Champion Iron Limited

(ACN: 119 770 142)

Condensed Interim Consolidated Financial Statements
For the Three and Nine-Month Periods Ended December 31, 2020 and 2019

(Expressed in thousands of Canadian dollars - unaudited)

Champion Iron Limited

Interim Consolidated Statements of Financial Position

(Expressed in thousands of Canadian dollars - unaudited)

	Notes	As at December 31, 2020	As at March 31, 2020
Assets			
Current			
Cash and cash equivalents		**489,640**	281,363
Short-term investments		**17,560**	17,291
Receivables	**3**	**71,171**	31,249
Prepaid expenses and advances		**6,308**	13,035
Inventories	**4**	**66,988**	58,611
		651,667	401,549
Non-current			
Restricted cash	**6**	**44,562**	—
Investments		**7,831**	1,546
Advance payments		**37,058**	32,438
Property, plant and equipment	**5**	**448,124**	371,540
Exploration and evaluation assets		**75,880**	75,525
Total assets		**1,265,122**	882,598
Liabilities			
Current			
Accounts payable and other		**89,505**	55,158
Income and mining taxes payable		**115,937**	57,761
		205,442	112,919
Non-current			
Long-term debt	**6**	**242,369**	275,968
Lease liabilities		**1,449**	1,902
Rehabilitation obligation	**7**	**47,268**	42,836
Other long-term liabilities		**4,226**	4,410
Deferred tax liabilities		**80,058**	67,941
Total liabilities		**580,812**	505,976
Shareholders' equity			
Share capital	**8**	**480,568**	431,556
Contributed surplus		**19,959**	21,100
Warrants	**8**	**50,801**	75,336
Foreign currency translation reserve		**462**	381
Retained earnings (accumulated deficit)		**132,520**	(151,751)
Total equity		**684,310**	376,622
Total liabilities and equity		**1,265,122**	882,598
Commitments and contingencies	**15**		

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

Approved on January 28, 2021 on behalf of the directors

/s/ Michael O'Keeffe
Director

/s/ Andrew Love
Lead Director

Champion Iron Limited

Interim Consolidated Statements of Income

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

		Three Months Ended December 31,		Nine Months Ended December 31,	
	Notes	**2020**	2019	**2020**	2019
Revenues	**10**	**329,545**	171,100	**885,113**	609,384
Cost of sales	**11**	**(106,291)**	(104,119)	**(309,135)**	(297,647)
Cost of sales - incremental costs related to COVID-19	**2**	**(2,215)**	—	**(9,448)**	—
Depreciation		**(8,604)**	(4,631)	**(25,890)**	(12,938)
Gross profit		**212,435**	62,350	**540,640**	298,799
Other expenses					
Share-based payments	**8**	**(170)**	(411)	**(1,544)**	(2,162)
General and administrative expenses		**(5,218)**	(4,766)	**(16,611)**	(12,665)
Sustainability and other community expenses		**(3,747)**	(3,894)	**(10,947)**	(9,489)
Operating income		**203,300**	53,279	**511,538**	274,483
Net finance costs	**12**	**(8,648)**	(4,718)	**(10,713)**	(80,203)
Income before income and mining taxes		**194,652**	48,561	**500,825**	194,280
Current income and mining taxes		**(67,470)**	(2,644)	**(180,217)**	(70,630)
Deferred income and mining taxes		**(6,411)**	(15,733)	**(12,117)**	(20,951)
Net income		**120,771**	30,184	**308,491**	102,699
Attributable to:					
Champion shareholders		**120,771**	30,184	**308,491**	71,075
Non-controlling interest		**—**	—	**—**	31,624
Earnings per share					
Basic	**13**	**0.25**	0.07	**0.65**	0.16
Diluted	**13**	**0.24**	0.06	**0.63**	0.15
Weighted average number of common shares outstanding					
Basic		**476,066,000**	437,212,000	**473,479,000**	434,635,000
Diluted		**498,443,000**	473,545,000	**490,509,000**	474,156,000

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

Champion Iron Limited

Interim Consolidated Statements of Comprehensive Income

(Expressed in thousands of Canadian dollars - unaudited)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2020	2019	**2020**	2019
Net income	**120,771**	30,184	**308,491**	102,699
Other comprehensive income				
Item that may be reclassified subsequently to the consolidated statement of income:				
Net movement in foreign currency translation reserve	**11**	31	**81**	8
Total other comprehensive income	**11**	31	**81**	8
Total comprehensive income	**120,782**	30,215	**308,572**	102,707
Attributable to:				
Champion shareholders	**120,782**	30,215	**308,572**	71,083
Non-controlling interest	**—**	—	**—**	31,624

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

Champion Iron Limited

Interim Consolidated Statements of Equity

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

		Attributable to Champion shareholders										
		Share Capital										
		Ordinary Shares		Preferred Shares								
	Notes	Shares[1]	$	Shares	$	Contributed Surplus	Warrants	Foreign Currency Translation	Retained Earnings (Accumulated Deficit)	Total	Non-Controlling Interest	Total
Balance - March 31, 2020		**467,689,000**	**272,049**	**185,000,000**	**159,507**	**21,100**	**75,336**	**381**	**(151,751)**	**376,622**	**—**	**376,622**
Net income		**—**	**—**	**—**	**—**	**—**	**—**	**—**	**308,491**	**308,491**	**—**	**308,491**
Other comprehensive income		**—**	**—**	**—**	**—**	**—**	**—**	**81**	**—**	**81**	**—**	**81**
Total comprehensive income		**—**	**—**	**—**	**—**	**—**	**—**	**81**	**308,491**	**308,572**	**—**	**308,572**
Exercise of stock options	8	**6,584,000**	**7,602**	**—**	**—**	**(2,685)**	**—**	**—**	**—**	**4,917**	**—**	**4,917**
Exercise of warrants	8	**15,000,000**	**41,410**	**—**	**—**	**—**	**(24,535)**	**—**	**—**	**16,875**	**—**	**16,875**
Dividends on preferred shares	8	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(24,220)**	**(24,220)**	**—**	**(24,220)**
Share-based payments	8	**—**	**—**	**—**	**—**	**1,544**	**—**	**—**	**—**	**1,544**	**—**	**1,544**
Balance - December 31, 2020		**489,273,000**	**321,061**	**185,000,000**	**159,507**	**19,959**	**50,801**	**462**	**132,520**	**684,310**	**—**	**684,310**
Balance - March 31, 2019		430,470,000	237,969	—	—	21,404	17,730	420	(127,177)	150,346	65,376	215,722
Net income		—	—	—	—	—	—	—	71,075	71,075	31,624	102,699
Other comprehensive income		—	—	—	—	—	—	8	—	8	—	8
Total comprehensive income		—	—	—	—	—	—	8	71,075	71,083	31,624	102,707
Exercise of stock options	8	2,500,000	832	—	—	(335)	—	—	—	497	—	497
Purchase of non-controlling interest	9	—	—	—	—	—	—	—	(114,000)	(114,000)	(97,000)	(211,000)
Issuance of preferred shares	8	—	—	185,000,000	159,507	—	—	—	—	159,507	—	159,507
Fair value of warrants issued	8	—	—	—	—	—	67,650	—	—	67,650	—	67,650
Exercise of compensation options	8	9,500,000	3,515	—	—	(1,140)	—	—	—	2,375	—	2,375
Exercise of warrants	8	2,709,000	4,836	—	—	—	(1,788)	—	—	3,048	—	3,048
Share-based payments	8	—	—	—	—	2,162	—	—	—	2,162	—	2,162
Balance - December 31, 2019		445,179,000	247,152	185,000,000	159,507	22,091	83,592	428	(170,102)	342,668	—	342,668

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

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

Champion Iron Limited

Interim Consolidated Statements of Cash Flows

(Expressed in thousands of Canadian dollars - unaudited)

		Three Months Ended December 31,		Nine Months Ended December 31,	
	Notes	2020	2019	2020	2019
Cash provided by (used in)					
Operating Activities					
Net income		**120,771**	30,184	**308,491**	102,699
Adjustments for non-cash items					
Depreciation	5,16	**8,604**	4,631	**25,890**	12,938
Share-based payments	8	**170**	411	**1,544**	2,162
Loss on debt refinancing	12	**1,863**	—	**1,863**	57,274
Accretion of borrowing costs and debt discount	12	**489**	487	**1,463**	2,706
Change in fair value of derivative liability	12	**—**	—	**—**	1,543
Accretion of the rehabilitation obligation	12	**—**	(855)	**72**	(170)
Change in fair value of non-current investments	12	**(2,675)**	214	**(6,285)**	643
Unrealized foreign exchange (gain) loss		**5,886**	391	**5,249**	(1,117)
Change in fair value of derivative assets	12	**—**	—	**—**	(1,907)
Deferred income and mining taxes		**6,411**	15,733	**12,117**	20,951
Interest		**—**	—	**—**	(19,517)
		141,519	51,196	**350,404**	178,205
Changes in non-cash operating working capital	16	**43,743**	(23,087)	**38,495**	46,748
Net cash flow from operating activities		**185,262**	28,109	**388,899**	224,953
Financing Activities					
Proceeds of long-term debt	6	**—**	—	**—**	239,148
Repayment of long-term debt	6	**—**	—	**—**	(234,464)
Repurchase of common shares - Investissement Québec	9	**—**	—	**—**	(211,000)
Issuance of preferred shares, net of transaction costs	8	**—**	(208)	**—**	181,795
Repayment of convertible debenture	12	**—**	—	**—**	(31,980)
Transaction costs on credit facilities	6	**(7,825)**	(430)	**(7,825)**	(7,063)
Exercise of warrants	8	**16,875**	—	**16,875**	3,048
Exercise of compensation options	8	**—**	1,875	**—**	2,375
Payment of lease liabilities		**(253)**	—	**(733)**	—
Exercise of stock options	8	**1,959**	497	**4,917**	497
Dividends paid on preferred shares	8	**(7,240)**	—	**(24,220)**	—
Net cash flow from financing activities		**3,516**	1,734	**(10,986)**	(57,644)
Investing Activities					
(Increase) decrease in short-term investments		**(269)**	—	**(269)**	616
Increase in restricted cash	6	**(44,562)**	—	**(44,562)**	—
Purchase of property, plant and equipment	5,16	**(49,867)**	(50,907)	**(101,506)**	(129,632)
Investment in exploration and evaluation assets		**(91)**	(75)	**(355)**	(502)
Net cash flow from investing activities		**(94,789)**	(50,982)	**(146,692)**	(129,518)
Net increase (decrease) in cash and cash equivalents		**93,989**	(21,139)	**231,221**	37,791
Cash and cash equivalent, beginning of the period		**408,500**	193,753	**281,363**	135,424
Effects of exchange rate changes on cash and cash equivalents		**(12,849)**	(2,339)	**(22,944)**	(2,940)
Cash and cash equivalent, end of the period		**489,640**	170,275	**489,640**	170,275
Interest paid		**1,337**	1,986	**6,672**	37,282
Income and mining taxes paid		**25,034**	10,496	**122,076**	59,017

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

1. Description of Business

Champion Iron Limited ("Champion" or the "Company") was incorporated under the laws of Australia in 2006 and is listed on the Toronto Stock Exchange (TSX: CIA) and Australian Securities Exchange (ASX: CIA). The Company is domiciled in Australia and its principle administrative office is located on 1100 René-Lévesque Blvd. West. Suite 610, Montreal, QC, H3B 4N4, Canada.

Champion Iron Limited, through its subsidiary Quebec Iron Ore Inc. ("QIO"), owns and operates the Bloom Lake Mining Complex ("Bloom Lake" or "Bloom Lake Mine"), located on the south end of the Labrador Trough, approximately 13 km North of Fermont, Québec, adjacent to established iron ore producers. Bloom Lake is an open-pit truck and shovel operation with a concentrator, and it ships iron ore concentrate from the site by rail, initially on the Bloom Lake railway, to a ship loading port in Sept-Îles, Québec. The Bloom Lake Phase I plant has a nameplate capacity of 7.4M tonnes per annum ("Mtpa") and produces a high-grade 66.2% Fe iron ore concentrate with low contaminant levels, which has proven to attract a premium to the Platts IODEX 62% Fe iron ore benchmark.

The Phase II expansion project ("Phase II") aims to double Bloom Lake's nameplate capacity to 15 Mtpa of 66.2% Fe iron ore concentrate by completing the construction of a second concentrator plant and related infrastructure, in addition to adapting the mine plan to support a 20-year life of mine. On November 12, 2020, the Board of Directors (the "Board") provided final approval to complete the Phase II project.

In addition to the partially completed Phase II project, Champion also controls a portfolio of exploration and development projects in the Labrador Trough, including the Fire Lake North iron ore project, located approximately 40 km South of Bloom Lake. The Company also owns 100% of the Gullbridge-Powderhorn property located in northern central Newfoundland.

The Company sells its iron ore concentrate globally to customers in China, Japan, the Middle East, Europe, South Korea and India.

2. Significant Accounting Policies and Future Accounting Changes

A. Basis of preparation

The Company's condensed interim consolidated financial statements ("financial statements") consist of Champion Iron Limited and its subsidiaries. These financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial assets and financial liabilities recorded at fair value.

The nature of the operations and principal activities of the Company are described in the Directors' Report for the half-year ended September 30, 2020.

B. Statement of compliance

These financial statements have been prepared for a for-profit enterprise in accordance with the requirements of the Corporations Act 2001 and AASB 134/IAS 34, Interim Financial Reporting. These financial statements do not include certain information and disclosures normally included in the audited annual consolidated financial statements prepared in accordance with Australian Accounting Standards ("AAS") and International Financial Reporting Standards ("IFRS") and should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended March 31, 2020.

The accounting policies used in these financial statements are consistent with those disclosed in the Company's audited consolidated financial statements for the year ended March 31, 2020, except for the new accounting standards issued and adopted by the Company described below. These financial statements were approved and authorized for issue by the Board on January 28, 2021.

2. Significant Accounting Policies and Future Accounting Changes (continued)

C. Significant accounting judgments, estimates and assumptions

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

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

Uncertainty due to COVID-19
In March 2020, the World Health Organization declared a global pandemic related to COVID-19. To date there has been significant volatility in stock markets, commodity prices and foreign exchange rates, as well as restrictions on the conduct of business in many jurisdictions and the global movement of people and some goods has become restricted. The duration and full financial effect of the COVID-19 pandemic is unknown at this time, as are the measures taken by governments, the Company or others to attempt to reduce the spread of COVID-19.

On March 24, 2020, the Company announced the ramp down of operations at Bloom Lake, following a directive from the Government which required mining activities within the province to be reduced to a minimum. In line with the Government's directives, all discretionary work had been suspended and operations were restricted to a single production line, tailings management, water treatment and overall maintenance. On April 23, 2020, the Company announced it would gradually ramp up operations at Bloom Lake, following an announcement from the Government that effective April 15, 2020, mining activities were considered a "priority service" and the Company was allowed to resume normal operations, conditional on the implementation of guidelines aiming to contain the risks related to the COVID-19 pandemic. As the Company continued to focus on the health and safety of its workers, partners and communities, operations at the Bloom Lake mine gradually ramped up and reached nameplate capacity by June 2020. The Company will continue to monitor and adapt to the rapidly changing global economy impacted by the pandemic.

In line with Government guidelines, Champion has deployed several measures in its efforts to mitigate risks related to the COVID-19 pandemic. The Company incurred direct, incremental and non-recurring operating costs of $2,215,000 and $9,448,000 for the three and nine-month periods ended December 31, 2020, respectively, resulting from its COVID-19 safety measures, which are mainly comprised of premiums paid to employees from adjusted work schedules, incremental transportation costs, on-site COVID-19 testing and laboratory cost and incremental costs for cleaning and disinfecting facilities. These costs are presented on a distinct line in the consolidated statements of income named "Cost of sales - incremental costs related to COVID-19". COVID-19 specific costs could continue to be incurred in the foreseeable future.

In the current environment, the judgments, estimates and assumptions are subject to greater variability than normal, which could in the future significantly affect judgments, estimates and assumptions made by management as they relate to potential impact of COVID-19 on various financial accounts and note disclosures and could lead to a material adjustment to the carrying value of the assets or liabilities affected. The impact of current uncertainty on judgments, estimates and assumptions extends but is not limited to the Company's valuation of the long-term assets (including the assessment for impairment), estimation of rehabilitation obligations and estimation of mineral reserves and mineral resources. While the Company has considered the impact of COVID-19 on these financial accounts, actual results may differ materially from these estimates.

2. Significant Accounting Policies and Future Accounting Changes (continued)

D. New accounting amendments issued and adopted by the Company

The following amendments to existing standards have been adopted by the Company on April 1, 2020:

Amendments to AASB 3 (IFRS 3), Business Combinations ("IFRS 3")
Amendments to IFRS 3 clarify the definition of a business. The amendments help entities determine whether an acquisition made is of a business or a group of assets. The amended definition emphasizes that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and other. The amendments also introduce an optional "concentration test" that can lead to a conclusion that the acquisition is not a business combination.

Amendments to AASB 101 (IAS 1), Presentation of Financial Statements ("IAS 1"), and AASB 108 (IAS 8), Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8")
Definition of Material (Amendments to IAS 1 and to IAS 8) is intended to make the definition of material in IAS 1 easier to understand and is not intended to alter the underlying concept of materiality in IFRS Standards. The concept of “obscuring” material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from “could influence” to “could reasonably be expected to influence”. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1.

Amendments to AASB 9 (IFRS 9), Financial Instruments ("IFRS 9"), AASB 139 (IAS 39), Financial Instruments: Recognition and Measurement ("IAS 39"), and AASB 7 (IFRS 7), Financial Instruments: Disclosures ("IFRS 7")
Amendments to IFRS 9, IAS 39 and IFRS 7 are designed to support the provision of useful financial information by entities during the period of uncertainty arising from the phasing out of interest-rate benchmarks such as interbank offered rates (“IBORs”). The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform. In addition, the amendments require entities to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

The amendments listed above did not have a significant impact on the Company's financial statements.

E. New accounting amendments issued but not yet in effect

The following amendments to a standard have been issued and are applicable to the Company for its annual periods beginning on April 1, 2021 and thereafter, with an earlier application permitted:

Interest Rate Benchmark Reform - Phase 2, which amends IFRS 9, IAS 39, IFRS 7, IFRS 16 and AASB 4 (IFRS 4), Insurance Contracts
The amendments relate to: i) changes to contractual cash flows - an entity will not have to derecognize or adjust the carrying amount of financial instruments for changes required by the reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; ii) hedge accounting - an entity will not have to discontinue its hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria; and iii) disclosures - an entity will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

The following amendments to a standard have been issued and are applicable to the Company for its annual periods beginning on April 1, 2022 and thereafter, with an earlier application permitted:

Amendments to IFRS 3
Amendments to IFRS 3 are designed to: i) update its reference to the 2018 Conceptual Framework instead of the 1989 Framework; ii) add a requirement that, for obligations within the scope of AASB (IAS 37), *Provisions, Contingent Liabilities and Contingent Assets*, (“IAS 37”) an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of AASB Interpretation 21 (IFRIC 21), *Levies*, (“IFRIC 21”) the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date; and iii) add an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

2. Significant Accounting Policies and Future Accounting Changes (continued)

E. New accounting amendments issued but not yet in effect (continued)

Amendments to AASB 16 (IAS 16), Property, Plant and Equipment ("IAS 16")

Amendments to IAS 16 prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

Amendments to IAS 37

Amendments to IAS 37 specify that the "cost of fulfilling" a contract comprises the "costs that relate directly to the contract". Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labor or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

Amendments to IFRS 9

Amendments to IFRS 9 clarify which fees an entity includes when it applies the "10 per cent" test in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

The following amendment to a standard has been issued and is applicable to the Company for its annual periods beginning on April 1, 2023 and thereafter, with an earlier application permitted:

Amendments to IAS 1

Amendments to IAS 1 clarify how to classify debt and other liabilities as current or non-current. The amendments help to determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments also include clarifying the classification requirements for debt an entity might settle by converting it into equity.

The Company is currently evaluating the impact of adopting the amendments on the Company's financial statements.

(Tabular figures are expressed in thousands of Canadian dollars, except where otherwise indicated)

3. Receivables

	As at December 31,	As at March 31,
	2020	2020
Trade receivables	**55,254**	15,944
Sales tax	**15,075**	12,958
Other receivables	**842**	2,347
	71,171	31,249

For the three and nine-month periods ended December 31, 2020, no provision was recorded on any of the Company's receivables (three and nine-month periods ended December 31, 2019: nil). Receivables are generally settled within six months and are therefore, collectable. As at December 31, 2020, the trade receivables, subject to provisional pricing, amounts to a receivable balance of $15,142,000 (March 31, 2020: payable balance of $10,879,000). The Company has no receivables past due as at December 31, 2020 (March 31, 2020: nil) and holds no collateral for any receivable amounts outstanding as at December 31, 2020 (March 31, 2020: nil).

4. Inventories

	As at December 31,	As at March 31,
	2020	2020
Stockpiled ore	**11,725**	13,630
Concentrate inventories	**19,871**	16,560
Supplies and spare parts	**35,392**	28,421
	66,988	58,611

For the three and nine-month periods ended December 31, 2020, the amount of inventories recognized as an expense totalled $117,110,000 and $344,473,000, respectively (three and nine-month periods ended December 31, 2019: $108,750,000 and $310,585,000, respectively). For the three and nine-month periods ended December 31, 2020, no specific provision was recorded on any of the Company's inventories (three and nine-month periods ended December 31, 2019: nil).

(Tabular figures are expressed in thousands of Canadian dollars, except where otherwise indicated)

5. Property, Plant and Equipment

	Mining and Processing Equipment	Locomotives, Railcars and Rails	Tailings Dykes	Assets under Construction[1]	Mining Development and Stripping Asset[2]	Asset Rehabilitation Obligation and Other[3]	Subtotal	Right-of-use assets	Total
Cost									
March 31, 2020	**150,455**	**43,421**	**73,196**	**65,388**	**41,105**	**33,154**	**406,719**	**10,335**	**417,054**
Additions	**7,153**	**5,500**	**—**	**71,537**	**19,361**	**4,375**	**107,926**	**—**	**107,926**
Transfers and disposals	**3,678**	**—**	**7,603**	**(11,281)**	**—**	**—**	**—**	**—**	**—**
Foreign exchange	**232**	**(4,722)**	**—**	**—**	**—**	**—**	**(4,490)**	**—**	**(4,490)**
December 31, 2020	**161,518**	**44,199**	**80,799**	**125,644**	**60,466**	**37,529**	**510,155**	**10,335**	**520,490**
Accumulated depreciation									
March 31, 2020	**30,087**	**5,767**	**3,983**	**—**	**871**	**3,554**	**44,262**	**1,252**	**45,514**
Depreciation	**19,054**	**1,456**	**3,107**	**—**	**669**	**2,217**	**26,503**	**1,037**	**27,540**
Transfers and disposals	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Foreign exchange	**(37)**	**(651)**	**—**	**—**	**—**	**—**	**(688)**	**—**	**(688)**
December 31, 2020	**49,104**	**6,572**	**7,090**	**—**	**1,540**	**5,771**	**70,077**	**2,289**	**72,366**
Net book value - December 31, 2020	**112,414**	**37,627**	**73,709**	**125,644**	**58,926**	**31,758**	**440,078**	**8,046**	**448,124**

	Mining and Processing Equipment	Locomotives, Railcars and Rails	Tailings Dykes	Assets under Construction	Mining Development and Stripping Asset[2]	Asset Rehabilitation Obligation and Other[3]	Subtotal	Right-of-use assets	Total
Cost									
March 31, 2019	116,573	47,766	18,005	24,700	19,864	16,640	243,548	—	243,548
Adoption of IFRS 16[4]	—	—	—	—	—	—	—	1,291	1,291
Additions	1,352	—	—	128,450	21,241	16,522	167,565	2,221	169,786
Transfers and disposals	32,530	(6,823)	55,191	(87,762)	—	(8)	(6,872)	6,823	(49)
Foreign exchange	—	2,478	—	—	—	—	2,478	—	2,478
March 31, 2020	150,455	43,421	73,196	65,388	41,105	33,154	406,719	10,335	417,054
Accumulated depreciation									
March 31, 2019	12,912	3,818	498	—	447	1,750	19,425	—	19,425
Depreciation	17,192	1,772	3,485	—	424	1,804	24,677	1,094	25,771
Transfers and disposals	(17)	(158)	—	—	—	—	(175)	158	(17)
Foreign exchange	—	335	—	—	—	—	335	—	335
March 31, 2020	30,087	5,767	3,983	—	871	3,554	44,262	1,252	45,514
Net book value - March 31, 2020	120,368	37,654	69,213	65,388	40,234	29,600	362,457	9,083	371,540

1 During the development period of the Bloom Lake Phase II expansion project, the amount of borrowing costs capitalized for the three and nine-month periods ended December 31, 2020 was $645,000 and $2,138,000, respectively (three and nine-month periods ended December 31, 2019: nil). Borrowing costs consisted of interest expense on the long-term debt (note 6). The capitalization rate used to determine the amount of borrowing costs eligible for capitalization for the three and nine-month periods ended December 31, 2020 was 3.1% and 3.6%, respectively (three and nine-month periods ended December 31, 2019: nil).

2 For the three and nine-month periods ended December 31, 2020, the addition to the stripping asset includes: i) production expenses capitalized amounting to $6,283,000 and $10,856,000, respectively, (three and nine-month periods ended December 31, 2019: $3,487,000 and $9,064,000, respectively) and ii) allocated depreciation of property, plant and equipment amounting to $1,237,000 and $2,060,000, respectively (three and nine-month periods ended December 31, 2019: $315,000 and $1,001,000, respectively).

3 Includes software with a cost and accumulated depreciation of $4,134,000 and $2,668,000, respectively, as at December 31, 2020 ($4,134,000 and $1,635,000, respectively, as at March 31, 2020).

4 Represents the initial recognition of right-of-use assets as at April 1, 2019 following the adoption of IFRS 16, *Leases*.

(Tabular figures are expressed in thousands of Canadian dollars, except where otherwise indicated)

6. Long-Term Debt

	Term Facility	Revolving Facility	As at December 31, 2020 (nine-month period)	As at March 31, 2020 (twelve-month period)
Opening balance	**247,594**	**28,374**	**275,968**	228,890
Advances	**—**	**—**	**—**	267,522
Capital repayment of Sprott and CDPI	**—**	**—**	**—**	(231,456)
Payment of capitalized interest	**—**	**—**	**—**	(19,517)
Transaction costs	**(7,825)**	**—**	**(7,825)**	(8,985)
Amortization of transaction costs	**1,463**	**—**	**1,463**	2,915
Unrealized foreign exchange (gain) loss	**(26,190)**	**(2,910)**	**(29,100)**	14,657
Non-cash loss on debt refinancing	**1,677**	**186**	**1,863**	21,942
Ending balance	**216,719**	**25,650**	**242,369**	275,968

On August 16, 2019, QIO entered into a US$200,000,000 lending arrangement with various lenders. The lending arrangement comprised of a US$180,000,000 single draw non-revolving credit facility (the "Term Facility") and a US$20,000,000 revolving credit facility (the "Revolving Facility") (collectively the "Credit Facilities"). The proceeds of the lending arrangement were primarily used to fully repay previously issued debt facilities held by QIO with Sprott Private Resource Lending (Collector), LP ("Sprott") and CDP Investissements Inc. (''CDPI''). For the year-ended March 31, 2020, the non-cash loss on debt repayment represents a non-cash expense to eliminate the unamortized borrowing costs and debt discount. Refer to note 12 - Net Finance Costs.

On December 23, 2020, QIO amended and increased its Credit Facilities to fund the completion of Phase II. Transaction costs of $7,825,000 were incurred for this transaction for the three-month period ended December 31, 2020. During the three-month period ended December 31, 2020, a non-cash loss of $1,863,000 was accounted for in net finance costs as a result of the unsubstantial modification of the terms of the original Credit Facilities. Refer to note 12 - Net Finance Costs.

The amended Credit Facilities required the Company to deposit US$35,000,000 of cash as contingent funds to cover potential cost overruns of Phase II. As at December 31, 2020, this deposit was classified as a non-current restricted cash in the consolidated statement of financial position.

The original and the amended terms of the Credit Facilities are as follows:

	Original Terms	**Amended Terms**
Amount:	US$180,000,000 Term Facility US$20,000,000 Revolving Facility	US$350,000,000 Term Facility (US$180,000,000 drawn as at December 31, 2020) US$50,000,000 Revolving Facility (US$20,000,000 drawn as at December 31, 2020)
Maturity:	Term Facility: August 16, 2024 Revolving Facility: August 16, 2022	Term Facility: December 23, 2025 Revolving Facility: December 23, 2023
Interest:	The Credit Facilities are subject to interest based on LIBOR and a financial margin that fluctuates from 2.85% to 3.75% depending on whether the net debt to EBIDTA ratio is below 1.0 or greater than 2.5.	The Credit Facilities are subject to interest based on LIBOR plus 4.00% during the pre-completion of Phase II, after which the interest will be based on LIBOR and a financial margin that fluctuates from 2.85% to 3.75% depending on whether the net debt to EBIDTA ratio is below 1.0 or greater than 2.5.
Repayment:	Term Facility - commencing on June 30, 2021, and quarterly thereafter, 1/12th of the principal balance outstanding.	Term Facility - commencing on the earlier of June 30, 2022 or the first quarter following the Phase II completion date, and equal quarterly installments thereafter of the principal balance outstanding.
Covenants:	The Credit Facilities are subject to operational and financial covenants, all of which have been met as at December 31, 2020.	
Collateral:	All of the present and future undertakings, properties and assets of QIO and Lac Bloom Railcars Corporation Inc. The Company guaranteed all the obligations of QIO and Lac Bloom Railcars Corporation Inc. and pledged all of the shares it holds in QIO and Lac Bloom Railcars Corporation Inc.	

(Tabular figures are expressed in thousands of Canadian dollars, except where otherwise indicated)

6. Long-Term Debt (continued)

As at December 31, 2020, the Credit Facilities are subject to an interest rate of 4.2% (March 31, 2020: 4.8%), which represented the LIBOR rate + 4.00%. In addition, for the three and nine-month periods ended December 31, 2020, the weighted average interest rate was 3.1% and 3.6%, respectively (three and nine-month periods ended December 31, 2019: 4.8% and 7.5%, respectively). Under the terms of the amended Credit Facilities, the undrawn portion of the Credit Facilities is subject to standby commitment fees of 1.38% during the pre-completion of Phase II and thereafter between 0.86% and 1.13% until the end of the term. As at December 31, 2020, the undrawn portion of the Credit Facilities amounted to US$200,000,000.

7. Rehabilitation Obligation

	As at December 31, 2020 (nine-month period)	As at March 31, 2020 (twelve-month period)
Opening balance	**42,836**	36,565
Increase due to reassessment of the rehabilitation obligation	**994**	6,643
Accretion expense	**72**	171
Effect of change in discount rate	**3,366**	(543)
Ending balance	**47,268**	42,836

The accretion of the rehabilitation obligation was evaluated as the amount of the expenditure required to settle the present obligation at the end of the reporting period, discounted by the number of years between the reporting date and the rehabilitation date using a discount rate of 0% as at December 31, 2020 (March 31, 2020: 0.43%). The future rehabilitation obligation was reassessed during the nine-month period ended December 31, 2020 based on the reclamation plan approved by the Government in July 2019. The undiscounted amount related to the rehabilitation obligation is estimated at $47,268,000 as at December 31, 2020 (March 31, 2020: $46,274,000).

8. Share Capital and Reserves

a) Authorized

The Company's share capital consists of authorized:
• Unlimited number of ordinary shares, without par value; and
• Unlimited number of preferred shares, without par value, issuable in series.

b) Ordinary share issuances

	Nine Months Ended December 31,	
	2020	2019
	(in thousands)	(in thousands)
Shares		
Opening balance	**467,689**	430,470
Shares issued for exercise of warrants	**15,000**	2,709
Shares issued for exercise of compensation options	**—**	9,500
Shares issued for exercise of options - incentive plan	**6,584**	2,500
Ending balance	**489,273**	445,179

c) Preferred share issuances

	Nine Months Ended December 31,	
	2020	2019
	(in thousands)	(in thousands)
Shares		
Opening balance	**185,000**	—
Issuance of preferred shares	**—**	185,000
Ending balance	**185,000**	185,000

The Preferred Shares accumulate dividends, if and when declared by QIO. The dividend rate associated with the Preferred Shares is based on the gross realized iron ore price and fluctuates from 9.25% when the gross realized iron price for Bloom Lake 66.2% iron ore is greater than US$85/t to 13.25% should the gross realized iron ore price decrease below US$65/t. During the 21-month construction period of Phase II, the applicable dividend rate is locked in at 9.25%. During the three and nine-month periods ended December 31, 2020, the Company declared and paid dividends on the Preferred Shares amounting to $7,240,000 and $24,220,000, respectively, which represented the accumulated dividends for the August 17, 2019 to December 31, 2020 period, inclusively.

The Preferred Shares are retractable at the option of CDPI upon i) liquidation, dissolution or windup of QIO or the Company, or certain events being within the control of the Company being ii) change of control of QIO or the Company, iii) sale of substantially all of the assets of QIO or iv) completion of an initial public offering by QIO. The Preferred Shares and accrued dividends can be repaid at parity after its second anniversary with no penalty.

At any time after the tenth anniversary, and provided that the Preferred Shares are not redeemed in full, CDPI shall have the right to notify QIO of its desire that QIO commence a sale transaction of QIO. As such a sale transaction would not result in the redemption in cash of the Preferred Shares unless the Company determines that a liquidation of assets would generate the highest sale proceeds, such decision remaining in the control of the Company. The Preferred Shares were accounted for as equity in the consolidated statements of equity.

8. Share Capital and Reserves (continued)

d) Share-based payments

The Company has various share-based compensation plans for eligible employees and directors. The objective of the Omnibus Incentive Plan is to enhance the Company's ability to attract and retain talented employees and to provide alignment of interests between such employees and the shareholders of the Company. Under the Omnibus Incentive Plan, the Company grants stock option awards, deferred share units ("DSU") awards, restricted share units ("RSU") awards and preferred share units ("PSU") awards.

Stock option awards and RSU awards vest annually in three equal tranches from the date of grant. DSU awards vest at the date of the grant. PSU awards vest at the end of three years from the date of grant and vesting is subject to key performance indicators established by the Board.

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

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2020	2019	**2020**	2019
Stock option costs	**44**	143	**178**	806
DSU costs	**88**	—	**149**	118
RSU costs	**(200)**	150	**503**	884
PSU costs	**238**	118	**714**	354
	170	411	**1,544**	2,162

e) Stock options

As at December 31, 2020, the Company is authorized to issue 48,927,000 stock options and share rights (December 31, 2019: 44,518,000) equal to 10% (December 31, 2019: 10%) of the issued and outstanding ordinary shares for issuance under the Omnibus incentive plan. The stock options granted will vest over a three-year period.

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

	Nine Months Ended December 31,		Nine Months Ended December 31,	
		2020		2019
	Number of Stock Options	**Weighted Average Exercise Price**	**Number of Stock Options**	**Weighted Average Exercise Price**
	(in thousands)		(in thousands)	
Opening balance	**6,814**	**0.83**	8,780	0.56
Granted	**—**	**—**	534	2.43
Exercised	**(6,584)**	**0.79**	(2,500)	0.22
Ending balance	**230**	**2.02**	6,814	0.83
Options exercisable - end of the period	**—**	**—**	5,777	0.65

During the nine-month period ended December 31, 2020, no new stock options were granted. During the nine-month period ended December 31, 2020, a total of 6,584,000 stock options were exercised (nine-month period ended December 31, 2019: 2,500,000). The weighted average share price at the exercise date was $2.45 (nine-month period ended December 31, 2019: $2.31).

During the nine-month period ended December 31, 2019, a total of 534,000 new stock options were granted to new employees of the Company. The weighted average share price at the grant date was $2.43. The fair value of the outstanding stock options granted during the nine-month period ended December 31, 2019 amounted to $753,000.

8. Share Capital and Reserves (continued)

e) Stock options (continued)

A summary of the Company's outstanding and exercisable stock options as at December 31, 2020 is presented below:

Exercise Price Range	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price	Number of Stock Options Outstanding	Number of Stock Options Exercisable
			(in thousands)	(in thousands)
\$1.00 - \$2.00	1.13	\$1.46	110	—
\$2.01 - \$3.00	1.38	\$2.53	120	—
			230	**—**

f) Restricted share units

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

	Nine Months Ended December 31,		Nine Months Ended December 31,	
		2020		2019
	Number of RSUs	**Weighted Average Share Price**	**Number of RSUs**	**Weighted Average Share Price**
	(in thousands)		(in thousands)	
Opening balance	**598**	**2.18**	—	—
Granted	**412**	**2.33**	598	2.18
Ending balance	**1,010**	**2.24**	598	2.18
Vested - end of the period	**253**	**2.19**	199	2.18

During the nine-month period ended December 31, 2020, 412,000 RSUs were granted to key management personnel (nine-month period ended December 31, 2019: 598,000). They will vest annually in three equal tranches from the date of grant.

g) Performance share units

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

	Nine Months Ended December 31,		Nine Months Ended December 31,	
		2020		2019
	Number of PSUs	**Weighted Average Share Price**	**Number of PSUs**	**Weighted Average Share Price**
	(in thousands)		(in thousands)	
Opening balance	**653**	**2.17**	—	—
Granted	**619**	**2.33**	653	2.17
Ending balance	**1,272**	**2.25**	653	2.17
Vested - end of the period	**—**	**—**	—	—

During the nine-month period ended December 31, 2020, 619,000 PSUs were granted to key management personnel (nine-month period ended December 31, 2019: 653,000). The PSU awards vest at the end of three years from the date of grant according to performance indicators established by the Board.

8. Share Capital and Reserves (continued)

h) Compensation options

	Nine Months Ended December 31,		Nine Months Ended December 31,	
		2020		2019
	Number of Compensation Options	**Weighted Average Exercise Price**	**Number of Compensation Options**	**Weighted Average Exercise Price**
	(in thousands)		(in thousands)	
Opening balance	—	—	21,000	0.25
Exercised	—	—	(9,500)	0.25
Ending balance	—	—	11,500	0.25

During the nine-month period ended December 31, 2019, the Company issued 9,500,000 shares pursuant to the exercise of 9,500,000 compensation options with an exercise price of $0.25 per share, for total net proceeds of $2,375,000. At the time the options were exercised, the shares were trading at a price of $2.48.

i) Warrants

	Nine Months Ended December 31,		Nine Months Ended December 31,	
		2020		2019
	Number of Warrants	**Weighted Average Exercise Price**	**Number of Warrants**	**Weighted Average Exercise Price**
	(in thousands)		(in thousands)	
Opening balance	**53,014**	**1.50**	24,000	1.13
Granted	—	—	42,733	1.59
Exercised	**(15,000)**	**1.13**	(2,709)	1.13
Ending balance	**38,014**	**1.65**	64,024	1.44

All ordinary share warrants were accounted for as warrants in the consolidated statements of equity.

Long-term debt with Sprott and CDPI
In connection with the previous debt with Sprott and CDPI, the Company issued on October 16, 2017: (a) 3,000,000 ordinary 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 ordinary share purchase warrants to CDPI, entitling the holder to purchase 21,000,000 ordinary shares of the Company for $1.125 after October 16, 2018 until October 16, 2024.

During the nine-month period ended December 31, 2020, no warrants were exercised related to the previous debt with Sprott and CDPI. During the nine-month period ended December 31, 2019, Sprott exercised their right to purchase 2,709,000 ordinary shares, at $1.125 per share for total proceeds of $3,048,000.

Glencore Debenture
On August 16, 2019, as the Company elected to prepay the unsecured subordinated convertible debenture ("Debenture") with Glencore International AG. ("Glencore"), the Debenture was not converted into ordinary shares of the Company by Glencore prior to the repayment. As a result, the Company granted 27,733,000 ordinary share purchase warrants to Glencore, entitling the holder to purchase 27,733,000 ordinary shares of the Company for $1.125 until October 13, 2025.

During the nine-month period ended December 31, 2020, Glencore exercised their right to purchase 15,000,000 ordinary shares, at $1.125 per share for total proceeds of $16,875,000.

8. Share Capital and Reserves (continued)

i) Warrants (continued)

Preferred share offering with CDPI

On August 16, 2019, in connection with the preferred share offering with CDPI, the Company issued 15,000,000 ordinary share purchase warrants to CDPI, entitling the holder to purchase 15,000,000 ordinary shares of the Company for $2.45 until August 16, 2026.

During the nine-month period ended December 31, 2020, no warrants were exercised related to the preferred share offering with CDPI.

A summary of the Company's outstanding and exercisable warrants as at December 31, 2019 and 2020 is presented below:

			Outstanding and Exercisable	
Exercise Price	**Holder**	**Expiry Date**	**As at December 31, 2020**	As at December 31, 2019
			(in thousands)	(in thousands)
$1.125	Sprott	October 16, 2022	**281**	291
$1.125	CDPI	October 16, 2024	**10,000**	21,000
$1.125	Glencore	October 13, 2025	**12,733**	27,733
$2.45	CDPI	August 16, 2026	**15,000**	15,000
			38,014	64,024

9. Non-Controlling Interest

	As at December 31, 2020	As at March 31, 2020
	(nine-month period)	(twelve-month period)
Opening balance	**—**	65,376
Income attributable to non-controlling interest	**—**	31,624
Repurchase of RQ investment	**—**	(97,000)
Ending balance	**—**	—

Investissement Québec was the owner of a 36.8% interest in QIO until August 16, 2019 when the Company acquired Investissement Québec's 36.8% equity interest in QIO for $211,000,000. Investissement Québec is a successor to Ressources Québec Inc., which held the equity interest in QIO at the time of the transaction. As a result, the net income was attributed between the Company's shareholders and Investissement Québec until that date and the non-controlling interest has been eliminated in the Company's consolidated statement of financial position as of that date.

(Tabular figures are expressed in thousands of Canadian dollars, except where otherwise indicated)

10. Sales

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2020	2019	**2020**	2019
Iron ore revenue	**314,169**	191,489	**817,622**	640,111
Provisional pricing adjustments	**15,376**	(20,389)	**67,491**	(30,727)
	329,545	171,100	**885,113**	609,384

Provisional pricing adjustments represent any difference between the revenue recognized at the end of the previous period and the final settlement price. Previous periods sales that were subject to provisional pricing as at September 30, 2020, and for which the final price was determined during the current quarter, were recorded within the ''provisional pricing adjustments'' line in the current period. Current period sales subject to provisional pricing as at December 31, 2020 were recorded within the ''iron ore revenue'' line in the current period and the adjustment upon determining the final price will be recorded as ''provisional pricing adjustments'' in the future periods.

During the three-month period ended December 31, 2020, a final price was established for the 1.2 million tonnes of iron ore that were in transit as at September 30, 2020. Accordingly, during the three-month period ended December 31, 2020, provisional pricing adjustments of $15,376,000 were recorded in additional revenues for the 1.2 million tonnes. As at December 31, 2020, 0.6 million tonnes of iron ore sales remained subject to provisional pricing, with the final price to be determined in the subsequent reporting periods (December 31, 2019: 1.1 million tonnes).

11. Cost of Sales

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2020	2019	**2020**	2019
Land transportation	**36,380**	35,370	**114,343**	110,829
Operating supplies and parts	**27,845**	25,808	**74,293**	75,010
Salaries, benefits and other employee expenses	**20,564**	20,434	**66,191**	60,267
Sub-contractors	**23,630**	17,781	**58,784**	56,710
Other production costs	**3,811**	2,741	**8,199**	10,481
Change in inventories	**344**	5,472	**(1,819)**	(6,586)
Production expenses capitalized as stripping asset	**(6,283)**	(3,487)	**(10,856)**	(9,064)
	106,291	104,119	**309,135**	297,647

For the three and nine-month periods ended December 31, 2020, the amount recognized as an expense for defined contribution plans was $1,068,000 and $3,568,000, respectively, (three and nine-month periods ended December 31, 2019: $1,070,000 and $3,245,000, respectively) and was included in salaries, benefits and other employee expenses.

(Tabular figures are expressed in thousands of Canadian dollars, except where otherwise indicated)

12. Net Finance Costs

		Three Months Ended December 31,		Nine Months Ended December 31,	
		2020	2019	**2020**	2019
Loss on debt refinancing	a)	**1,863**	—	**1,863**	57,274
Change in fair value of non-current investments		**(2,675)**	214	**(6,285)**	643
Realized and unrealized foreign exchange loss		**6,024**	424	**5,674**	171
Interest on long-term debt and Debenture		**1,433**	2,946	**5,275**	15,162
Accretion of borrowing costs and debt discount		**489**	487	**1,463**	2,706
Interest expense on lease liabilities		**28**	—	**92**	—
Accretion of the rehabilitation obligation		**—**	(855)	**72**	(170)
Change in fair value of derivative liability		**—**	—	**—**	1,543
Change in fair value of derivative assets		**—**	—	**—**	(1,907)
Other interest and finance costs		**1,486**	1,502	**2,559**	4,781
		8,648	4,718	**10,713**	80,203

a) Debt refinancing details

		Three Months Ended December 31,		Nine Months Ended December 31,	
		2020	2019	**2020**	2019
Non-cash items					
Loss on amendment of the Credit Facilities	i	**1,863**	—	**1,863**	—
Write-off - book value of Debenture	ii	**—**	—	**—**	18,837
Write-off - book value of CDPI debt facility	iii	**—**	—	**—**	15,976
Write-off - book value of Sprott debt facility	iii	**—**	—	**—**	5,966
Write-off - Glencore derivative asset	iv	**—**	—	**—**	1,336
Write-off - CDPI derivative asset	iv	**—**	—	**—**	5,603
Write-off - Sprott derivative asset	iv	**—**	—	**—**	5,768
		1,863	—	**1,863**	53,486
Cash items					
Debt prepayment penalty fees	ii,iii	**—**	—	**—**	3,788
		—	—	**—**	3,788
Loss on debt refinancing		**1,863**	—	**1,863**	57,274

i. Amendment of the Credit Facilities

On December 23, 2020, the Company amended its Credit Facilities. The non-cash loss of $1,863,000 represents a non-cash expense as a result of the unsubstantial modification of the terms of the original Credit Facilities.

ii. Debenture

On August 16, 2019, the Company fully repaid the $31,200,000 Debenture with Glencore and the conversion option granting Glencore the right to convert into the ordinary shares of the Company was extinguished. Prepayment penalty fees of $780,000 were also paid for the repayment of the Debenture, resulting in a total repayment of $31,980,000.

The non-cash loss on repayment of the Debenture of $18,837,000 represents a non-cash expense to eliminate the unamortized borrowing costs and debt discount.

(Tabular figures are expressed in thousands of Canadian dollars, except where otherwise indicated)

12. Net Finance Costs (continued)

a) Debt repayment details (continued)

iii. CDPI and Sprott debt facilities

On August 16, 2019, the Company fully repay previously issued debt facilities held by QIO. Prepayment penalty fees of $3,008,000 were also paid for the repayment of the Sprott facility, resulting in a total repayment of $234,464,000.

The non-cash loss on repayment of the CDPI and Sprott debt facilities represents a non-cash expense to eliminate the unamortized borrowing costs and debt discount.

iv. Glencore, CDPI and Sprott derivative assets

These derivatives assets were extinguished due to the repayments of the previously issued debt facilities and the Debenture on August 16, 2019. As a result, a write-off of $12,707,000 has been recognized in the nine-month period ended December 31, 2019, following a change in the fair value of the derivative assets by $1,907,000 for the same period.

13. Earnings per Share

Earnings per share amounts are calculated by dividing the net income attributable to shareholders for the three and nine-month periods ended December 31, 2020 and 2019 by the weighted average number of shares outstanding during the period.

	Three Months Ended December 31,		**Nine Months Ended December 31,**	
	2020	2019	**2020**	2019
Net income attributable to Champion shareholders	**120,771**	30,184	**308,491**	71,075
Weighted average number of common shares outstanding - Basic	**476,066,000**	437,212,000	**473,479,000**	434,635,000
Dilutive share options, warrants and equity settled awards	**22,377,000**	36,333,000	**17,030,000**	39,521,000
Weighted average number of outstanding shares - Diluted	**498,443,000**	473,545,000	**490,509,000**	474,156,000
Basic earnings per share	**0.25**	0.07	**0.65**	0.16
Diluted earnings per share	**0.24**	0.06	**0.63**	0.15

(Tabular figures are expressed in thousands of Canadian dollars, except where otherwise indicated)

14. Financial Instruments

Measurement categories

Financial assets and financial liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value, whether changes in fair value are recognized in the profit or loss or in other comprehensive income. These categories are financial assets at fair value through profit and loss ("FVPL"), financial assets at amortized cost, and financial liabilities at amortized cost. The following tables show the carrying values and the fair value of assets and liabilities for each of these categories as at December 31, 2020 and March 31, 2020:

As at December 31, 2020		Fair Value Through Profit and Loss	Financial Assets at Amortized Cost	Financial Liabilities at Amortized Cost	Total Carrying Amount and Fair Value
Assets					
Current					
Cash and cash equivalents	Level 1	—	**489,640**	—	**489,640**
Short-term investments	Level 1	—	**17,560**	—	**17,560**
Trade receivables	Level 2	**55,254**	—	—	**55,254**
Other receivables (excluding sales tax)	Level 2	—	**842**	—	**842**
Non-current					
Restricted cash	Level 1	—	**44,562**	—	**44,562**
Investments	Level 1	**7,831**	—	—	**7,831**
		63,085	**552,604**	—	**615,689**
Liabilities					
Current					
Accounts payable and other (excluding current portion of lease liabilities)	Level 2	—	—	**88,796**	**88,796**
		—	—	**88,796**	**88,796**
Non-current					
Long-term debt	Level 2	—	—	**242,369**	**242,369**
		—	—	**331,165**	**331,165**

As at March 31, 2020		Fair Value Through Profit and Loss	Financial Assets at Amortized Cost	Financial Liabilities at Amortized Cost	Total Carrying Amount and Fair Value
Assets					
Current					
Cash and cash equivalents	Level 1	—	281,363	—	281,363
Short-term investments	Level 1	—	17,291	—	17,291
Trade receivables	Level 2	15,944	—	—	15,944
Other receivables (excluding sales tax)	Level 2	—	2,347	—	2,347
Non-current					
Investments	Level 1	1,546	—	—	1,546
		17,490	301,001	—	318,491
Liabilities					
Current					
Accounts payable and other (excluding the current portion of lease liabilities)	Level 2	—	—	54,170	54,170
		—	—	54,170	54,170
Non-current					
Long-term debt	Level 2	—	—	275,968	275,968
		—	—	330,138	330,138

14. Financial Instruments (continued)

Measurement categories (continued)

Current financial assets and financial liabilities are valued at their carrying amounts, which are reasonable estimates of their fair value due to their near-term maturities; this includes cash and cash equivalents, short-term investments, other receivables and accounts payable and other (excluding current portion of lease liabilities). The fair value of restricted cash approximates its carrying amount. Long-term debt was accounted for at amortized cost using the effective interest method, and its fair value approximates its carrying value.

Fair value measurement hierarchy

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).

There are no transfers between Level 1, Level 2 and Level 3 during the three and nine-month periods ended December 31, 2020 (three and nine-month periods ended December 31, 2019: nil).

Financial instruments measured at fair value

Trade receivables

The trade receivables are classified as Level 2 in the fair value hierarchy. Their fair values are a recurring measurement. The measurement of the trade receivables is impacted by the Company’s provisional pricing arrangements, where the final sales price is determined based on iron ore prices subsequent to a shipment arriving at the port of discharge. The Company initially recognizes sales trade receivables at the contracted provisional price on the shipment date and re-estimates the consideration to be received using forecast iron ore prices at the end of each reporting period. The impact of iron ore price movements until final settlement is recorded as an adjustment to sales trade receivables.

Non-current - Investments

Non-current investments are equity instruments that are classified as a Level 1 in the fair value hierarchy. Their fair values are a recurring measurement and are estimated using the last closing share price observed on the relevant stock exchange, in accordance with the Company’s policy. The equity investments are classified as financial assets at FVPL.

15. Commitments and Contingencies

The Company's future minimum payments of commitments as at December 31, 2020 are as follows:

(in thousands of dollars)	Less than a year	1 to 5 years	More than 5 years	Total
Impact and Benefits Agreement	**5,207**	**22,436**	**92,115**	**119,758**
Take-or-pay fees related to the Port agreement	**4,653**	**19,807**	**79,715**	**104,175**
Capital expenditure obligations	**63,165**	**—**	**—**	**63,165**
Service commitment	**6,288**	**12,463**	**—**	**18,751**
Spare parts purchase commitment	**10,703**	**—**	**—**	**10,703**
Other	**1,090**	**1,132**	**534**	**2,756**
	91,106	**55,838**	**172,364**	**319,308**

(Tabular figures are expressed in thousands of Canadian dollars, except where otherwise indicated)

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

a) Changes in non-cash operating working capital

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2020	2019	**2020**	2019
Receivables	**(28,559)**	(11,836)	**(47,443)**	9,621
Prepaid expenses and advances	**4,999**	2,927	**6,727**	8,991
Inventories	**(422)**	3,436	**(8,788)**	(12,942)
Advance payments	**(3,104)**	820	**(4,620)**	8,686
Accounts payable and other	**28,433**	3,733	**34,627**	35,047
Income and mining taxes payable	**42,457**	(7,852)	**58,176**	11,613
Property taxes payable	**—**	(14,252)	**—**	(13,940)
Other long-term liabilities	**(61)**	(63)	**(184)**	(328)
	43,743	(23,087)	**38,495**	46,748

b) Reconciliation of additions presented in the property, plant and equipment schedule to the net cash flow from investing activities

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2020	2019	**2020**	2019
Additions of property, plant and equipment as per note 5	**51,400**	51,597	**107,926**	141,817
Depreciation of property, plant and equipment allocated to stripping activity asset	**(1,237)**	(315)	**(2,060)**	(1,001)
Non-cash increase of the asset rehabilitation obligation	**(296)**	—	**(4,360)**	(4,733)
Asset transferred from exploration and evaluation assets to property, plant and equipment	**—**	(375)	**—**	(6,451)
Net cash flow from investing activities - purchase of property, plant and equipment	**49,867**	50,907	**101,506**	129,632

c) Reconciliation of depreciation presented in the property, plant and equipment schedule to the statement of income

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2020	2019	**2020**	2019
Depreciation of property, plant and equipment as per note 5	**9,508**	4,599	**27,540**	14,445
Depreciation of property, plant and equipment allocated to stripping activity asset	**(1,237)**	(315)	**(2,060)**	(1,001)
Net effect of depreciation of property, plant and equipment allocated to inventory	**333**	347	**410**	(506)
Depreciation of property, plant and equipment as per statement of income	**8,604**	4,631	**25,890**	12,938

(Tabular figures are expressed in thousands of Canadian dollars, except where otherwise indicated)

17. Segmented Information

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

Three Months Ended December 31, 2020	Mine Site	Exploration and Evaluation	Corporate	Total
Revenues	**329,545**	**—**	**—**	**329,545**
Cost of sales	**(106,291)**	**—**	**—**	**(106,291)**
Cost of sales - incremental costs related to COVID-19	**(2,215)**	**—**	**—**	**(2,215)**
Depreciation	**(8,540)**	**—**	**(64)**	**(8,604)**
Gross profit (loss)	**212,499**	**—**	**(64)**	**212,435**
Share-based payments	**—**	**—**	**(170)**	**(170)**
General and administrative expenses	**—**	**—**	**(5,218)**	**(5,218)**
Sustainability and other community expenses	**(1,556)**	**—**	**(2,191)**	**(3,747)**
Operating income (loss)	**210,943**	**—**	**(7,643)**	**203,300**
Net finance costs and taxes expenses				**(82,529)**
Net income				**120,771**
Segmented total assets	**1,135,727**	**75,880**	**53,515**	**1,265,122**
Segmented total liabilities	**(570,986)**	**—**	**(9,826)**	**(580,812)**
Segmented property, plant and equipment	**446,314**	**—**	**1,810**	**448,124**

Three Months Ended December 31, 2019	Mine Site	Exploration and Evaluation	Corporate	Total
Revenues	171,100	—	—	171,100
Cost of sales	(104,119)	—	—	(104,119)
Depreciation	(4,621)	—	(10)	(4,631)
Gross profit (loss)	62,360	—	(10)	62,350
Share-based payments	—	—	(411)	(411)
General and administrative expenses	—	—	(4,766)	(4,766)
Sustainability and other community expenses	(1,354)	—	(2,540)	(3,894)
Operating income (loss)	61,006	—	(7,727)	53,279
Net finance costs and taxes expenses				(23,095)
Net income				30,184
Segmented total assets	701,094	75,559	21,206	797,859
Segmented total liabilities	(445,355)	—	(9,836)	(455,191)
Segmented property, plant and equipment	348,688	—	354	349,042

(Tabular figures are expressed in thousands of Canadian dollars, except where otherwise indicated)

17. Segmented Information (continued)

Nine Months Ended December 31, 2020	Mine Site	Exploration and Evaluation	Corporate	Total
Revenues	**885,113**	**—**	**—**	**885,113**
Cost of sales	**(309,135)**	**—**	**—**	**(309,135)**
Cost of sales - incremental costs related to COVID-19	**(9,448)**	**—**	**—**	**(9,448)**
Depreciation	**(25,697)**	**—**	**(193)**	**(25,890)**
Gross profit (loss)	**540,833**	**—**	**(193)**	**540,640**
Share-based payments	**—**	**—**	**(1,544)**	**(1,544)**
General and administrative expenses	**—**	**—**	**(16,611)**	**(16,611)**
Sustainability and other community expenses	**(4,551)**	**—**	**(6,396)**	**(10,947)**
Operating income (loss)	**536,282**	**—**	**(24,744)**	**511,538**
Net finance costs and taxes expenses				**(203,047)**
Net income				**308,491**
Segmented total assets	**1,135,727**	**75,880**	**53,515**	**1,265,122**
Segmented total liabilities	**(570,986)**	**—**	**(9,826)**	**(580,812)**
Segmented property, plant and equipment	**446,314**	**—**	**1,810**	**448,124**

Nine Months Ended December 31, 2019	Mine Site	Exploration and Evaluation	Corporate	Total
Revenues	609,384	—	—	609,384
Cost of sales	(297,647)	—	—	(297,647)
Depreciation	(12,910)	—	(28)	(12,938)
Gross profit (loss)	298,827	—	(28)	298,799
Share-based payments	—	—	(2,162)	(2,162)
General and administrative expenses	—	—	(12,665)	(12,665)
Sustainability and other community expenses	(4,400)	—	(5,089)	(9,489)
Operating income (loss)	294,427	—	(19,944)	274,483
Net finance costs and taxes expenses				(171,784)
Net income				102,699
Segmented total assets	701,094	75,559	21,206	797,859
Segmented total liabilities	(445,355)	—	(9,836)	(455,191)
Segmented property, plant and equipment	348,688	—	354	349,042