Concentrate per dmt (As per Platts Index)



B. Sea Freight

The sea freight is an important component of the Company's cost structure as Champion Iron ships most of its concentrate to China and Japan. The common route for dry bulk material from the Americas to Asia is the Brazil to China route totalling 11,000 miles. The freight cost per tonne associated with this route is captured in the C3 Baltic Capesize Index ("C3"). There is no index for the port of Sept-Iles, Canada to China. The route from Sept-Iles to China totals about 14,000 miles and is subject to different weather conditions during the winter season, therefore the freight cost per tonne associated with this voyage is generally higher than the C3 price.

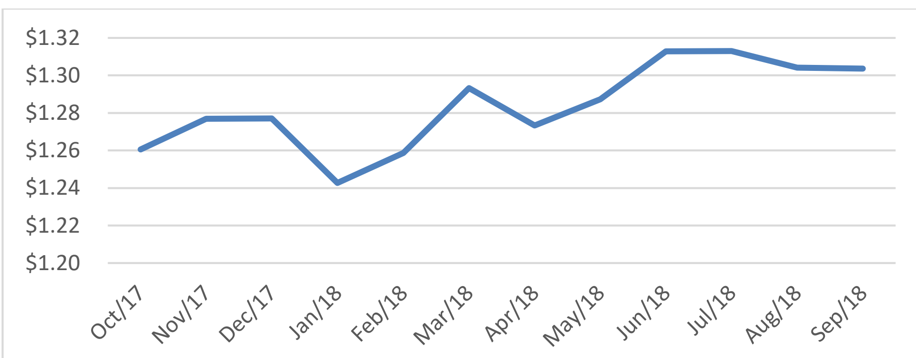
USD Sea Freight per wmt (Dry bulk index C3 – Brazil to China)



C. Currency

The Canadian dollar is the Company's reporting currency. The Company's sales, sea freight and credit facilities' costs are denominated in U.S. dollars. Consequently, the Company's operating results and cash flows are influenced by changes in the Canadian dollar against the U.S. dollar exchange rate. Currently, the Company has no hedging contracts in place and therefore has full exposure to the foreign exchange rate fluctuations.

Monthly exchange rate – CAD to USD



Apart from this and the risk factors noted in both the Company's 2018 Annual Information Form available on SEDAR at www.sedar.com, management is not aware of any other trends, commitments, events or uncertainties that would have a material effect on the Company's business, financial condition or results of operations.

4. Bloom Lake Mine Operating Activities[6]

	Commercial Production Three Months Ended September 30 2018	Pre-Commercial Production Three Months Ended June 30 2018	Six Months Ended September 30 2018
Operating Data			
Waste mined (wmt)	2,978,400	3,372,900	6,351,300
Ore mined (wmt)	5,204,900	4,647,900	9,852,800
Strip ratio	0.6	0.7	0.6
Ore milled (wmt)	4,964,200	4,244,000	9,208,200
Head grade (g/t)	32.0	31.1	31.6
Recovery (%)	79.6	77.1	78.5
Iron ore concentrate produced (wmt)	1,858,300	1,542,900	3,401,200
Iron ore concentrate sold (dmt)	1,931,700	1,740,400	3,672,100
Financial Data (in thousands of dollars)			
Sales	174,678	150,741	325,419
Cost of sales	87,265	95,767	183,032
Depreciation	4,084	4,425	8,509
Statistics (in dollars per dmt sold)			
Average realized selling price[7]	90.4	86.6	88.6
Total cash cost (C1 cash cost)[7]	45.2	55.0	49.8
All-in sustaining cost[7]	52.9	59.9	56.1

A. Operational Performance

The Company's iron ore concentrate production in the second quarter ended September 30, 2018 was driven by improved operating performance in both the mine and processing plant. During the quarter, over 8.2 million tonnes of material were mined compared to 8.0 million tonnes in the first quarter of the year. The ore tonnes mined increase when compared to previous quarter is due to higher productivity since declaring commercial production on June 30th, 2018 combined with a lower strip ratio when compared to the pre-production period.

During the six-month period ended September 30, 2018, 9.8 million tonnes of ore were extracted while the year to date strip ratio totalled 0.6.

The plant processed 4,964,200 tonnes of ore during the second quarter reaching a monthly production record of 648,400 wmt in September at an average head grade of 32.0 g/t Fe in the second quarter of 2018 compared to 4,244,000 tonnes of ore at 31.1 g/t Fe in the previous quarter. This 17% increase is a result of ongoing optimisation at the plant since commissioning. Although, the overall recovery was 79.6% during the quarter compared to 77.1% in the previous quarter, the processing plant reached recovery rates as high as 86% during the period. As a result, Champion Iron produced 1,858,300 tonnes of high-grade iron concentrate of 66.57% during its first quarter of commercial production, a 20% increase since its first full quarter of operations for a total of 3,401,200 tonnes since the beginning of the fiscal year ended March 31, 2019.

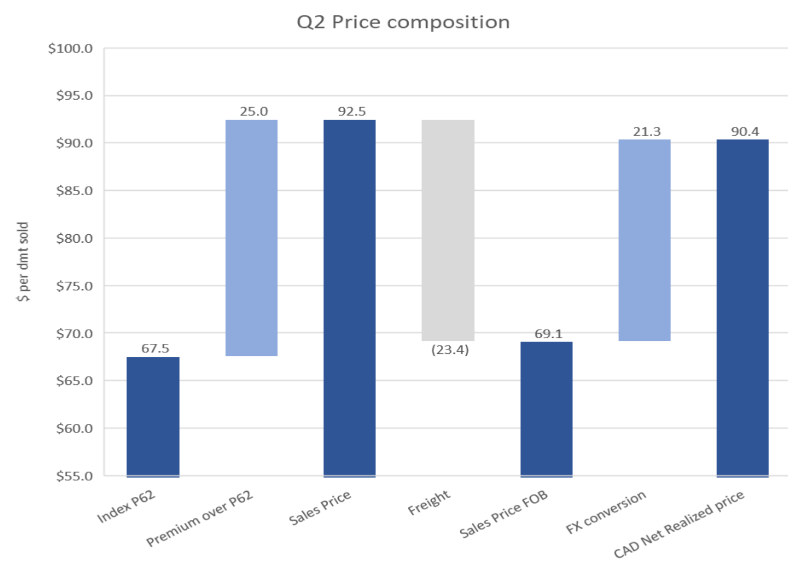
6 The Company considers that pre-commercial production operations at the Bloom Lake mine commenced on April 1, 2018 when the first shipment of high-grade iron ore concentrate was made and that commercial production began on June 30th, 2018.

7 Average realized selling price, total cash cost and all-in sustaining cost are non-IFRS financial performance measures with no standard definition under IFRS. See the "Non-IFRS financial performance measures" section of this Director's report included in note 15.

B. Financial Performance

The Company entered pre-commercial production on April 1, 2018 with the shipment of its first vessel to China and declared commercial production on June 30th, 2018. During its first quarter of commercial production, a total of 1,931,700 tonnes of high-grade iron ore concentrate were sold. During the period, Champion Iron realized net revenues totalling $174,678,000 for high-grade concentrate of 66.57% Fe representing a CFR China net realized price of US$92.5 per tonne before shipping or US$69.1 per tonne (CA$ 90.4 per tonne) net of sea freight costs. Revenues increased by 16% when compared to the first quarter as the volume sold increased by 11% while the average realized[8] iron ore concentrate price of $90.4 per tonne increased by 5% compared to the previous quarter. As a result, the Company generated $325,419,000 of revenue net of sea freight costs for its first six months of operations realizing a net average selling price[8] of $88.6 per tonne.

Net realized selling price from P62 to average realized price



Cost of sales represent mining, processing, and mine site-related general and administrative expenses. During the three-month period ended September 30, 2018, the total cash cost[8]or C1 cash cost[8] per tonne totalled $45.2 per tonne, which is well below the $55.0 per tonne processed achieved during the previous quarter. The variation is mainly due to higher head grade, higher recovery rate and higher throughput during the period combined with increased efficiency and fixed costs over higher volume as the operations reached commercial production. Consequently, the Company generated a mining operating margin[8] of $45.2 per tonne up 43% from $31.6 per tonne for the first quarter ended June 30, 2018 and $38.8 for the first six-month period ended September 30, 2018.

During the quarter ended on September 30, 2018, Champion Iron invested $12,875,000 in stripping and sustaining capital expenditures, representing a sustaining capital cost[8] per tonne sold of $6.7 while the Company invested $5,919,000 as sustaining capital cost[8] per tonne sold of $3.4 in the previous quarter. The variation is mainly attributable to the acceleration of the tailings related work before the end of the summer.

Based on the foregoing, the Company generated cash flow from operations[9] totalling $49,607,000 during the six-month period. For the quarter ended of September 30, 2018, the all-in sustaining costs[8] including general and administrative expenses totalled $52.9 per tonne of concentrate sold.

8 Average realized selling price, total cash cost or C1 cash cost, mining operating margin and all-in sustaining cost are non-IFRS financial performance measures with no standard definition under IFRS. See the "Non-IFRS financial performance measures" section of this Director's report included in note 15.
9 Operating cash flow includes change in non-cash operating working capital.

5. Organic Growth

Champion Iron's board of directors has approved a budget to undertake a feasibility study with respect to a potential expansion of the operations at its flagship asset the Bloom Lake mine ("Phase II"). The expansion would mainly involve the completion of construction work on a processing plant and other supporting infrastructure which was interrupted in November 2012 by the previous owner. The expansion aims at doubling the current operational capacity with a production of 7.5 million tonnes of high-grade 66% Fe concentrate. During the quarter ended on September 30, 2018, the Company appointed BBA (Montreal) to lead the study for which results are expected within the second half of 2019. A positive decision resulting from an economical feasibility study could translate in a construction period starting in late 2019 or early 2020 with first production expected in 2021. Phase II would create over 500 jobs during construction and 200 permanent operational jobs.

Expenditures totalling $470,000 were incurred on a year to date basis towards the feasibility study of the Bloom lake mine Phase 2 expansion.

6. Exploration Activities

In addition to the 63.2% interest in the Bloom Lake property, Champion Iron has a 100% interest in the 752 km^2 Fermont property located in the Fermont Iron Ore District of Northeastern Quebec and a 100% interest in the Gullbridge-Powderhorn property ("Powderhorn") in Northern Central Newfoundland. This 63 km^2 property is host to several Copper (Cu) and Zinc (Zn) showings and is at an early exploration stage. The Gullbridge Mine is a past copper producer and is located in the northern part of the property.

Exploration Program for fiscal year ending on March 31, 2019

The 2,887 metres drilling program in the Labrador trough targeted known iron mineralization areas at Peppler Lake ("Peppler") and Jean Lake. The drilling at Peppler will be used for geometallurgical testing of a magnetite-rich iron formation, while the drilling at Jean Lake will help define the extent of the known orebody and its correlation to geophysical data. The campaign started in June 2018 and ended in September 2018. For the three-month period ended September 30th, 2018, $993,000 was incurred in exploration costs for the Labrador trough deposits.

Several zinc-rich zones were intersected during the 4,166 metres drilling program completed in April 2018 at the Powderhorn property. The campaign was aimed at testing major electromagnetic targets to the south of the property. Due to encouraging results, Champion Iron decided to undertake a 12,000 metres drilling program which started in September 2018. The new program is designed to test and add geological data and details to the shallow zone to potentially identify a link between the different Zn-rich zones and the distribution of the copper mineralization as well as to confirm the continuity of the zinc mineralization. The exploration program at Powderhorn targets the same volcanic units that host the Buchans Mine, located 60 km away, a rich volcanogenic massive sulphide deposit. To date approximately 4,500 metres were drilled. For the six-month period ended September 30th, 2018, $170,000 were incurred for Powderhorn property.

7. Review of Financial Results

A. Mining Operating Profit

The Company entered pre-commercial production on April 1, 2018 with the shipment of its first vessel to China and declared commercial production on June 30th, 2018. As a result, there are no comparative figures for the same periods the year prior.

During the second quarter of 2018, revenues totalled $174,678,000 (Q1 $150,741,000) while cost of sales totalled $87,265,000 (Q1 $95,767,000). The increase in sales over the first quarter is primarily due to increased production driven by higher recovery rate as the operation declared commercial production on June 30th, 2018 and a higher net average realized iron ore concentrate price (5%) over the previous quarter. During the period, the Company achieved a total cash cost (C1)[10] per tonne of $45.2 representing a mining operating margin[10] of $45.2 an increase of 44% over the previous quarter.

During the six-month period ended September 30, 2018, revenues totalled $325,419,000 and cost of sales $183,032,000. During the period, the Company achieved a total cash cost[10] per tonne sold of $49.8 representing a mining operating margin of $38.8 per tonne sold.

10 Average realized selling price, total cash cost (C1) and all-in sustaining cost are non-IFRS financial performance measures with no standard definition under IFRS. See the "Non-IFRS financial performance measures" section of this Director's report included in note 15.

For more information on the total cash costs[10] see the financial performance of the Mine Operating Activities section of this Director's report. Depreciation for the second quarter of 2018 totalled $4,084,000 compared to $4,425,000 in the first quarter of 2018. The decrease in depreciation, despite higher iron ore concentrate sold, is due to higher depreciation per tonne at the beginning of fiscal year 2019 when full capacity was not yet reached. The depreciation per tonne was higher then as the amortization of mining equipment and railcars are amortized on a straight-line basis, regardless of production. Depreciation expense compared to the same period last year is a result of a higher asset base further the completion of the construction project at the Bloom Lake mine combined with a higher throughput in the processing facility.

The amount of depreciation taken for the six-month period of 2018 was $8,509,000 compared to $2,181,000 in the same period in 2017 as the Company completed the construction of the Bloom Lake mine as of February 2018.

As a result, the Company's gross operating margin for its first quarter of commercial production totalled $83,329,000 and $133,878,000 since the shipment of its first vessel on April 1, 2018.

B. General and Administrative Expenses

General and administrative expenses totalled $1,926,000 for the second quarter ended September 30, 2018 compared $755,000 for the same period the year prior. The increase is mainly driven by increased activities related to the transition from a development stage company to a high-grade iron ore producer. For similar reasons, general and administrative expenses for the six-month ended September 30, 2018 are higher than for the comparative period the prior year.

C. Sustainability and Other Community Expenses

Sustainability and other community expenses are composed mainly of community taxes such as property and school taxes and expenditures related to the Impact and Benefits Agreement with the First Nations ("IBA"). As the Company declared commercial production on June 30th, 2018, IBA expenditures were not due in the first quarter of operations while the remaining costs were either capitalized or included in ramp-up costs as the Company was reaching its full operating capacity.

D. Share-Based Payment

Share-based payments are not an item affecting the Company's cash on hand. The variation period over period is essentially due to the volatility of the stock price at the time of the grant of the stock option or share rights and the amortization profile of the grants made to management from time to time.

E. Restart Costs

Restart costs relate to expenditures incurred to commission the processing facility. As the Company reached commercial production on June 30th, 2018 these costs ceased.

F. Net finance costs

Net finance costs totalled $7,106,000 for the second quarter compared to an income of $271,000 for the same period in 2017. Higher interest expenses and accretion of borrowing costs incurred in association with the utilization of the Credit Facilities are a contributing factor to the increase in financial expenses. The decrease in the fair value of investments in common shares also contributed to increase the finance costs. At the opposite, the change in fair value of the derivative liabilities and a foreign exchange gain had a positive impact on finance cost during the second quarter of 2018.

G. Income Tax Expense

The current income tax expense represents mining duties tax as the Company was making a profit from its operations in QIO.

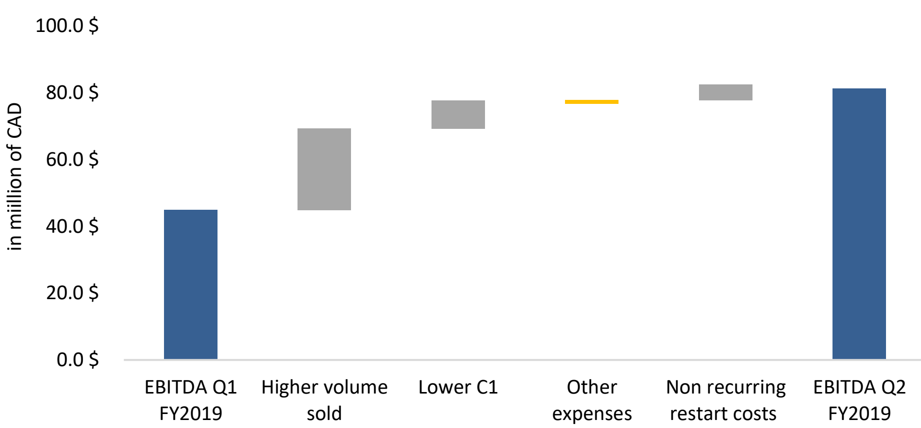
As a result of the Bloom Lake mine reaching commercial production on June 30, 2018 and the estimated levels of taxable income for the year to date and 2019 financial year periods, Champion Iron determined that the criteria for recognition of a deferred tax asset related to previously unrecognised tax losses had been met. Accordingly, a deferred tax asset has been recognised as well as a related deferred income tax recovery.

H. Net Income & EBITDA[11]

The Company's net income for the three-month period ended September 30, 2018 totalled $67,497,000 or income per share of $0.10 compared to a net loss of $14,532,000 or a loss of $0.03 per share for the three-month period ended September 30, 2017. Net income for the six-month period ended September 30, 2018 totalled $88,246,000 or income per share of $0.13 compared to a net loss of $24,010,000 or a loss of $0.04 per share of the six-month period ended September 30, 2017.

As a result, during the second quarter of 2018 the Company generated earnings before interest, taxes, depreciation and amortization ("EBITDA")[11] of $81,321,000 for its first quarter of commercial production representing an improvement of 81% over the EBITDA[11] achieved during the first quarter.

EBITDA Q1 vs Q2 2019



I. Income Attributable to Non-Controlling Interest

For the three and six-month periods ended September 30, 2018, the income attributable to the non-controlling interest ("NCI") was $25,961,000 and $35,690,000 respectively, (2017: ($4,651,000) and ($7,031,000)). The Government of the province of Quebec, through Ressources Québec, Canada holds a 36.8% interest in QIO and as such, is considered Champion Iron's NCI.

8. Other Comprehensive Income

For the three and six-month periods period ended September 30, 2018, other comprehensive income amounted to $555,000 and a credit of $124,000 respectively (2017: $1,300,000 and $2,240,000). The variation between periods is essentially related to the effects of the foreign exchange rate of Australian dollars or US dollars to Canadian dollars at the end of the reporting period as it relates to the legal entities which have a different functional currency than the presentation currency of the Company.

11 Earnings before interest, taxes and depreciation and amortization (''EBITDA'') is a non-IFRS financial performance measures with no standard definition under IFRS. See the "Non-IFRS financial performance measures" section of this Director's report included in note 15.

9. Cash Flows

The following table summarizes cash flow activities:

(in thousands of dollars)	For the six-month Period Ended September 30 2018	For the six-month Period Ended September 30 2017
Cash flow		
Operations	118,140	(20,395)
Changes in non-cash working capital	(68,533)	4,119
Operating activities	**49,607**	**(16,276)**
Financing activities	69,462	25,478
Investing activities	(28,807)	(9,645)
Change in Cash and Cash Equivalents During the Period	**90,262**	**(443)**
Effect of foreign exchange rates on cash	(291)	(105)
Cash and Cash Equivalents, Beginning of Period	**7,895**	**1,863**
Cash and Cash Equivalents, End of Period	**97,866**	**1,315**

Operating

During the six-month period ended September 30, 2018, the Company generated operating cash flow of $118,140,000 before change in non-cash working capital while it required $20,395,000 in the comparative period. The variation is essentially due to operating profit since the pre-commercial production and the shipment of the first vessel of iron ore concentrate to China on April 1, 2018.

The non-cash working capital variation was affected by various factors over the period. The main contributor to the increase is the higher receivables balance totalling $108,180,000 million resulting from shipments to end buyers during the period. If the Company had receipt funds associated with two shipment on September 30, 2018 instead of October 2, 2018, the cash and cash equivalents at the end of the period would have totalled approximately $129 million. The decrease in accounts payable as the Company completed the final payments of the construction projects along with the decrease of inventories and current income tax payable associated with a company in production contributed to the changes in the non-cash operating working capital.

Financing

The financing activities for the six-month period ended September 30, 2018 consisted primarily of drawdowns totalling $74,195,000. During the quarter, the Company paid $4,564,000 to Sprott Private Resource Lending (Collector), LP ("Sprott") as per the production payment agreement (''PPA''). As per the PPA agreement, Sprott was entitled to receive $US 0.125 per tonne for the first 30 million tonnes of iron produced or, as cancellation fees, could receive the discounted amount as per the date of the payment (at 5%). Champion Iron elected to pay the discounted amount in September 2018. This amount is accounted for in deduction of the long-term debt and depreciated in net finance costs based on the sales forecast of the first 30,000,000 dmt sold.

In the corresponding period, funds to advance the Bloom Lake mine construction project were advanced through a bridge loan of $16,000,000 repaid at the end of 2017, an initial advance of $10,000,000 was made by Glencore International AG under its convertible debenture and a QIO private placement totalling $5,152,000.

The remaining financing activities related to the exercise of stock options and financing transaction costs.

Investing

During the six-month period ended September 30, 2018, the Company invested $26,487,000 in cash for addition to property, plant and equipment which mainly related to $4,742,000 in deferred stripping activities, $11,395,000 for tailing lifts and $10,350,000 to bring the mine to full capacity. In 2017, the investment reflected activities associated with the construction of the Bloom Lake mine and advance payments to secure the shipping capacity at the port in agreement with the agreement.

10. Financial Position

As at September 30th, 2018, the Company held $97,866,000 in cash and cash equivalents. With the existing cash balance and our forecasted cash flows from operations, the Company is well positioned to fund all of its cash requirements for 2019, which relate primarily to the following activities:

- Sustaining capital expenditures
- Exploration programs
- Beginning of reimbursement of long-term debt - Sprott

(in thousands of dollars)	As at September 30 2018	As at March 31 2018
Cash and cash equivalents	97,866	7,895
Short-term investment	17,759	17,291
Cash on hand	**115,625**	**25,186**
Other current assets	152,475	89,907
Total Current Assets	**268,100**	**115,093**
Property, plant and equipment ("PP&E")	192,471	172,719
Exploration and evaluation asset	73,989	72,137
Other non-current assets	48,077	41,767
Total Assets	**582,637**	**401,716**
Total Current Liabilities	**134,886**	**109,410**
Long-term debt	199,267	141,225
Derivative financial instruments	25,237	24,683
Rehabilitation obligation	35,989	35,893
Other non-current liabilities	42,171	36,057
Total Liabilities	**437,550**	**347,268**
Equity attributable to equity shareholders	**108,574**	53,625
Non-controlling interests	**36,513**	823
Total Equity	**145,087**	**54,448**
Total Liabilities and Equity	**582,637**	**401,716**

The Company's total assets as at September 30, 2018 increased by $180,921,000 when compared to March 31, 2018. The 45% increase is mainly driven by a higher cash balance and the mining operating margin of $38.8 per tonne of high-grade iron ore concentrate sold resulting in higher trade receivables. At the end of the period, trade receivables were $86,400,000. Immediately subsequent to the period end, payments totalling US$24,200,000 (CA$31,000,000) were received for two shipments.

Total liabilities increased because of the debt drawdown and as a result of higher income tax payable associated with mining duties liabilities related to the profit realized since the start of the operations. The variation in equity is mainly the result of the Company's net income totalling $88,246,000 achieved since it shipped its first vessel full of high-grade iron concentrate on April 1, 2018.

11. Financial Risk Factors

The Company's risk exposure and impact on the Company's financial instruments are summarized in note 28 of its annual consolidated financial statements for the year ended March 31, 2018.

12. Commitments

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

(in thousands of dollars)	As at September 30 2018	As at March 31 2018
Less than 1 year	122,819	173,920
1-5 years	218,325	272,593
More than 5 years	96,527	8,459
	437,671	**454,972**

The Company does not have any contingent liabilities.

13. Critical Accounting Estimates and Judgements

The Company's significant accounting judgments, estimates and assumptions are summarized in note 3 of its annual consolidated financial statements for the year ended March 31, 2018 filed on SEDAR at www.sedar.com on June 29th, 2018.

14. New Accounting Standards Issued and Adopted by the Company

Except as described below, the accounting policies applied by the Company in these financial statements are the same as disclosed in note 2 of its annual consolidated financial statements for the year ended March 31, 2018 filed on SEDAR at www.sedar.com on June 29th, 2018.

New Standards Adopted by the Company and Changes in Accounting Policies

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

IFRS 9, Financial Instruments ("IFRS 9")

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

IFRS 15, Revenue from Contracts with Customers ("IFRS 15")

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

New Standards and Interpretations not Yet Adopted

Australian Accounting Standards and International Financial Reporting Standards that have been issued but are not yet effective have not been adopted by the Company for the quarter ended September 30, 2018.

IFRS 16, Leases ("IFRS 16")

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

- performing a full review of all agreements to assess whether any additional contracts will become lease contracts under IFRS 16's new definition of a lease;
- 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 is assessing the additional disclosures that will be required.

15. Non-IFRS Financial Performance Measures

The Company has included certain non-IFRS measures in this document. The Company believes that these measures, in addition to conventional measures prepared in accordance with IFRS, provide investors an improved ability to evaluate the underlying performance of the Company. The non-IFRS measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. These measures do not have any standardized meaning prescribed under IFRS, and therefore may not be comparable to other issuers.

A. Total Cash Cost

''Total cash costs'' is a common financial performance measure in the iron ore mining industry but with no standard meaning under IFRS. Champion Iron reports total cash costs on a sales basis. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, such as sales, certain investors use this information to evaluate the Company's performance and ability to generate operating earnings and cash flow from its mining operations. Management uses this metric as an important tool to monitor operating cost performance. Total cash costs include production costs such as mining, processing, and site administration, less depreciation to arrive at total cash costs per dmt sold. Other companies may calculate this measure differently.

	Three Months Ended September 30 2018	Three Months Ended June 30 2018	**Six Months Ended September 30 2018**
Per tonne sold			
Iron ore concentrate sold (dmt)	**1,931,700**	1,740,400	**3,672,100**
(in thousands of dollars except per ounce)			
Cost of sales	**87,265**	95,767	**183,032**
Total cash cost (per tonne sold)	**45.2**	55.0	**49.8**

B. All-in Sustaining Cost (''AISC'')

The Company believes that AISC defines the total costs associated with producing iron ore concentrate more accurately. The Company calculates AISC as the sum of total cash costs (as described above), general and administrative expense and sustaining capital, including deferred stripping, all divided by the iron ore concentrate dmt sold to arrive at a per dmt figure. Other companies may calculate this measure differently as a result of differences in underlying principles and policies applied. Differences may also arise due to a different definition of sustaining versus non-sustaining capital.

As this measure intends to represent the cost of selling Iron ore concentrate from current operations, it does not include capital expenditures attributable to development projects or mine expansions including economic evaluations for such projects, non-cash share-based payments, exploration expenses that are not sustainable in nature, income tax payments, working capital defined as current assets less current liabilities (except for inventory adjustments) or interest costs.

The table below shows a reconciliation of all-in sustaining cost per ounce to costs as extracted from the consolidated financial statements:

	Three Months Ended September 30 2018	Three Months Ended June 30 2018	**Six Months Ended September 30 2018**
Per tonne sold			
Iron ore concentrate sold (dmt)	**1,931,700**	1,740,400	**3,672,100**
(in thousands of dollars except per tonne)			
Cost of sales	**87,265**	95,767	**183,032**
Sustaining capital expenditure	**12,875**	5,919	**18,794**
General and administrative expenses	**1,926**	2,580	**4,506**
	102,066	104,266	**206,332**
All-in Sustaining Cost (per tonne sold)	**52.9**	59.9	**56.1**

C. Average realized selling price and mining operating margin

Average realized price and average realized margin per dmt sold are used by management to better understand the iron ore concentrate price and margin realized throughout a period. Average realized price is calculated as metal sales per the statement of comprehensive earnings. Average realized margin represents average realized price per iron ore concentrate dmt sold less total cash cost per ounce sold.

	Three Months Ended September 30 2018	Three Months Ended June 30 2018	**Six Months Ended September 30 2018**
Per tonne sold			
Iron ore concentrate sold (dmt)	**1,931,700**	1,740,400	**3,672,100**
(in thousands of dollars except per ounce)			
Sales	**174,678**	150,741	**325,419**
Average realized selling price (per tonne sold)	**90.4**	86.6	**88.6**
Total cash cost (per tonne sold)	45.2	55.0	49.8
Mining operating margin (per tonne sold)	**45.2**	31.6	**38.8**

D. Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA")

The following table sets forth the calculation of EBITDA, a non-IFRS measure which the Company believes to be relevant to assess the Company's operating performance.

	Three Months Ended September 30 2018	Three Months Ended September 30 2017	**Six Months Ended September 30 2018**	Six Months Ended September 30 2017
(in thousands of dollars)				
Net income (loss)	**67,497**	(14,532)	**88,246**	(24,010)
Net finance costs (income)	**7,106**	(271)	**21,345**	1,104
Current income tax expense	**11,974**	-	**17,504**	-
Deferred income tax recovery	**(9,340)**	-	**(9,340)**	-
Depreciation	**4,084**	1,090	**8,509**	2,181
EBITDA	**81,321**	(13,713)	**126,264**	(20,725)

16. Share Capital Information

The Company's authorized share capital is unlimited ordinary shares without par value. As of November 8, 2018, there are 419,319,747 ordinary shares outstanding. In addition, there are 93,383,333 ordinary shares issuable on the exercise of 32,050,000 options and 83,383,333 shares issuable from derivatives instruments with dilutive impact.

17. Summary of Quarterly Results

The following information is derived from and should be read in conjunction with the unaudited condensed interim consolidated financial statements for each of the past eight quarters. All amounts are stated in millions of dollars except for the net income (loss) per share.

	Q2 2019 $	**Q1 2019 $**	**Q4 2018 $**	**Q3 2018 $**	**Q2 2018 $**	**Q1 2018 $**	**Q4 2017 $**	**Q3 2017 $**
Financial Results ($ millions)								
Revenue	174.7	150.7	-	-	-	-	-	-
Operating profit (loss)	77.2	40.6	(0.9)	(1.1)	(1.1)	(1.1)	(0.8)	(0.6)
Net profit (loss)	67.5	20.7	(30.9)	(54.1)	(14.5)	(7.8)	(13.8)	(7.2)
Net profit (loss) attributable to shareholders	41.5	11.0	(21.9)	(37.3)	(9.9)	(5.4)	(8.7)	(4.9)
Income (loss) per share - basic	0.10	0.03	(0.05)	(0.09)	(0.03)	(0.01)	(0.02)	(0.02)
Income (loss) per share - diluted	0.09	0.02	(0.05)	(0.09)	(0.03)	(0.01)	(0.02)	(0.02)

18. Risk Factors

Champion Iron is subject to several risks and uncertainties which could have a material adverse impact on its operations, its financial condition and the trading price of its shares. For the full description necessary to understand these risks and uncertainties the reader is directed to note 28 of the annual financial statements as well as the risks section of the Annual Information Form for the year ended March 31, 2018, which were filed on SEDAR at www.sedar.com on June 29th, 2018. Careful attention should also be paid to the section in this DIRECTORS" REPORT entitled "Cautionary Note Regarding Forward Looking Statements".

19. Management Responsibility for Financial Statements

The Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") are responsible for establishing and maintaining disclosure controls and procedures ("DC&P") and internal controls over financial reporting ("ICFR"), as those terms are defined in National Instrument 52-109 for the Company.

The Company's CEO and the CFO certify that the Company's DC&P have been designed to provide reasonable assurance that material information relating to the Company is made known to them by others, particularly during the period in which interim filings are being prepared; and information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. They also certify that the Company's ICFR have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

During the current period there have been no changes in the Company's DC&P or ICFR that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. The Company's management, including the CEO and CFO, believe that any disclosure controls and procedures and internal controls over financial reporting, no matter how well designed, can have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance that the objectives of the control system are met.

20. Approval

The Board of Directors oversees management's responsibility for financial reporting and internal control systems through an Audit Committee. This Committee meets quarterly with management and quarterly with the Company's independent auditors to review the scope and results of the annual audit and quarterly reviews, respectively, and to review the financial statements and related financial reporting and internal control matters before the financial statements are approved by the Board of Directors and submitted to the shareholders. The Board of Directors has approved the Financial Statements and the disclosure contained in this Director's report. A copy of this Director's report will be provided to anyone who requests it.

21. Nature of Securities

The purchase of the Company's securities involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks. The Company's securities should not be purchased by persons who cannot afford the possibility of the loss of their entire investment. Furthermore, an investment in the Company's securities should not constitute a major portion of an investor's portfolio.

22. Additional Information

Additional information related to the Company is available for viewing on SEDAR at www.sedar.com and at the Company's website at www.championiron.com.

23. Cautionary Note Regarding Forward Looking Statements

This Director's report contains certain information and statements, which may be deemed "forward-looking statements" within the meaning of applicable securities laws (collectively referred to herein as "forward-looking statements"). All statements in this Director's report, other than statements of historical fact, that address future events, developments or performance that Champion Iron expects to occur including management's expectations regarding (i) the Company's growth; (ii) the potential expansion of the operations at Champion Iron's flagship asset the Bloom Lake Mine; (iii) the estimated future operation capacity of the Bloom Lake Mine; (iv) the anticipated construction schedule for a potential expansion of the Bloom Lake Mine; (v) the anticipated production schedule for such potential expansion of the Bloom Lake Mine; and (vi) the potential job creation related to the Bloom Lake Mine, are forward-looking statements. Forward-looking statements are statements that are not historical facts and are generally, but not always, identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates", "aims" "targets", or "believes", or variations of, or the negatives of, such words and phrases or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved including, without limitation, the results of the feasibility study with regards to the potential expansion of the Bloom Lake Mine. Although Champion Iron believes the expectations expected in such forward-looking statements are based on reasonable assumptions, such forward-looking statements involve known and unknown risks, uncertainties and other factors, most of which are beyond the control of the Company, which may cause the Company's actual results, performance or achievements to differ materially from those expressed or implied by such forward-looking statements. Factors that could cause the actual results to differ materially from those in forward-looking statements include, without limitation: the results of the feasibility study; project delays; continued availability of capital and financing and general economic, market or business conditions; general economic, competitive, political and social uncertainties; future prices of Iron Ore; failure of plant, equipment or processes to operate as anticipated; delays in obtaining governmental approvals, necessary permitting or in the completion of development or construction activities, as well as those factors discussed in the section entitled "*Risk Factors*" of the Company's 2018 Annual Information Form available on SEDAR at www.sedar.com. The forward-looking statements in this Director's report are based on assumptions management believes to be reasonable and speak only as of the date of this Director's report or as of the date or dates specified in such statements. Champion Iron cautions that the foregoing list of risks and uncertainties is not exhaustive. Investors and others should carefully consider the above factors as well as the uncertainties they represent and the risk they entail. Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company's ability to predict or control.

The forward-looking statements contained herein are made as of the date hereof, or such other date or dates specified in such statements. Champion Iron undertakes no obligation to update publicly or otherwise revise any forward-looking statements contained herein whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements.

PRESENTATION OF HALF-YEARLY FINANCIAL REPORT

The Board of Directors of Champion Iron Limited present herewith the consolidated financial report of the entity for the half year ended September 30, 2018. In order to comply with the provisions of the C*orporations Act 2001*, the Directors report as follows:

Directors

The Directors of the Company at any time during or since the end of the half year are:

Director	Position	Note
Michael O'Keeffe	Executive Chairman and Chief Executive Officer	
Gary Lawler	Non-executive Director	Independent director
Andrew Love	Non-executive Director	Independent director
Michelle Cormier	Non-executive Director	Independent director
Wayne Wouters	Non-executive Director	Independent director
Jyothish George	Non-executive Director	Independent director

Company Secretaries

Pradip Devalia Company Secretary-Australia
Jorge Estepa Company Secretary-Canada

Principal Activity

The Company's principal activity is the exploration, development and production of iron ore properties in Québec, Canada.

Results of Operation

The Company generated an net income for the half year ended September 30, 2018 of $88,246,000 (2017: net loss of $24,010,000).

Consolidation

The Company has prepared the financial report as a consolidated entity.

Auditor's Independence Declaration

Ernst & Young are the auditors of the Company. A copy of their auditor's independence declaration for the half-year ended September 30, 2018 as required under section 307C of the *Corporations Act 2001* is set out on page 9 and forms part of this Directors' Report.

Signed in accordance with a resolution of the Directors made pursuant to section 306(3) of the *Corporations Act 2001*.

Executive Chairman
Sydney, New South Wales
November 8, 2018

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Champion Iron Limited, I state that:

In the Opinion of the Directors:

a) the financial statements and notes of the Company are in accordance with the *Corporations Act 2001*, including:
   (i) giving a true and fair view of the financial position as at September 30, 2018 and the performance for the half year ended on that date, and

   (ii) complying with Accounting Standard AASB 134: *"Interim Financial Reporting*".

b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors

Michael O'Keeffe, Executive Chairman | **Andrew Love, Non-Executive Director**

Sydney, New South Wales

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

As lead auditor for the review of Champion Iron Limited for the half-year ended 30 September 2018, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

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

Ernst & Young

Ryan Fisk
Partner
Sydney
8 November 2018

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Champion Iron Limited (the Company) and its subsidiaries (collectively the Group), which comprises the condensed statement of financial position as at 30 September 2018, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not 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 30 September 2018 and of its consolidated financial performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 30 September 2018 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Building a better working world

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Ernst & Young

Ryan Fisk
Partner
Sydney
8 November 2018

Champion Iron Limited

(ACN: 119 770 142)

Condensed Interim Consolidated Financial Statements
September 30, 2018
(Expressed in Canadian Dollars)
(Unaudited)

Champion Iron Limited
Consolidated Statements of Financial Position
September 30, 2018 and 2017

(Expressed in Canadian Dollars)
(Unaudited)

	Notes	As at September 30, 2018 $	As at March 31, 2018 $
Assets			
Current			
Cash and cash equivalents		97,866,101	7,894,505
Short-term investments	**3**	17,758,529	17,290,729
Receivables	**4**	108,179,907	25,839,669
Prepaid expenses and advances	**5**	14,652,706	15,897,677
Inventories	**6**	29,642,414	48,170,918
		268,099,657	115,093,498
Non-current			
Investments	**7**	2,596,000	4,250,000
Advance payments	**8**	35,022,143	37,516,981
Property, plant and equipment	**9**	192,470,946	172,719,132
Exploration and evaluation assets	**10**	73,988,644	72,136,511
Deferred tax asset	**21**	10,459,479	-
		582,636,869	401,716,122
Liabilities			
Current			
Accounts payable and accrued liabilities	**11**	44,002,192	63,180,892
Income tax payable	**21**	17,503,904	-
Convertible debenture, Altius	**12**	9,687,739	9,790,998
Current portion of long-term debt	**14**	23,449,949	-
Current portion of convertible debenture, Glencore	**15**	3,660,800	-
Note payable	**9**	36,581,884	36,437,761
		134,886,468	109,409,651
Non-current			
Property taxes payable	**13**	20,882,520	16,275,960
Long-term debt	**14**	199,267,170	141,225,222
Convertible debenture, Glencore	**15**	14,403,165	14,016,128
Derivative liabilities	**15**	25,237,000	24,683,000
Royalty payable	**16**	300,000	300,000
Rehabilitation obligation	**17**	35,989,491	35,893,491
Deferred tax liability	**21**	6,584,224	5,464,713
		437,550,038	347,268,165
Shareholders' Equity			
Capital stock	**18**	227,279,130	224,336,103
Contributed surplus		20,777,652	21,203,767
Warrants		17,730,000	17,730,000
Foreign currency translation reserve		454,262	578,455
Non-controlling interest		36,513,023	822,684
Accumulated deficit		(157,667,236)	(210,223,052)
		145,086,831	54,447,957
		582,636,869	401,716,122

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

Champion Iron Limited
Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
September 30, 2018 and 2017
(Expressed in Canadian Dollars)
(Unaudited)

	Notes	3 Months Ended September 30, 2018 $	3 Months Ended September 30, 2017 $	6 Months Ended September 30, 2018 $	6 Months Ended September 30, 2017 $
Revenue	19	174,678,421	-	325,419,239	-
Cost of sales	20	87,265,275	-	183,032,145	-
Depreciation		4,084,469	1,090,098	8,509,077	2,180,580
Gross operating margin		**83,328,677**	**(1,090,098)**	**133,878,017**	**(2,180,580)**
Expenses					
Share-based compensation		743,751	1,116,423	1,066,912	1,836,855
General and administrative expenses	20	1,926,402	755,269	4,505,738	1,555,853
Restart costs		-	11,470,047	4,497,395	16,882,489
Sustainability and other community expenses	20	3,420,861	-	6,052,725	-
Exploration and evaluation		-	371,290	-	450,747
Operating income (loss)		**77,237,663**	**(14,803,127)**	**117,755,247**	**(22,906,524)**
Net finance costs (income)	20	7,106,253	(270,990)	21,345,156	1,103,619
Income (loss) before income tax		**70,131,410**	**(14,532,137)**	**96,410,091**	**(24,010,143)**
Current income tax	21	11,974,161	-	17,503,904	-
Deferred income tax	21	(9,339,968)	-	(9,339,968)	-
Net income (loss) for the year		**67,497,217**	**(14,532,137)**	**88,246,155**	**(24,010,143)**
Item that may be reclassified in future years to the statement of income					
Net movement in foreign currency translation reserve		555,278	1,299,870	(124,193)	2,240,153
Comprehensive income (loss)		**68,052,495**	**(13,232,267)**	**88,121,962**	**(21,769,990)**
Income (loss) attributable to:					
Equity holders of Champion		41,536,287	(9,880,960)	52,555,816	(16,978,952)
Non-controlling interest		25,960,930	(4,651,177)	35,690,339	(7,031,191)
Income (Loss)		**67,497,217**	**(14,532,137)**	**88,246,155**	**(24,010,143)**
Comprehensive income (loss) attributable to:					
Equity holders of Champion		42,091,565	(8,581,090)	52,431,623	(14,738,799)
Non-controlling interest		25,960,930	(4,651,177)	35,690,339	(7,031,191)
Comprehensive income (loss)		**68,052,495**	**(13,232,267)**	**88,121,962**	**(21,769,990)**
Earnings (loss) per share					
Basic	22	0.10	(0.03)	0.13	(0.04)
Diluted	22	0.09	(0.03)	0.12	(0.04)

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

Champion Iron Limited
Consolidated Statements of Changes in Equity
September 30, 2018 and 2017
(Expressed in Canadian Dollars)
(Unaudited)

	Ordinary Shares		Contributed		Foreign Currency	Non-Controlling	Accumulated	
	Shares	$	Surplus $	Warrants $	Translation $	Interest $	Deficit $	Total $
Balance, March 31, 2018	414, 617, 847	224,336,103	21,203,767	17,730,000	578,455	822,684	(210,223,052)	54,447,957
Income	-	-	-	-	-	35,690,339	52,555,816	88,246,155
Other comprehensive income	-	-	-	-	(124,193)	-	-	(124,193)
Total comprehensive income	-	-	-	-	(124,193)	35,690,339	52,555,816	88,121,962
Exercise of stock options	3,950,000	1,943,000	(493,000)	-	-	-	-	1,450,000
Exercise of share rights	751,900	1,000,027	(1,000,027)	-	-	-	-	-
Share-based compensation	-	-	1,066,912	-	-	-	-	1,066,912
Balance, September 30, 2018	419,319,747	227,279,130	20,777,652	17,730,000	454,262	36,513,023	(157,667,236)	145,086,831
Balance, March 31, 2017 (Restated*)	385,934,339	201,989,902	20,120,494	-	588,200	2,362,819	(130,283,362)	94,778,053
Loss	-	-	-	-	-	(7,031,191)	(16,978,952)	(24,010,143)
Other comprehensive loss	-	-	-	-	2,240,153	-	-	2,240,153
Total comprehensive loss	-	-	-	-	2,240,153	(7,031,191)	(16,978,952)	(21,769,990)
Exercise of stock options	1,150,000	860,500	(285,500)	-	-	-	-	575,000
Private placement	-	-	-	-	-	5,152,000	-	5,152,000
Share-based compensation	-	-	1,836,855	-	-	-	-	1,836,855
Balance, September 30, 2017 (Restated*)	387,084,339	202,850,402	21,671,849	-	2,828,353	483,628	(147,262,314)	80,571,918

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

Champion Iron Limited
Consolidated Statements of Cash Flow
September 30, 2018 and 2017
(Expressed in Canadian Dollars)
(Unaudited)

	6 Months Ended September 30, 2018 $	6 Months Ended September 30, 2017 $
Cash provided by (used in)		
Operating Activities		
Net income (loss)	88,246,155	(24,010,143)
Items not affecting cash	-	-
Interest not received	-	(4,062)
Share-based compensation	1,066,912	1,836,855
Depreciation	8,509,077	2,180,580
Gain on sale of property, plant and equipment	-	(1,171,861)
Unrealized loss on investments	1,654,000	-
Unrealized foreign exchange loss (gain)	122,785	(114,000)
Change in fair value of derivative liability	554,000	(459,000)
Accretion of borrowing costs and debt discount	4,388,836	443,934
Accretion of the rehabilitation obligation	96,000	342,000
Interest not paid	13,501,699	561,120
	118,139,464	(20,394,577)
Changes in non-cash operating working capital		
Receivables	(81,773,785)	3,870,585
Prepaid expenses and advances	1,244,971	(1,345,961)
Advance payments	2,494,838	(17,400,000)
Inventories	16,904,347	-
Accounts payable and accrued liabilities	(19,178,700)	15,381,555
Current income tax	17,503,904	-
Deferred income tax	(9,339,968)	
Property taxes not paid	3,612,000	3,612,000
	49,607,071	(16,276,398)
Financing Activities		
Proceeds of bridge loan	-	16,000,000
Bridge loan transaction costs	-	(254,168)
Proceeds of long-term debt	74,195,190	-
Production payment agreement	(4,564,262)	-
Borrowing costs	(1,618,494)	-
Proceeds of convertible debenture, Glencore	-	10,000,000
Private placement of common shares of Quebec Iron Ore Inc.	-	5,152,000
Exercise of stock options	1,450,000	575,000
Repayment of note payable	-	(5,994,977)
	69,462,434	25,477,855
Investing Activities		
Investment in term deposits	(467,800)	9,210,872
Proceeds on sale of equipment	-	1,171,861
Purchase of property, plant and equipment	(26,486,683)	(19,456,957)
Exploration and evaluation	(1,852,133)	(570,511)
	(28,806,616)	(9,644,735)
Net increase (decrease) in cash and cash equivalents	90,262,889	(443,278)
Cash and cash equivalents, beginning of period	7,894,505	1,863,387
Effects of exchange rate changes on cash	(291,293)	(105,382)
Cash and cash equivalents, end of period	97,866,101	1,314,727

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

1. Basis of Preparation

Statement of Compliance
These condensed interim consolidated financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting*.

These condensed interim consolidated financial statements do not include certain information and disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") and should be read in conjunction with the Company's annual financial statements for the year ended March 31, 2018, which were prepared in accordance with IFRS as issued by the International Accounting Standards Board.

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on November 7, 2018.

2. Significant Accounting Policies and Future Accounting Changes

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

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

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

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

New Standards and Interpretations not Yet Adopted
Australian Accounting Standards and International Financial Reporting Standards that have been issued but are not yet effective have not been adopted by the Company for the quarter ended September 30, 2018.

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

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

(Expressed in Canadian Dollars)

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

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

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

3. Short-Term Investments

Maturity	Interest Rate	As at September 30, 2018 $	As at March 31, 2018 $
April 15, 2018	0.50%	-	250,000
April 23, 2018	0.55%	-	100,000
June 4, 2018	1.62%	-	13,595,794
June 4, 2018	1.62%	-	790,453
August 8, 2018	0.50%	-	212,000
October 3, 2018	1.72%	13,595,794	-
October 3, 2018	1.72%	790,453	-
October 30, 2018	0.50%	1,000,000	1,000,000
October 30, 2018	0.50%	350,180	350,180
November 16, 2018	2.25%	467,800	-
March 30, 2019	0.50%	577,302	577,302
March 30, 2019	0.50%	415,000	415,000
April 25, 2019	0.50%	100,000	-
May 16, 2019	0.50%	250,000	-
August 7, 2019	1.10%	212,000	-
		17,758,529	17,290,729

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

(Expressed in Canadian Dollars)

4. Receivables

The following table represents the detail of the receivables:

	As at September 30, 2018 $	As at March 31, 2018 $
Trade receivables	86,418,488	-
Sales tax (GST, HST and QST)	21,159,649	20,060,436
Refundable tax credits	-	1,213,176
Government grants	-	4,228,724
Other receivables	601,770	337,333
	108,179,907	25,839,669

5. Prepaid expenses and advances

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

	As at September 30, 2018 $	As at March 31, 2018 $
Advances - rail transportation	7,630,063	7,558,264
Advance - port	1,907,516	1,982,769
Prepaid operational expenses	-	5,006,570
Prepaid suppliers	1,226,284	-
Prepaid insurance	1,379,018	34,350
Prepaid impact and benefits agreement	1,250,000	-
Prepaid rent and deposits	319,683	492,693
Prepaid others	940,142	823,031
	14,652,706	15,897,677

6. Inventories

The following table represents the detail of the inventories:

	As at September 30, 2018 $	As at March 31, 2018 $
Raw materials	10,002,096	8,080,654
Concentrate inventories	8,441,750	36,448,962
Supplies and spare parts	11,198,568	3,641,302
	29,642,414	48,170,918

7. Investments

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

	As at September 30, 2018 $	As at March 31, 2018 $
Investment in Listed Common Shares		
Fancamp Exploration Ltd. (“Fancamp”)	1,540,000	1,980,000
Aura Health Corporation (“Aura Health”)	56,000	95,000
Eloro Resources Ltd. (“Eloro”)	1,000,000	2,175,000
	2,596,000	4,250,000

(Expressed in Canadian Dollars)

Investments in common shares are classified as financial assets at fair value through profit or loss. For the 6 months ended September 30, 2018, the net decrease in the fair value of investments in common shares of $1,654,000 (increase for the 6 months ended September 30, 2017 - $114,000) has been recorded as an unrealized loss on investments in the consolidated statements of income (loss) and comprehensive income (loss).

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

Aura Health
The Company holds 200,000 common shares of Aura Health, formely known as Lamêlée Iron Ltd (as at March 31, 2018 – 200,000).

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

Two officers of the Company are officers of Eloro.

8. Advance Payments

	As at September 30, 2018 $	As at March 31, 2018 $
Port	22,768,126	23,546,119
Railway and port facilities	7,872,991	6,050,000
Rail transportation	3,381,026	6,920,862
Investment in railway and port facilities partnership	1,000,000	1,000,000
	35,022,143	37,516,981

Port
The Group made advance payments totaling $25,581,000 to the Sept-Îles Port Authority (“Port”) prior to the restart of Bloom Lake. The advance payments were made to reserve annual loading capacity of 10 million metric tons of iron ore for an initial term of 20 years, with options to renew for 4 additional 5-year terms. As of March 31, 2018, the Company has started to recognize loading costs as per the contract with the Port.

Railway and port facilities
On October 12, 2017, QIO entered into a railway and port facilities access agreement with Société Ferroviaire et Portuaire de Pointe-Noire, S.E.C. (“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 for the acquisition of 3 locomotives, 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. On September 21, 2018, QIO made another additional advance payment of $1,822,991 to SFPPN for the same 3 locomotives than above.

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.

(Expressed in Canadian Dollars)

Investment in railway and port facilities partnership
On March 23, 2017, QIO entered into a memorandum of understanding to become a limited partner in 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.

9. Property, Plant and Equipment

	Equipment $	Rail and Railcars $	Mine and Mineral Rights $	Assets under Construction $	Stripping Activity Asset $	Housing $	Others $	Total $
Cost								
March 31, 2018	23,766,462	39,532,019	3,000,000	107,894,424	–	4,000,000	1,411,131	179,604,036
Additions	–	–	–	22,013,207	4,114,615	–	63,050	26,190,872
Disposals and other adjustments	87,339,483	–	10,042,991	(106,733,686)	8,123,745	–	1,227,467	-
Currency translation adjustment	–	153,395	–	–	–	–	(6,189)	147,206
September 30, 2018	**111,105,945**	**39,685,414**	**13,042,991**	**23,173,945**	**12,238,360**	**4,000,000**	**2,695,459**	**205,942,114**
Accumulated Depreciation								
March 31, 2018	4,576,005	1,817,730	12,784	–	–	326,388	151,997	6,884,904
Depreciation	4,532,181	864,926	292,674	–	431,336	83,333	384,658	6,589,108
Disposals and other adjustments	–	–	–	–	–	–	–	–
Currency translation adjustment	–	3,975	–	–	–	–	(6,819)	(2,844)
September 30, 2018	**9,108,186**	**2,686,631**	**305,458**	**–**	**431,336**	**409,721**	**529,836**	**13,471,168**
Net Book Value, September 30, 2018	**101,997,759**	**36,998,783**	**12,737,533**	**23,173,945**	**11,807,024**	**3,590,279**	**2,165,623**	**192,470,946**

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

(Expressed in Canadian Dollars)

Additional details for the depreciation:

	As at September 30, 2018 $	As at September 30, 2017 $
Depreciation of property, plant and equipment	6,589,108	-
Inventory variation	1,919,969	-
	8,509,077	-

The balance of $8,509,077 for the 6 months ended September 30, 2018 represents the total depreciation included in the consolidated statements of income (loss) and comprehensive income (loss). The inventory variation is the net amount of depreciation attributable to the inventory.

Loan balances:

	As at September 30, 2018 $	As at March 31, 2018 $
Consideration loan	36,581,884	36,437,761

The loans have the following terms and conditions:

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

10. Exploration and Evaluation Assets

	March 31, 2018 $	Acquisition Costs (other) $	Exploration $	Mining Tax Credits $	Option Payment $	September 30, 2018 $
Fermont						
Consolidated Fire Lake North	57,178,304	–	182,044	–	–	57,360,348
Harvey-Tuttle	6,611,079	–	-	–	–	6,611,079
Moire Lake	2,934,816	–	-	–	–	2,934,816
O'Keefe Purdy	3,258,057	–	-	–	–	3,258,057
Other	832,295	–	161,537	–	–	993,832
Powderhorn	269,294	–	169,286	–	–	438,580
Quinto	1,052,666	–	422,620	–	–	1,475,286
Bloom Lake	–	–	916,646	–	–	916,646
	72,136,511	–	1,852,133	–	–	73,988,644

(Expressed in Canadian Dollars)

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

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

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

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

Grant of Option for Cluster 3 Properties to Cartier Iron Corporation
The Company granted an option to Cartier Iron Corporation ("Cartier") to acquire a 55% interest in Audrey-Ernie, Black Dan, Jeannine Lake and Penguin Lake ("Cluster 3 Properties"). The cluster 3 Properties is accounted for into Fermont-Other. On December 22, 2017, Cartier earned its 55% interest in the Cluster 3 Properties, and 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 September 30, 2018, the joint venture made exploration expenditures of $5,395.

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

11. Accounts Payable and Accrued Liabilities

The following table represents the detail of the payables:

	As at September 30, 2018 $	As at March 31, 2018 $
Trade payable and accrued liabilities	42,242,599	58,096,025
Wages and benefits	1,726,030	5,031,824
Loans equipment	33,563	53,043
	44,002,192	63,180,892

(Expressed in Canadian Dollars)

12. Convertible Debenture, Altius

	$
Balance, March 31, 2018	9,790,998
Gain on extension of maturity date	(713,284)
Accretion of debt discount	610,025
Balance, September 30, 2018	9,687,739

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

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

13. Property Taxes Payable

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

Property taxes payable as at September 30, 2018 of $20,882,520 (as at March 31, 2018 – $16,275,960) includes property taxes of $18,081,000 (as at March 31, 2018 – $14,469,000) and accrued interest of $2,801,520 (as at March 31, 2018 – $1,806,960).

14. Long-Term Debt

	Sprott	CDP	As at September 30, 2018	As at March 31, 2018
	$	$	$	$
Advances	101,977,776	127,472,220	229,449,996	155,254,806
Transactions costs	(1,402,383)	(766,445)	(2,168,828)	(2,157,895)
Commitment fees	(1,905,346)	(3,186,806)	(5,092,152)	(3,484,590)
Termination fees PPA	(4,564,262)	-	(4,564,262)	-
Amortization of transaction costs	289,587	106,709	396,296	191,485
Amortization of commitment fees	305,845	336,530	642,375	279,174
Amortization of termination fees PPA	558,159	-	558,159	-
Standby fees payable	-	475,596	475,596	1,322,924
Fair value of warrants	(1,980,000)	(15,750,000)	(17,730,000)	(17,730,000)
Accretion of debt discount	1,009,471	1,196,360	2,205,831	1,007,202
Interest capitalized	5,873,095	9,111,002	14,984,097	3,510,178
Foreign exchange unrealized	1,582,224	1,977,787	3,560,011	3,031,938
	101,744,166	120,972,953	222,717,119	141,225,222
Less current portion	(23,449,949)	-	(23,449,949)	-
	78,294,217	120,972,953	199,267,170	141,225,222

(Expressed in Canadian Dollars)

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:	September 30, 2022
Work fee:	0.50% of the Amount
Interest:	7.5% per annum plus the greater of US dollar 3-month LIBOR and 1% per annum calculated, compounded and payable quarterly. QIO has the option to pay or capitalize such interest.
Additional interest:	1.75% of the principal amount of each advance.
Repayment:	Commencing on March 31, 2019, and quarterly thereafter, 1/14th of the principal balance outstanding on March 31, 2019.
Prepayment:	Option to prepay in whole or in part at any time.
Mandatory prepayment:	Cash proceeds received on the disposal of any assets. Provided that a default or event of default has occurred, cash proceeds received on the disposal of any assets by a guarantor. Proceeds of any equity or debt (including convertible debt) financings, excluding intercompany financings. In the event of a change of control, QIO will repay the principal and interest. No amount shall be payable if the person acquiring control has financial strength equal to or superior to the financial strength of the Guarantor, in the discretion of the Lender. Insurance proceeds greater than $1,000,000 unless the QIO uses the proceeds to repair or purchase a replacement for the asset which was subject to the insurable event.
Prepayment premium:	Until October 16, 2020, 3% of the principal amount prepaid
Security:	(i) a title insured first ranking hypothec over the universality of movable and immovable property, corporeal and incorporeal, present and future, including all assets, titles and rights, in any nature whatsoever, related to the Project (including for greater certainty, the Mining Lease and all mining claims), subject only to Permitted Encumbrances; (ii) a first ranking general security agreement under Newfoundland and Labrador law in respect of the movable assets located in Newfoundland and Labrador, subject to Permitted Encumbrances; (iii) a title insured first ranking mortgage under Newfoundland and Labrador law in respect of the immovable assets located in Newfoundland and Labrador, subject only to Permitted Encumbrances; (iv) subordination agreements in favour of the Lender with respect to all amounts due from time to time by the Borrower to any Affiliates, including the Guarantor
Guarantors:	(i) The Company, supported by a first ranking hypothec on securities pursuant to which the Company pledged and granted a first-priority encumbrance over all of the issued and outstanding shares of QIO held by the Company. (ii) Lac Bloom Railcars Corporation Inc., supported by a second ranking hypothec over all of its present and future movable property and a second ranking general security agreement over movable assets in Newfoundland and Labrador.

Lender:	CDP Investissements Inc.
Amount:	US$100,000,000
Maturity:	October 23rd, 2024
Interest:	12% per annum for the first year, and thereafter, at an interest rate linked to the price of iron ore calculate and capitalized monthly
Commitment fee:	2.5% payable of the date of each advance

(Expressed in Canadian Dollars)

Standby fee:	1.0% on the undisbursed portion of the loan payable quarterly in arrears
Repayment:	October 23rd, 2023 - 50% of principal and capitalized interest
	October 23rd, 2024 - the balance of the principal and capitalized interest, subject to the option to defer the payment of capitalized interest for 1 year
Mandatory Prepayment:	In the event of a change of control or the closing of a public offering of QIO within 2 years from October 23rd 2017, QIO will repay the principal and interest calculated at 14% per annum since October 23rd 2017 and a performance maintenance fee equal to the present value of all interest payments from the date of the initial advance to the maturity date.
	In the event of a change of control or the closing of a public offering of QIO after 2 years from October 23rd 2017, QIO will repay the principal and capitalized interest and an early redemption fee of 6%, 5%, 3%, 2% and 1% in years 3, 4, 5, 6, and 7, respectively.
	In the event of a change in control, no amount shall be payable if the person acquiring control has the financial strength equal to or superior to the financial strength of the Guarantor, in the discretion of CDP.
Prepayment:	After 2 years from October 23rd, 2017, QIO has the option to prepay the principal and capitalized interest subject to the payment of an early redemption fee of 6%, 5%, 3%, 2% and 1% in years 3, 4, 5, 6, and 7, respectively

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

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

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

(Expressed in Canadian Dollars)

15. Convertible Debenture, Glencore

	Convertible Debenture	Current Portion	Derivative Asset Prepayment Option	Derivative Liabilities Conversion Option	Derivative Liabilities Interest rate	Total
	$	$	$	$	%	$
Balance, March 31, 2018	14,016,128		–	24,683,000	–	24,683,000
Change in fair value	–		–	554,000	–	554,000
Accretion of debt discount	2,167,289		–	–	–	–
Capitalized interest	1,880,548		–	–	–	–
Current portion	(3,660,800)	3,660,800				
Balance, September 30, 2018	14,403,165	3,660,800	–	25,237,000	–	25,237,000

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

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

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

(Expressed in Canadian Dollars)

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	September 30, 2018
Conversion options granted	27,733,333	27,733,333
Exercise price	$1.125	$1.125
Share price	$1.17	$1.22
Risk-free interest rate	2.5%	2.5%
Expected volatility based on historical volatility	80%	80%
Valuation date	March 31, 2018	September 30, 2018
Expected life of conversion option	7.5 years	7 years
Expected dividend yield	0%	0%
Forfeiture rate	0%	0%
Fair value	$24,683,000	$25,237,000

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

16. Royalty Payable

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

On March 31, 2014, the Company recorded an estimate of the fair value of the 3% NSR as an acquisition cost of exploration and evaluation assets and an offsetting royalty payable. On June 25, 2015, the Company completed an arrangement to reduce the 3% NSR to 1.5% NSR by paying $50,000 on closing and $250,000 on October 25, 2015 ("Arrangement"). The Arrangement remains the best indicator of the fair value of the 1.5% NSR, and therefore, as at September 30, 2018, the fair value of the 1.5% NSR has been estimated to be $300,000 (as at March 31, 2018 - $300,000).

17. Rehabilitation Obligation

	As at September 30, 2018	**As at March 31, 2018**
	$	**$**
Balance, beginning of period	35,893,491	25,155,500
Increase due to reassessment of the rehabilitation obligation	–	10,042,991
Accretion of rehabilitation obligation	96,000	695,000
Balance, end of period	35,989,491	35,893,491

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

18. Capital Stock

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

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

(Expressed in Canadian Dollars)

Issued

	Number of shares	$
Ordinary Shares		
Balance, March 31, 2018	414,617,847	224,336,103
Exercise of options	3,950,000	1,943,000
Exercise of share rights	751,900	1,000,027
Balance, September 30, 2018	419,319,747	227,279,130

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

Stock Options

	Number of Stock Options	Weighted-Average Exercise Price $
Balance, March 31, 2018	12,800,000	0.44
Granted	1,200,000	1.28
Exercised	(2,950,000)	0.34
Balance, September 30, 2018	11,050,000	0.56

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

		Number of Stock Options	
Exercise Price	**Expiry Date**	**Outstanding**	**Exercisable**
A$0.50	November 29, 2018	1,800,000	2,300,000
A$0.30	November 4, 2019	500,000	500,000
A$0.20	April 11, 2020	5,000,000	5,000,000
A$1.00	May 25, 2020	1,450,000	1,800,000
A$1.08	July 11, 2020	600,000	400,000
A$1.00	August 21, 2020	500,000	333,333
A$1.24	April 26, 2021	200,000	200,000
A$1.33	June 24, 2021	1,000,000	-
		11,050,000	10,533,333

The exercise price of outstanding stock options ranges from A$0.20 to A$1.33 and the weighted-average remaining contractual life of outstanding stock options is 1.46 years.

Grant of stock options

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

(Expressed in Canadian Dollars)

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

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

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

Stock Options Granted Outside of the Share Incentive Plan

The Company is authorized to issue 83,863,949 stock options and share rights (March 31, 2018 – 82,923,569) equal to 20% of the issued and outstanding ordinary shares for issuance under the share incentive plan. A number of 1 000 000 options were exercised outside the share incentive plan for the 6 months period ended September 30, 2018.

Compensation Options

	Exercise Price	Expiry Date	Number of Options Outstanding and Exercisable	Weighted-Average Exercise Price
Balance, March 31, 2018 and September 30, 2018	$0.25	February 1, 2020	21,000,000	$0.25

Warrants

Exercise Price	Expiry Date	Warrants Outstanding and Exercisable
$1.125	October 16, 2022	3,000,000
$1.125 (exercisable after October 16, 2018)	October 16, 2024	21,000,000
		24,000,000

19. Sales

The Company sold 1,931,700 of dried metric tons (''dmt'') of iron ore concentrate for the 3 months period ended September 30, 2018 and 3,672,100 dmt for the 6 months period ended on September 30, 2018.

(Expressed in Canadian Dollars)

20. Information Included in the Consolidated Statements of Income (Loss) Comprehensive Income (Loss)

	3 Months Ended September 30, 2018 $	3 Months Ended September 30, 2017 $	6 Months Ended September 30, 2018 $	6 Months Ended September 30, 2017 $
Cost of Sales				
Transportation	33,836,130	-	63,746,451	-
Sub-contractors	12,519,232	-	30,946,202	-
Operating supplies and parts	19,355,390	-	37,351,133	-
Salaries, benefits and other employee expenses	13,682,265	-	27,073,567	-
Other production costs	2,269,741	-	3,989,619	-
Change in inventories	5,602,517	-	19,925,173	-
	87,265,275	**-**	**183,032,145**	-

General and Administrative Expenses

	3 Months Ended September 30, 2018 $	3 Months Ended September 30, 2017 $	6 Months Ended September 30, 2018 $	6 Months Ended September 30, 2017 $
Office and other expenses	141,990	361,110	1,391,205	582,470
Other income	(140,247)	(145,990)	(559,405)	(171,835)
Salaries, benefits and other employee expenses	930,304	103,506	1,369,243	243,931
Professional fees	903,400	342,328	1,893,956	691,707
Travel expenses	90,955	94,315	410,739	209,580
	1,926,402	**755,269**	**4,505,738**	**1,555,853**

Sustainability and Other Community Expenses

	3 Months Ended September 30, 2018 $	3 Months Ended September 30, 2017 $	6 Months Ended September 30, 2018 $	6 Months Ended September 30, 2017 $
Property and school taxes	2,467,533	-	4,935,067	-
Impact and benefits agreement	848,768	-	863,768	-
Other expenses	104,560	-	253,890	-
	3,420,861	**-**	**6,052,725**	**-**

Net Finance Costs (Income)

	3 Months Ended September 30, 2018 $	3 Months Ended September 30, 2017 $	6 Months Ended September 30, 2018 $	6 Months Ended September 30, 2017 $
Interest on term facilities	6,914,454	779,106	13,752,326	1,408,665
Change in fair value of derivative liabilities	(2,496,000)	(695,000)	554,000	(459,000)
Foreign exchange gain	(1,527,006)	(508,434)	(41,569)	(517,980)
Other interest and finance costs	904,755	63,542	2,067,734	63,542
Unrealized loss (gain) on investments	1,209,000	(368,000)	1,654,000	(114,000)
Accretion of borrowing costs and debt discount	2,053,050	286,796	3,262,665	380,392
Accretion of rehabilitation obligation	48,000	171,000	96,000	342,000
	7,106,253	**(270,990)**	**21,345,156**	**1,103,619**

21. Income Tax

The current income tax expense for the three and the six-month ended September 30, 2018 represents mining tax. No other income tax is payable due to the availability of non-capital losses. As a result of the Bloom Lake mine reaching commercial production on June 30, 2018 and the estimated levels of taxable income for the year to date and 2019 financial year periods, the Company determined that the criteria for recognition of a deferred tax asset had been met. Accordingly, a deferred tax asset totaling $10,459,479 has been recognized, for which $8,726,719 represents unrecognized tax losses for QIO. The remaining deferred tax assets and deferred tax liabilities presented on the balance sheet relate to timing differences.

(Expressed in Canadian Dollars)

22. Earnings (Loss) per Share

Earnings (loss) per share amounts are calculated by dividing the net income (loss) attributable to shareholders for the 3 and the 6 months ended September 30 by the weighted average number of shares outstanding during the 3 and the 6 months ended September 30.

	3 Months Ended		6 Months Ended,	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
	$	$	$	$
Net income (loss)	41,536,287	(9,880,960)	52,555,816	(16,978,952)
Weighted average number of common shares outstanding	417,620,324	387,084,339	416,298,054	386,988,164
Dilutive share options and convertible financial liabilities	39,914,729	-	39,140,103	-
Weighted average number of outstanding shares for diluted earnings (loss) per share	457,535,053	387,084,339	455,438,157	386,988,164
Basic earnings (loss) per share	0.10	(0.03)	0.13	(0.04)
Diluted earnings (loss) per share	0.09	(0.03)	0.12	(0.04)

23. Determination of Fair Values

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

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

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

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

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

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

(Expressed in Canadian Dollars)

Classification and Fair Values

As at September 30, 2018

	Fair Value Through Profit and Loss $	Loans and Receivables at Amortized Cost $	Financial Liabilities at Amortized Cost $	Total Carrying Amount $	Total Fair Value $
Assets					
Current					
Cash and cash equivalents	97,866,101	–	–	97,866,101	97,866,101
Short-term investments	–	17,758,529	–	17,758,529	17,758,529
Receivables	–	108,179,907		108,179,907	108,179,907
Non-current					
Investments	2,596,000	–	–	2,596,000	2,596,000
	100,462,101	125,938,436	–	226,400,537	226,400,537
Liabilities					
Current					
Accounts payable and accrued liabilities	–	–	44,002,192	44,002,192	44,002,192
Income tax payable	–	–	17,503,904	17,503,904	17,503,904
Convertible debenture, Altius	–	–	9,687,739	9,687,739	9,687,739
Current portion of long-term debt	–	–	23,449,949	23,449,949	23,449,949
Current portion of debenture, Glencore	–	–	3,660,800	3,660,800	3,660,800
Note payable	–	–	36,581,884	36,581,884	36,581,884
			134,886,468	134,886,468	134,886,468
Non-current					
Property taxes payable	–	–	20,882,520	20,882,520	20,882,520
Long-term debt	–	–	199,267,170	199,267,170	199,267,170
Derivative liabilities	25,237,000	–	–	25,237,000	25,237,000
Convertible debenture, Glencore	–	–	14,403,165	14,403,165	14,403,165
Royalty payable	–	–	300,000	300,000	300,000
	25,237,000	–	369,739,323	394,976,323	394,976,323

As at March 31, 2018

	Fair Value Through Profit and Loss $	Loans and Receivables at Amortized Cost $	Financial Liabilities at Amortized Cost $	Total Carrying Amount $	Total Fair Value $
Assets					
Current					
Cash and cash equivalents	7,894,505	–	–	7,894,505	7,894,505
Short-term investments	–	17,290,729	–	17,290,729	17,290,729
Receivables	–	25,839,669	–	25,839,669	25,839,669

(Expressed in Canadian Dollars)

Non-current					
Investments	4,250,000	–	–	4,250,000	4,250,000
	12,144,505	43,130,398	–	55,274,903	55,274,903
Liabilities					
Current					
Accounts payable and accrued liabilities	–	–	63,180,892	63,180,892	63,180,892
Convertible debenture, Altius	–	–	9,790,998	9,790,998	9,790,998
Note payable	–	–	36,437,761	36,437,761	36,437,761
Non-current					
Property taxes payable	–	–	16,275,960	16,275,960	16,275,960
Long-term debt	–	–	141,225,222	141,225,222	141,225,222
Derivative liabilities	24,683,000	–	–	24,683,000	24,683,000
Convertible debenture, Glencore	–	–	14,016,128	14,016,128	14,016,128
Royalty payable	–	–	300,000	300,000	300,000
	24,683,000	–	281,226,961	305,909,961	305,909,961

Fair value measurements recognized in the consolidated statement of loss and comprehensive loss
Subsequent to initial recognition, the Company measures financial instruments at fair value grouped into the following levels based on the degree to which the fair value is observable.

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

As at September 30, 2018

	Level 1 $	**Level 2 $**	**Level 3 $**	**Total $**
Financial Asset At Fair Value Through Profit and Loss				
Cash and cash equivalents and short-term investments	115,624,630	-	–	115,624,630
Investments				
Common shares	2,596,000	-	–	2,596,000
Financial Liabilities				
Convertible debenture, Altius		9,687,739	–	9,687,738
Note payable		36,581,884	–	36,581,884
Long-term debt		199,267,170	–	199,267,170
Derivative liabilities		25,237,000	–	25,237,000
Convertible debenture, Glencore		14,403,165	–	14,403,165

(Expressed in Canadian Dollars)

As at March 31, 2018

	Level 1 $	Level 2 $	Level 3 $	Total $
Financial Asset at Fair Value Through Profit and Loss				
Cash and cash equivalents and short-term investments	25,185,234	–	–	25,185,234
Investments				
Common shares	4,250,000	–	–	4,250,000
Financial Liabilities				
Convertible debenture, Altius	–	9,790,998	–	9,790,998
Note payable	–	36,437,761	–	36,437,761
Long-term debt	–	141,225,222	–	141,225,222
Derivatives liabilities	–	24,683,000	–	24,683,000
Convertible debenture, Glencore	–	14,016,128	–	14,016,128

24. Related Party Transactions

	3 Months Ended		6 Months Ended		Outstanding as at	
	September 30, 2018 $	September 30, 2017 $	September 30, 2018 $	September 30, 2017 $	September 30, 2018 $	March 31, 2018 $
General and Administrative Expenses						
Paid on market terms for rent to a company controlled by a director and to a company with two members of key management personnel	25,178	13,635	50,356	27,270	-	-

25. Commitments and Contingencies

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

	As at September 30 2018 $	As at March 31, 2018 $
Less than 1 year	122,819,086	173,920,286
1-5 years	218,325,299	272,592,796
More than 5 years	96,526,901	8,459,041
	437,671,286	454,972,123

The Group does not have any contingent liabilities.

26. Segment information

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

27. Subsequent events

Other than as described in the notes to the financial report, no matter or circumstance has arisen since September 30, 2018 that has significantly affected, or may significantly affect:

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

23. Comparative figures

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