Champion Iron Limited

(ACN: 119 770 142)

Condensed Interim Consolidated Financial Statements
For the Three and Nine-Month Periods Ended December 31, 2021 and 2020

(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, 2021**	As at March 31, 2021
Assets			
Current			
Cash and cash equivalents		**468,082**	609,316
Short-term investments		**30,949**	27,200
Receivables	**3**	**65,006**	98,755
Prepaid expenses and advances		**18,715**	5,454
Inventories	**4**	**82,381**	66,814
		665,133	807,539
Non-current			
Restricted cash	**10**	**44,373**	44,012
Non-current investments		**5,397**	8,761
Advance payments	**6**	**132,223**	49,246
Intangible assets	**7**	**8,365**	6,257
Property, plant and equipment	**8**	**960,873**	504,985
Exploration and evaluation assets	**9**	**107,410**	76,106
Total assets		**1,923,774**	1,496,906
Liabilities			
Current			
Accounts payable and other		**228,636**	102,225
Derivative liabilities	**19**	**1,024**	—
Income and mining taxes payable		**47,652**	191,542
Current portion of long-term debt	**10**	**55,096**	—
		332,408	293,767
Non-current			
Long-term debt	**10**	**247,631**	214,951
Deferred grant	**10**	**6,302**	—
Lease liabilities	**11**	**33,323**	1,401
Rehabilitation obligation	**12**	**93,260**	45,074
Other long-term liabilities		**6,288**	4,163
Deferred tax liabilities		**108,516**	84,533
Total liabilities		**827,728**	643,889
Shareholders' equity			
Share capital	**13**	**379,395**	515,970
Contributed surplus		**27,207**	22,309
Warrants	**13**	**29,973**	29,973
Foreign currency translation reserve		**519**	530
Retained earnings		**658,952**	284,235
Total equity		**1,096,046**	853,017
Total liabilities and equity		**1,923,774**	1,496,906
Commitments and contingencies	**20**		
Subsequent event	**23**		

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

Approved on January 27, 2022 on behalf of the directors

/s/ Michael O'Keeffe
Executive Chairman

/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	**2021**	2020	**2021**	2020
Revenues	**14**	**253,016**	329,545	**1,129,430**	885,113
Cost of sales	**15**	**(110,290)**	(108,506)	**(342,020)**	(318,583)
Depreciation		**(10,176)**	(8,604)	**(29,572)**	(25,890)
Gross profit		**132,550**	212,435	**757,838**	540,640
Other expenses					
Share-based payments	**13**	**(2,287)**	(170)	**(6,129)**	(1,544)
General and administrative expenses		**(8,323)**	(4,810)	**(23,675)**	(15,689)
Sustainability and other community expenses		**(4,436)**	(3,747)	**(12,630)**	(10,947)
Product research and development expenses		**(1,130)**	(408)	**(4,002)**	(922)
Bloom Lake Phase II start-up costs		**(7,174)**	—	**(11,787)**	—
Operating income		**109,200**	203,300	**699,615**	511,538
Net finance costs	**16**	**(3,377)**	(11,323)	**(8,776)**	(16,998)
Other income (expense)	**17**	**2,751**	2,675	**(1,308)**	6,285
Income before income and mining taxes		**108,574**	194,652	**689,531**	500,825
Current income and mining taxes		**(26,705)**	(67,470)	**(258,616)**	(180,217)
Deferred income and mining taxes		**(13,872)**	(6,411)	**(23,983)**	(12,117)
Net income		**67,997**	120,771	**406,932**	308,491
Earnings per share					
Basic	**18**	**0.13**	0.25	**0.80**	0.65
Diluted	**18**	**0.13**	0.24	**0.78**	0.63
Weighted average number of ordinary shares outstanding					
Basic		**506,492,000**	476,066,000	**506,398,000**	473,479,000
Diluted		**521,161,000**	498,443,000	**523,487,000**	490,509,000

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,	
	2021	2020	**2021**	2020
Net income	**67,997**	120,771	**406,932**	308,491
Other comprehensive income (loss)				
Item that may be reclassified subsequently to the consolidated statements of income:				
Net movement in foreign currency translation reserve	**6**	11	**(11)**	81
Total other comprehensive income (loss)	**6**	11	**(11)**	81
Total comprehensive income	**68,003**	120,782	**406,921**	308,572

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
Balance - March 31, 2021		**502,116,000**	**356,463**	**185,000,000**	**159,507**	**22,309**	**29,973**	**530**	**284,235**	**853,017**
Net income		**—**	**—**	**—**	**—**	**—**	**—**	**—**	**406,932**	**406,932**
Other comprehensive loss		**—**	**—**	**—**	**—**	**—**	**—**	**(11)**	**—**	**(11)**
Total comprehensive income (loss)		**—**	**—**	**—**	**—**	**—**	**—**	**(11)**	**406,932**	**406,921**
Exercise of stock options	**13**	**100,000**	**715**	**—**	**—**	**(215)**	**—**	**—**	**—**	**500**
Release of restricted share units	**13**	**76,000**	**167**	**—**	**—**	**(358)**	**—**	**—**	**(252)**	**(443)**
Issuance of common shares for the acquisition of the Kami Project[2]	**5, 13**	**4,200,000**	**22,050**	**—**	**—**	**—**	**—**	**—**	**—**	**22,050**
Redemption of preferred shares	**13**	**—**	**—**	**(185,000,000)**	**(159,507)**	**—**	**—**	**—**	**(25,493)**	**(185,000)**
Dividends on preferred shares	**13**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(6,470)**	**(6,470)**
Share-based payments	**13**	**—**	**—**	**—**	**—**	**5,471**	**—**	**—**	**—**	**5,471**
Balance - December 31, 2021		**506,492,000**	**379,395**	**—**	**—**	**27,207**	**29,973**	**519**	**658,952**	**1,096,046**
Balance - March 31, 2020		467,689,000	272,049	185,000,000	159,507	21,100	75,336	381	(151,751)	376,622
Net income		—	—	—	—	—	—	—	308,491	308,491
Other comprehensive income		—	—	—	—	—	—	81	—	81
Total comprehensive income		—	—	—	—	—	—	81	308,491	308,572
Exercise of warrants	**13**	15,000,000	41,410	—	—	—	(24,535)	—	—	16,875
Exercise of stock options	**13**	6,584,000	7,602	—	—	(2,685)	—	—	—	4,917
Dividends on preferred shares	**13**	—	—	—	—	—	—	—	(24,220)	(24,220)
Share-based payments	**13**	—	—	—	—	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

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.
2 Kamistiatusset iron ore project (the "Kami Project").

Champion Iron Limited

Interim Consolidated Statements of Cash Flows

(Expressed in thousands of Canadian dollars - unaudited)

	Notes	Three Months Ended December 31, 2021	2020	Nine Months Ended December 31, 2021	2020
Cash provided by					
Operating Activities					
Net income		**67,997**	120,771	**406,932**	308,491
Adjustments for non-cash items					
Depreciation	**21**	**10,176**	8,604	**29,572**	25,890
Share-based payments	**13**	**2,287**	170	**6,129**	1,544
Unrealized (gain) loss on derivative liabilities	**19**	**(2,751)**	—	**1,024**	—
Change in fair value and related gain on disposal of non-current investments	**17**	**—**	(2,675)	**(716)**	(6,285)
Unrealized foreign exchange loss		**1,118**	5,886	**1,318**	5,249
Deferred income and mining taxes		**13,872**	6,411	**23,983**	12,117
Other		**548**	2,352	**2,099**	3,398
		93,247	141,519	**470,341**	350,404
Changes in non-cash operating working capital	**21**	**12,381**	46,677	**(3,201)**	44,506
Net cash flow from operating activities		**105,628**	188,196	**467,140**	394,910
Investing Activities					
(Acquisition) disposal of short-term investments		**577**	(269)	**(3,591)**	(269)
Increase in restricted cash	**10**	**—**	(44,562)	**—**	(44,562)
Acquisition of the Kami Project	**5**	**—**	—	**(15,444)**	—
(Acquisition) disposal of non-current investments		**(4,181)**	—	**4,049**	—
Purchase of intangible assets	**7**	**—**	(123)	**(513)**	(1,356)
Purchase of property, plant and equipment	**8, 21**	**(137,951)**	(49,744)	**(401,543)**	(100,150)
Increase in advance payments	**6**	**(27,358)**	(2,934)	**(81,800)**	(6,011)
Investment in exploration and evaluation assets	**9**	**(585)**	(91)	**(3,311)**	(355)
Net cash flow used in investing activities		**(169,498)**	(97,723)	**(502,153)**	(152,703)
Financing Activities					
Issuance of long-term debt	**10**	**43,358**	—	**93,358**	—
Transaction costs on long-term debt	**10**	**(2,129)**	(7,825)	**(4,371)**	(7,825)
Exercise of warrants	**13**	**—**	16,875	**—**	16,875
Exercise of stock options	**13**	**—**	1,959	**500**	4,917
Withholding taxes paid pursuant to the settlement of RSUs	**13**	**—**	—	**(443)**	—
Redemption of preferred shares	**13**	**—**	—	**(185,000)**	—
Payment of lease liabilities	**11**	**(526)**	(253)	**(922)**	(733)
Dividends paid on preferred shares	**13**	**—**	(7,240)	**(6,470)**	(24,220)
Net cash flow from (used in) financing activities		**40,703**	3,516	**(103,348)**	(10,986)
Net increase (decrease) in cash and cash equivalents		**(23,167)**	93,989	**(138,361)**	231,221
Cash and cash equivalents, beginning of the period		**491,333**	408,500	**609,316**	281,363
Effects of exchange rate changes on cash and cash equivalents		**(84)**	(12,849)	**(2,873)**	(22,944)
Cash and cash equivalents, end of the period		**468,082**	489,640	**468,082**	489,640
Interest paid		**3,601**	1,337	**8,592**	6,672
Income and mining taxes paid		**70,474**	25,034	**402,506**	122,076

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), the Australian Securities Exchange (ASX: CIA) and is available to trade on the OTCQX Best Market (OTCQX: CIAFF). 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. Bloom Lake is an open-pit operation with a concentrator that primarily sources energy from renewable hydroelectric power. The Bloom Lake Phase I plant has a nameplate capacity of 7.4 million tonnes per annum ("Mtpa") and produces a low contaminant high-grade 66.2% Fe iron ore concentrate and proved its ability to produce a 67.5% Fe direct reduction quality concentrate, which has attracted a premium to the Platts IODEX 62% Fe iron ore benchmark. The Company ships iron ore concentrate from Bloom Lake by rail, to a ship loading port in Sept-Îles, Québec, and sells its iron ore concentrate to customers globally, including in China, Japan, the Middle East, Europe, South Korea, India and Canada. In addition to the ongoing construction to complete the Bloom Lake Phase II project ("Phase II"), Champion owns a portfolio of exploration and development projects in the Labrador Trough, including the Kamistiatusset Project (refer to note 5 - Acquisition of the Kami Project) located a few kilometres south-east of Bloom Lake, and the Consolidated Fire Lake North iron ore project, located approximately 40 km south of Bloom Lake.

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 year ended March 31, 2021.

B. Statement of compliance

These financial statements have been prepared for a for-profit enterprise in accordance with 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, 2021.

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, 2021, except for accounting policies adopted resulting from transactions during the reporting period, and new accounting standards issued and adopted by the Company, which are described below.

These financial statements were approved and authorized for issue by the Board of Directors ("the Board") on January 27, 2022.

C. Significant accounting policies

The following accounting policies were adopted following transactions that occurred during the reporting period:

Acquisition of a group of assets
The Company determines whether it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. If the set of activities do not constitute a business, the Company accounts for the acquisition of a group of assets including intangible assets and liabilities assumed based on their relative fair values at the date of acquisition. The cost of acquisition, including directly attributable acquisition-related costs, is measured as the aggregate of the consideration transferred measured at the acquisition date fair value.

If the acquisition of a group of assets comprises a variable contingent consideration that varies according to future activities such as future production, then the contingent consideration is expensed when incurred. Contingent considerations related to the initial value of the assets are capitalized when the contingency is crystallized.

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

C. Significant accounting policies (continued)

Derivative financial instruments
Derivative financial instruments are mainly used to manage the Company's exposure to foreign exchange generally through forward foreign exchange contracts. Derivative financial instruments include derivatives that are embedded in financial or non-financial contracts that are not closely related to the host contracts. Derivative financial instruments are classified as fair value through profit and loss, unless they are designated as hedging instruments for which hedge accounting is applied. Changes in the fair value of derivative financial instruments not designated in a hedging relationship, excluding embedded derivatives, are recognized in other income (expense), based on the nature of the exposure.

Embedded derivatives of the Corporation include prepayment options which are not closely related to the host contract and are measured at fair value, with the initial value recognized as an increase of the related long-term debt and amortized to income using the effective interest method. Subsequent changes in fair value of embedded derivatives are recorded in other income (expense).

Cash-settled share-based payments
Cash-settled share-based payments are measured at fair value at the grant date with a corresponding liability. Until the liability is settled, the fair value of the liability is remeasured at the end of each reporting period and at the date of settlement, with any changes in fair value recognized in net income. The fair value of the compensation is measured based on the closing share price of the Company on the Toronto Stock Exchange adjusted to take into account the terms and conditions upon which the shares were granted, if any, and the awards, that are expected to vest.

Government grants
Government grants are recognized at fair value when there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recorded as a deferred credit and recognized as income as the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is deducted from the cost of the related asset. The Company presents grants received related to an expense item within operating activities whereas grants received related to an asset within the investing activities against the purchase of property, plant and equipment in the consolidated statements of cash flows.

Financial instruments
Interest-bearing loans from government at a below-market interest rate are treated as government grants and are recognized at fair value measured at the present value of all future cash flows discounted using the prevailing market rate of interest for similar instruments. The difference between the fair value of the loan and the consideration received is recognized as a government grant. After initial recognition, the interest-bearing loan is subsequently measured at amortized cost using the effective interest rate method. The government grant is amortized over the estimated useful life of the assets financed by the interest-bearing loan.

Bloom Lake Phase II start-up costs
Start-up costs are pre-commercial expenses related to the Phase II project and include all costs related to staff mobilization and training. Start-up costs are expensed as incurred.

D. 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
During the three-month period ended December 31, 2021, the COVID-19 Omicron variant was reported to the World Health Organization. The Omicron variant rapidly increased the proportion of COVID-19 cases globally. The duration and full financial effect of the COVID-19 pandemic is unknown at this time, as are the measures required in the future to attempt to reduce the spread of COVID-19.

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

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

Uncertainty due to COVID-19 (continued)
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 the rehabilitation obligation 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.

Estimate of rehabilitation obligation
A rehabilitation obligations study was completed in the nine-month period ended December 31, 2021. The financial impact of the study is described in note 12 of these consolidated financial statements.

E. New accounting amendments issued and adopted by the Company

The following amendments to existing standards have been adopted by the Company on April 1, 2021:

Earlier Adoption of the Amendments to AASB 101 (IAS 1), Presentation of Financial Statements ("IAS 1")
Amendments to IAS 1 change the requirements in IAS 1 with regard to disclosure of accounting policies. Applying the amendments, an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments to IAS 1 are made to explain how an entity can identify a material accounting policy.

Earlier Adoption of the Amendments to AASB 108 (IAS 8), Accounting Policies, Changes in Accounting and Errors ("IAS 8")
Amendments to IAS 8 replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

Interest Rate Benchmark Reform - Phase 2, which amends AASB 9 (IFRS 9), Financial Instruments ("IFRS 9"), AASB 139 (IAS 39), Financial Instruments: Recognition and Measurement ("IAS 39"), AASB 7 (IFRS 7), Financial Instruments: Disclosures ("IFRS 7") and AASB 16 (IFRS 16), Leases ("IFRS 16")
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 adoption of the amendments listed above did not have a significant impact on the Company's financial statements.

F. New accounting amendments issued to be adopted at a later date

Except for the following amendment, there has been no changes to standards issued but not yet in effect for annual periods beginning on April 1, 2022 and thereafter as disclosed in the Company's audited annual consolidated financial statements for the year ended March 31, 2021.

Amendments to AASB 112 (IAS 12), Income Taxes ("IAS 12")
The amendments specify how entities should account for deferred income taxes on transactions such as leases and decommissioning obligations. In specified circumstances, entities are exempt from recognizing deferred income taxes when they recognize assets or liabilities for the first time. The amendments clarify that the exemption does not apply to transactions such as leases and decommissioning obligations and that entities are required to recognize deferred income taxes on such transactions. The amendment is applicable for the annual period beginning on April 1, 2023.

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 - unaudited)

3. Receivables

	As at December 31, 2021	As at March 31, 2021
Trade receivables	**37,594**	73,341
Sales tax	**23,082**	24,359
Grant receivable	**1,761**	—
Other receivables	**2,569**	1,055
	65,006	98,755

As at December 31, 2021, the trade receivables, subject to provisional pricing, amounted to a total receivable balance of $42,942,000 of which $14,060,000 is presented in a net payable balance under Accounts payable and other in the consolidated statements of financial position (March 31, 2021: receivable of $550,000).

4. Inventories

	As at December 31, 2021	As at March 31, 2021
Stockpiled ore	**14,431**	13,050
Concentrate inventories	**26,426**	18,860
Supplies and spare parts	**41,524**	34,904
	82,381	66,814

For the three and nine-month periods ended December 31, 2021, the amount of inventories recognized as an expense totalled $120,466,000 and $371,592,000, respectively (three and nine-month periods ended December 31, 2020: $117,110,000 and $344,473,000, respectively). For the three and nine-month periods ended December 31, 2021, no specific provision was recorded on any of the Company's inventories (three and nine-month periods ended December 31, 2020: nil).

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

5. Acquisition of the Kami Project

On November 16, 2020, the Supreme Court of Newfoundland and Labrador approved the acquisition by the Company from Deloitte Restructuring Inc. (the "Receiver"), as receiver for Alderon Iron Ore Corp. ("Alderon"), of the mining properties of the Kami Project located in the Labrador Trough geological belt in southwestern Newfoundland, near the Québec border, and certain related contracts.

At the acquisition date, on April 1, 2021, Champion paid $15,000,000 in cash and purchased and extinguished the secured debt between Alderon and Sprott Private Resource Lending (Collector), LP ("Sprott") through the issuance of 4,200,000 ordinary shares to Sprott and Altius Resources Inc. ("Altius"). The consideration also includes an undertaking in favour of the Receiver to make a finite production payment on a fixed amount of future iron ore concentrate production from the Kami Project. Refer to note 20 - Commitments and Contingencies.

The transaction has been determined and recorded as an acquisition of a group of assets. The total purchase price was allocated to the assets acquired based on their relative fair values at the acquisition date.

The purchase price and the allocation to the assets were calculated as follows:

	Notes	As at April 1, 2021
Purchase price		
Cash consideration		**15,000**
4,200,000 ordinary shares issued		**22,050**
Transaction costs		**444**
		37,494
Assets acquired		
Advance payment (Port agreement)	**6**	**5,988**
Intangible asset (access to Port)	**7**	**3,513**
Exploration and evaluation assets (mining property rights)	**9**	**27,993**
		37,494
Reconciliation of the acquisition of the Kami Project to the net cash flow used in investing activities		
Cash consideration		**15,000**
Transaction costs paid		**444**
		15,444

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

6. Advance Payments

	As at December 31, 2021	As at March 31, 2021
Port and other port-related advance payments	**22,285**	17,920
Railway and port facilities	**94,583**	23,724
Other long-term advance	**15,355**	7,602
	132,223	49,246

Port
On July 13, 2012, the Company signed an agreement with the Sept-Îles Port Authority ("Port") to reserve annual loading capacity of 10 million metric tonnes of iron ore. Pursuant to the agreement, the Company made an advance payment on its future shipping, wharfage and equipment fees. As at December 31, 2021, the remaining advance payment amounted to $15,389,000 (March 31, 2021: $17,920,000).

On April 1, 2021, the Company acquired the Kami Project, along with related contracts, which included an advance payment and take-or-pay advance payments as an advance on its future shipping, wharfage and equipment fees, previously made by Alderon in respect of the Port agreement totalling $5,988,000. Refer to note 5 - Acquisition of the Kami Project.

Both agreements with the Port have an initial term of 20 years maturing in 2032 with options to renew for 4 additional 5-year terms. The current portion of the advances is presented under Prepaid expenses and advances in the consolidated statements of financial position.

Railway and port facilities
On October 12, 2017, the Company entered into a railway and stockyard facilities access agreement with Société Ferroviaire et Portuaire de Pointe-Noire ("SFPPN") for the transportation, unloading, stockpiling and loading of iron ore concentrate from Sept-Îles to Pointe-Noire, Québec. In connection with the agreement, the Company makes annual advance payments of $3,750,000 to SFPPN to guarantee access to the yard.

In addition, the Company entered into a construction agreement with SFPPN and made advances to increase the transshipment capacity and support the Company's plans to increase production with the Phase II project, which totalled $47,011,000 as at December 31, 2021 (March 31, 2021: $15,211,000).

On April 16, 2021, the Company entered into an agreement to expand the existing long-term rail contract to accommodate the anticipated increased Phase II production volumes. In connection with this agreement, the Company made advances during the three and nine-month periods ended December 31, 2021. The current portion of the advances is presented under Prepaid expenses and advances in the consolidated statements of financial position.

Other long-term advance
The other long-term advance relates mainly to amounts paid to SFPPN annually and are recoverable from SFPPN under the guarantee access agreement if certain conditions are met as well as amounts prepaid for capital maintenance expenditures on SFPPN's assets.

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

7. Intangible Assets

	Port Access	Software	Total
Cost			
March 31, 2021	**—**	**9,410**	**9,410**
Additions	**3,513**	**513**	**4,026**
December 31, 2021	**3,513**	**9,923**	**13,436**
Accumulated depreciation			
March 31, 2021	**—**	**3,153**	**3,153**
Depreciation	**—**	**1,918**	**1,918**
December 31, 2021	**—**	**5,071**	**5,071**
Net book value - December 31, 2021	**3,513**	**4,852**	**8,365**

	Port Access	Software	Total
Cost			
March 31, 2020	—	7,705	7,705
Additions	—	1,705	1,705
March 31, 2021	—	9,410	9,410
Accumulated depreciation			
March 31, 2020	—	1,635	1,635
Depreciation	—	1,518	1,518
March 31, 2021	—	3,153	3,153
Net book value - March 31, 2021	—	6,257	6,257

On April 1, 2021, in connection with the acquisition of the Kami Project, the Company acquired a Port agreement for the rights and entitlements to reserve annual loading capacity of 8 million metric tonnes of iron ore for an initial term of 20 years maturing in 2032 with options to renew for 4 additional 5-year terms. The related port access is amortized straight-line over the life of mine starting at the commercial production of Phase II. Refer to note 5 - Acquisition of the Kami Project.

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

8. Property, Plant and Equipment

	Mining and Processing Equipment	Locomotives, Railcars and Rails	Tailings Dykes	Assets under Construction (i)(ii)	Mining Development and Stripping Asset (iii)	Asset Rehabilitation Obligation and Other	Subtotal	Right-of-use Assets	Total
Cost									
March 31, 2021	**172,460**	**43,663**	**81,549**	**176,079**	**67,831**	**32,223**	**573,805**	**10,335**	**584,140**
Additions	**17,356**	**519**	**—**	**353,532**	**34,732**	**48,154**	**454,293**	**35,124**	**489,417**
Transfers and disposals	**24,248**	**—**	**31,200**	**(56,667)**	**—**	**—**	**(1,219)**	**—**	**(1,219)**
Foreign exchange and other	**—**	**351**	**—**	**—**	**—**	**—**	**351**	**—**	**351**
December 31, 2021	**214,064**	**44,533**	**112,749**	**472,944**	**102,563**	**80,377**	**1,027,230**	**45,459**	**1,072,689**
Accumulated depreciation									
March 31, 2021	**56,018**	**6,967**	**8,212**	**—**	**1,799**	**3,519**	**76,515**	**2,640**	**79,155**
Depreciation	**23,960**	**1,415**	**3,613**	**—**	**1,089**	**1,880**	**31,957**	**1,367**	**33,324**
Transfers and disposals	**(740)**	**—**	**—**	**—**	**—**	**—**	**(740)**	**—**	**(740)**
Foreign exchange and other	**—**	**77**	**—**	**—**	**—**	**—**	**77**	**—**	**77**
December 31, 2021	**79,238**	**8,459**	**11,825**	**—**	**2,888**	**5,399**	**107,809**	**4,007**	**111,816**
Net book value - December 31, 2021	**134,826**	**36,074**	**100,924**	**472,944**	**99,675**	**74,978**	**919,421**	**41,452**	**960,873**

	Mining and Processing Equipment	Locomotives, Railcars and Rails	Tailings Dykes	Assets under Construction (i)	Mining Development and Stripping Asset (iii)	Asset Rehabilitation Obligation and Other	Subtotal	Right-of-use Assets	Total
Cost									
March 31, 2020	150,455	43,421	73,196	61,817	41,105	29,020	399,014	10,335	409,349
Additions	14,828	5,500	—	129,560	26,726	3,203	179,817	—	179,817
Transfers and disposals	6,945	—	8,353	(15,298)	—	—	—	—	—
Foreign exchange and other	232	(5,258)	—	—	—	—	(5,026)	—	(5,026)
March 31, 2021	172,460	43,663	81,549	176,079	67,831	32,223	573,805	10,335	584,140
Accumulated depreciation									
March 31, 2020	30,087	5,767	3,983	—	871	1,919	42,627	1,252	43,879
Depreciation	25,931	1,934	4,229	—	928	1,600	34,622	1,388	36,010
Foreign exchange and other	—	(734)	—	—	—	—	(734)	—	(734)
March 31, 2021	56,018	6,967	8,212	—	1,799	3,519	76,515	2,640	79,155
Net book value - March 31, 2021	116,442	36,696	73,337	176,079	66,032	28,704	497,290	7,695	504,985

(i) 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, 2021 was $4,146,000 and $10,675,000, respectively (three and nine-month periods ended December 31, 2020: $645,000 and $2,138,000, respectively). Borrowing costs consisted of interest expense and transaction costs on the long-term debt. Refer to note 10 - Long-Term Debt. The capitalization rate used to determine the amount of general borrowing costs eligible for capitalization for the three and nine-month periods ended December 31, 2021 was 4.9% and 4.8%, respectively (three and nine-month periods ended December 31, 2020: 3.1% and 3.6%, respectively).

(ii) The Company qualified for a government grant up to $21,817,000, payable in multiple advances, in relation to energy consumption reduction initiatives under certain conditions. The Company must reach gas emissions reduction targets over a period of 10 years and must complete the construction before August 5, 2025. The grant was recognized as a reduction of property, plant and equipment. The additions of property, plant and equipment for the three and nine-month periods ended December 31, 2021 are net of government grants of $774,000 and $7,995,000, respectively, of which $1,761,000 was receivable as at December 31, 2021.

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

8. Property, Plant and Equipment (continued)

(iii) For the three and nine-month periods ended December 31, 2021, the addition to the stripping asset includes: i) production expenses capitalized amounting to $9,584,000 and $23,262,000, respectively, (three and nine-month periods ended December 31, 2020: $6,283,000 and $10,856,000, respectively) and ii) allocated depreciation of property, plant and equipment amounting to $1,576,000 and $4,104,000, respectively (three and nine-month periods ended December 31, 2020: $1,237,000 and $2,060,000, respectively).

Right-of-use assets consist of the following:

	Building	Mining and Processing Equipment	Locomotives, Railcars and Rails	Total
March 31, 2021	1,419	298	5,978	7,695
Additions	—	2,723	32,401	35,124
Depreciation	(166)	(929)	(272)	(1,367)
December 31, 2021	**1,253**	**2,092**	**38,107**	**41,452**

	Building	Mining and Processing Equipment	Locomotives, Railcars and Rails	Total
March 31, 2020	1,640	1,114	6,329	9,083
Depreciation	(221)	(816)	(351)	(1,388)
March 31, 2021	1,419	298	5,978	7,695

On January 22, 2021, QIO entered into a master lease agreement for 450 railcars for a term of 20 years to support the Phase II production volume. Additions to the right-of-use assets during the nine-month period ended December 31, 2021 were mainly comprised of these assets as the Company received 235 of the railcars during the three and nine-month periods ended December 31, 2021. Refer to note 11 - Lease Liabilities.

9. Exploration and Evaluation Assets

	Labrador Trough	Newfoundland	Total
March 31, 2021	73,423	2,683	76,106
Additions	30,696	608	31,304
December 31, 2021	**104,119**	**3,291**	**107,410**

	Labrador Trough	Newfoundland	Total
March 31, 2020	73,087	2,438	75,525
Additions	336	245	581
March 31, 2021	73,423	2,683	76,106

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

On April 1, 2021, in connection with the acquisition of the Kami Project, the Company acquired mining property rights of $27,993,000. Refer to note 5 - Acquisition of the Kami Project.

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

10. Long-Term Debt

	As at December 31, 2021	As at March 31, 2021
	(nine-month period)	(twelve-month period)
Opening balance	**214,951**	275,968
Advances	**93,358**	—
Market value adjustment	**(6,302)**	—
Capital repayment	**—**	(25,262)
Transaction costs	**(4,371)**	(7,888)
Amortization of transaction costs	**3,318**	2,398
Foreign exchange loss (gain)	**1,773**	(32,128)
Non-cash loss on debt refinancing	**—**	1,863
	302,727	214,951
Less current portion	**(55,096)**	—
Ending balance	**247,631**	214,951

	As at December 31, 2021	As at March 31, 2021
Debt	**315,383**	226,350
Unamortized transaction costs	**(12,656)**	(11,399)
Long-term debt, net of transaction costs	**302,727**	214,951

Senior Debt

QIO entered into a lending arrangement with various lenders to fund the completion of Phase II, which is comprised of a US$350,000,000 non-revolving credit facility (the “Term Facility”) and a US$50,000,000 revolving credit facility (the “Revolving Facility”) (collectively the “Senior Debt”), maturing on December 23, 2025 and December 23, 2023, respectively. As at December 31, 2021, the undrawn portion of the Senior Debt totalled US$220,000,000. The repayment of the Term Facility commences 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.

Collaterals are comprised of 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.

The Senior Debt 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, 2021, this deposit of $44,373,000 was classified as a non-current restricted cash in the consolidated statements of financial position (March 31, 2021: $44,012,000).

FTQ Loan

On May 21, 2021, QIO entered into an unsecured loan agreement with Fonds de Solidarité des Travailleurs du Québec (“FTQ Loan”) to fund the completion of Phase II for an amount up to $75,000,000, maturing on May 21, 2028. During the nine-month period ended December 31, 2021, the Company drew on $30,000,000. The FTQ Loan includes an option to prepay in whole or in part at anytime, but not prior to the second anniversary by paying a premium that varies from 2% to 6% based the prepayment date.

IQ Loan

On July 21, 2021, QIO entered into an unsecured loan agreement with Investissement Québec (“IQ Loan”) to finance the Company's share of the increase in transshipment capacity by SFPPN for an amount up to $70,000,000 maturing on April 1, 2032. The repayment commences on April 1, 2022 in ten equal annual installments of the principal balance outstanding. The agreement comprises an option to prepay the loan at anytime without penalty. During the nine-month period ended December 31, 2021, the Company drew on $40,000,000. The loan bearing interest at 3.70% was determined to be at below-market rate. The fair value of the advances was estimated at $33,698,000 and was determined based on the prevailing market interest rate for a similar instrument. The residual amount of $6,302,000 was recognized as a government grant and presented as a deferred grant in the consolidated statements of financial position.

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

10. Long-Term Debt (continued)

CAT Financing
On April 1, 2021, the Company signed an agreement with Caterpillar Financial Services Limited ("CAT Financing") to finance Phase II mining equipment for a facility of up to US$75,000,000 and available until March 31, 2022. Transaction costs of $2,073,000 were incurred for this transaction. During the three and nine-month periods ended December 31, 2021, the Company drew on US$18,361,000. The CAT Financing matures between 3 to 6 years depending on the equipment and is collateralized by all of the financed equipment. The CAT Financing includes an option to prepay the loan without penalty at anytime.

The Senior Debt, FTQ Loan and the CAT Financing are subject to operational and financial covenants, all of which have been met as at December 31, 2021. The undrawn portion of the Senior Debt, FTQ Loan and the CAT Financing is subject to standby commitment fees varying from 0.35% to 1.38% during the pre-completion of Phase II.

During the three and nine-month periods ended December 31, 2021, the weighted average interest rate was 4.4% and 4.5%, respectively (three and nine-month periods ended December 31, 2020: 3.1% and 3.6%).

11. Lease Liabilities

	As at December 31, 2021	As at March 31, 2021
Opening balance	**1,902**	2,890
New lease liabilities	**34,230**	—
Payments	**(922)**	(988)
Impact of foreign exchange	**(144)**	—
	35,066	1,902
Less current portion classified in "Accounts payable and other"	**(1,743)**	(501)
Ending balance	**33,323**	1,401

New lease liabilities for the nine-month period ended December 31, 2021 are mainly comprised of a lease liability for 235 railcars. The lease liability is guaranteed by Champion and QIO is not subject to any financial covenants under the master lease agreement and cannot assign or sublease any railcars. Refer to note 8 - Property, Plant and Equipment.

12. Rehabilitation Obligation

	As at December 31, 2021	As at March 31, 2021
	(nine-month period)	(twelve-month period)
Opening balance	**45,074**	42,836
Increase due to reassessment of the rehabilitation obligation	**44,195**	994
Accretion expense	**100**	72
Effect of change in discount rate	**3,891**	1,172
Ending balance	**93,260**	45,074

During the nine-month period ended December 31, 2021, a new rehabilitation obligation study was completed due to the upcoming Phase II completion. The estimated rehabilitation obligation increased by $44,195,000 during the nine-month period ended December 31, 2021.

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, 2021 (March 31, 2021: 0.28%). The undiscounted amount related to the rehabilitation obligation is estimated at $93,260,000 as at December 31, 2021 (March 31, 2021: $47,268,000).

13. 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,	
	2021	2020
	(in thousands)	(in thousands)
Opening balance	**502,116**	467,689
Shares issued for exercise of warrants	**—**	15,000
Shares issued for exercise of options - incentive plan	**100**	6,584
Shares issued for release of restricted share units - incentive plan	**76**	—
Shares issued for the acquisition of the Kami Project	**4,200**	—
Ending balance	**506,492**	489,273

On April 1, 2021, the Company issued 4,200,000 ordinary shares to Sprott and Altius as partial consideration for the acquisition of the Kami Project. Refer to note 5 - Acquisition of the Kami Project.

c) Preferred share issuances

	Nine Months Ended December 31,	
	2021	2020
	(in thousands)	(in thousands)
Opening balance	**185,000**	185,000
Redemption of preferred shares	**(185,000)**	—
Ending balance	**—**	185,000

On August 16, 2019, QIO issued preferred shares for consideration of $185,000,000 to CDP Investissements Inc. ("CDPI"). Transaction costs of $3,205,000 were incurred for this transaction, resulting in net proceeds of $181,795,000. 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 nine-month period ended December 31, 2021, the Company declared and paid dividends on the preferred shares amounting to $6,470,000 or $0.03 per preferred share which represented the accumulated dividends for the April 1, 2021 to August 16, 2021 period, inclusively. During the nine-month period ended December 31, 2021, QIO redeemed 185,000,000 of its preferred shares. The redemption was settled for $185,000,000 and the excess of the repurchase price over the book value of $25,493,000 was recorded in retained earnings for the nine-month period ended December 31, 2021.

13. 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, restricted share units ("RSU") awards, preferred share units ("PSU") awards and deferred share units ("DSU") awards.

Stock option awards and RSU awards vest annually in three equal tranches from the date of grant. PSU awards vest i) at the end of three years from the date of grant or ii) over a 32-month period for Phase II construction. Vesting is subject to key performance indicators established by the Board. A portion of the PSUs granted with performance criteria based on Phase II milestones is settled in cash. DSU awards vest at the date of the grant.

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

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2021	2020	**2021**	2020
Stock option costs	**403**	44	**1,129**	178
RSU costs	**385**	(200)	**1,151**	503
PSU costs	**1,499**	238	**3,596**	714
DSU costs	**—**	88	**253**	149
	2,287	170	**6,129**	1,544

e) Stock options

As at December 31, 2021, the Company is authorized to issue 50,649,000 stock options and share rights (December 31, 2020: 48,927,000) equal to 10% (December 31, 2020: 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,	
		2021		2020
	Number of Stock Options	**Weighted Average Exercise Price**	**Number of Stock Options**	**Weighted Average Exercise Price**
	(in thousands)		(in thousands)	
Opening balance	**1,920**	**4.85**	6,814	0.83
Forfeited	**(200)**	**5.00**	—	—
Exercised	**(100)**	**5.00**	(6,584)	0.79
Ending balance	**1,620**	**4.82**	230	2.02
Options exercisable - end of the period	**620**	**4.52**	—	—

During the nine-month period ended December 31, 2021, no new stock options were granted to executive officers of the Company. During the nine-month period ended December 31, 2021, a total of 100,000 stock options were exercised and the weighted average share price at the exercise date was $6.00.

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 and the weighted average share price at the exercise date was $2.45.

13. Share Capital and Reserves (continued)

e) Stock options (continued)

A summary of the Company's outstanding and exercisable stock options as at December 31, 2021 is presented below:

Exercise Price	Weighted Average Remaining Life (Years)	Number of Stock Options Outstanding	Exercisable
		(in thousands)	(in thousands)
$2.53	0.38	120	120
$5.00	3.1	1,500	500
		1,620	**620**

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,	
		2021		2020
	Number of RSUs	**Weighted Average Share Price**	**Number of RSUs**	**Weighted Average Share Price**
	(in thousands)		(in thousands)	
Opening balance	**1,010**	**2.24**	598	2.18
Granted	**316**	**6.16**	412	2.33
Forfeited	**(25)**	**2.30**	—	—
Released through the issuance of ordinary shares	**(76)**	**4.73**	—	—
Withheld as payment of withholding taxes	**(86)**	**4.73**	—	—
Ending balance	**1,139**	**3.33**	1,010	2.24
Vested - end of the period	**428**	**2.22**	253	2.19

During the nine-month period ended December 31, 2021, 316,000 RSUs were granted to key management personnel (nine-month period ended December 31, 2020: 412,000). They will vest annually in three equal tranches from the date of grant.

During the nine-month period ended December 31, 2021, the Company issued 76,000 ordinary shares to an executive at a weighted average share price of $4.73. Withholding taxes of $443,000 were paid pursuant to the issuance of these RSUs resulting in the Company not issuing an additional 86,000 RSUs.

13. Share Capital and Reserves (continued)

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,	
		2021		2020
	Number of PSUs (in thousands)	**Weighted Average Share Price**	**Number of PSUs** (in thousands)	**Weighted Average Share Price**
Opening balance	**1,272**	**2.25**	653	2.17
Granted	**1,635**	**6.16**	619	2.33
Forfeited	**(74)**	**2.28**	—	—
Ending balance	**2,833**	**4.51**	1,272	2.25
Vested - end of the period	**—**	**—**	—	—

During the nine-month period ended December 31, 2021, 1,635,000 PSUs were granted to key management personnel (nine-month period ended December 31, 2020: 619,000). Out of the PSUs granted during the period, a portion is payable in cash representing a fair value of $658,000 for the nine-month period ended December 31, 2021 and presented under Other long-term liabilities in the consolidated statements of financial position.

h) Warrants

	Nine Months Ended December 31,		Nine Months Ended December 31,	
		2021		2020
	Number of Warrants (in thousands)	**Weighted Average Exercise Price**	**Number of Warrants** (in thousands)	**Weighted Average Exercise Price**
Opening balance	**25,281**	**1.91**	53,014	1.50
Exercised	**—**	**—**	(15,000)	1.13
Ending balance	**25,281**	**1.91**	38,014	1.65

A summary of the Company's outstanding and exercisable warrants as at December 31, 2021 and 2020 is presented below:

			Outstanding and Exercisable	
Exercise Price	**Holder**	**Expiry Date**	**As at December 31,**	As at December 31,
			2021 (in thousands)	2020 (in thousands)
$1.125	Sprott	October 16, 2022	**281**	281
$1.125	CDPI	October 16, 2024	**10,000**	10,000
$1.125	Glencore	October 13, 2025	**—**	12,733
$2.45	CDPI	August 16, 2026	**15,000**	15,000
			25,281	38,014

All ordinary share warrants were accounted for as warrants in the consolidated statements of equity. There has been no change to the details of the warrants as disclosed in the Company's audited annual consolidated financial statements for the year ended March 31, 2021.

During the nine-month period ended December 31, 2021, no warrants were exercised (nine-month period ended December 31, 2020: 15,000,000).

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

14. Revenues

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2021	2020	**2021**	2020
Iron ore revenue	**260,482**	314,169	**1,087,230**	817,622
Provisional pricing adjustments	**(7,466)**	15,376	**42,200**	67,491
	253,016	329,545	**1,129,430**	885,113

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, 2021, 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, 2021 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, 2021, a final price was established for the 0.8 million tonnes of iron ore that were in transit as at September 30, 2021. Accordingly, during the three-month period ended December 31, 2021, negative provisional pricing adjustments of $7,466,000 were recorded as reduction of revenues for the 0.8 million tonnes. As at December 31, 2021, 0.9 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, 2020: 0.6 million tonnes).

15. Cost of Sales

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2021	2020	**2021**	2020
Land transportation	**40,345**	37,728	**122,367**	118,117
Operating supplies and parts	**32,523**	27,393	**91,207**	73,091
Salaries, benefits and other employee expenses	**23,810**	19,996	**75,589**	65,594
Sub-contractors	**21,982**	22,314	**59,545**	53,345
Other production costs	**5,788**	4,799	**19,423**	11,663
Change in inventories	**(5,940)**	344	**(7,382)**	(1,819)
Production expenses capitalized as stripping asset	**(9,584)**	(6,283)	**(23,262)**	(10,856)
Incremental costs related to COVID-19	**1,366**	2,215	**4,533**	9,448
	110,290	108,506	**342,020**	318,583

For the three and nine-month periods ended December 31, 2021, the amount recognized as an expense for defined contribution plans was $1,376,000 and $4,922,000, respectively, (three and nine-month periods ended December 31, 2020: $1,068,000 and $3,568,000, respectively) and was included in salaries, benefits and other employee expenses.

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

16. Net Finance Costs

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2021	2020	**2021**	2020
Loss on debt refinancing	**—**	1,863	**—**	1,863
Interest on long-term debt	**101**	1,433	**623**	5,275
Realized and unrealized foreign exchange loss	**1,057**	6,024	**1,206**	5,674
Amortization of transaction costs	**492**	489	**999**	1,463
Interest expense on lease liabilities	**49**	28	**89**	92
Standby commitment fees on long-term debt	**1,257**	—	**3,886**	—
Other	**421**	1,486	**1,973**	2,631
	3,377	11,323	**8,776**	16,998

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, 2021 was $4,146,000 and $10,675,000, respectively (three and nine-month periods ended December 31, 2020: $645,000 and $2,138,000, respectively). Borrowing costs consisted of interest expense and transaction costs on the long-term debt.

17. Other Income (Expense)

	Note	Three Months Ended December 31,		Nine Months Ended December 31,	
		2021	2020	**2021**	2020
Unrealized gain on non-current investments		**—**	2,675	**540**	6,285
Gain on disposal of non-current investments		**—**	—	**176**	—
Unrealized gain (loss) on derivative liabilities	**19**	**2,751**	—	**(1,024)**	—
Impairment loss on non-financial asset		**—**	—	**(1,000)**	—
		2,751	2,675	**(1,308)**	6,285

18. Earnings per Share

Earnings per share amounts are calculated by dividing the net income attributable to Champion shareholders for the three and nine-month periods ended December 31, 2021 and 2020 by the weighted average number of shares outstanding during the year.

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2021	2020	**2021**	2020
Net income	**67,997**	120,771	**406,932**	308,491
Weighted average number of common shares outstanding - Basic	**506,492,000**	476,066,000	**506,398,000**	473,479,000
Dilutive share options, warrants and equity settled awards	**14,669,000**	22,377,000	**17,089,000**	17,030,000
Weighted average number of outstanding shares - Diluted	**521,161,000**	498,443,000	**523,487,000**	490,509,000
Basic earnings per share	**0.13**	0.25	**0.80**	0.65
Diluted earnings per share	**0.13**	0.24	**0.78**	0.63

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

19. 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 or financial liabilities 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, 2021 and 2020:

As at December 31, 2021		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	—	468,082	—	468,082
Short-term investments	Level 1	—	30,949	—	30,949
Trade receivables	Level 2	37,594	—	—	37,594
Other receivables (excluding sales tax and grant)	Level 2	—	2,569	—	2,569
Non-current					
Restricted cash	Level 1	—	44,373	—	44,373
Non-current investments (equity investment in public entity)	Level 1	9	—	—	9
Non-current investments (equity investment in private entity and convertible loan)	Level 3	5,388	—	—	5,388
		42,991	545,973	—	588,964
Liabilities					
Current					
Accounts payable and other (excluding current portion of lease liabilities)	Level 2	55,863	—	171,030	226,893
Derivative liabilities	Level 2	1,024	—	—	1,024
Current portion of long-term debt	Level 2	—	—	55,096	55,096
		56,887	—	226,126	283,013
Non-current					
Long-term debt	Level 2	—	—	247,631	247,631
		56,887	—	473,757	530,644

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

19. Financial Instruments (continued)

Measurement Categories (continued)

As at March 31, 2021		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	—	609,316	—	609,316
Short-term investments	Level 1	—	27,200	—	27,200
Trade receivables	Level 2	73,341	—	—	73,341
Other receivables (excluding sales tax)	Level 2	—	1,055	—	1,055
Non-current					
Restricted cash	Level 1	—	44,012	—	44,012
Non-current investments	Level 1	8,761	—	—	8,761
		82,102	681,583	—	763,685
Liabilities					
Current					
Accounts payable and other (excluding the current portion of lease liabilities)	Level 2	—	—	101,724	101,724
		—	—	101,724	101,724
Non-current					
Long-term debt	Level 2	—	—	214,951	214,951
		—	—	316,675	316,675

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 were no transfers between Level 1, Level 2 and Level 3 during the three and nine-month periods ended December 31, 2021 (three and nine-month periods ended December 31, 2020: nil).

19. Financial Instruments (continued)

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. As at December 31, 2021, a payable balance on sale due to provisional pricing adjustments totalling $55,863,000 was presented under Accounts payable and other in the consolidated statements of financial position.

Non-Current Investments

Equity instruments publicly listed are classified as a Level 1 in the fair value hierarchy. Their fair values are a recurring measurement and are estimated using the closing share price observed on the relevant stock exchange.

During the nine-month period ended December 31, 2021, the Company purchased equity investments in an European-based private entity which collaborates with the Company in industrial trials related to cold pelletizing technologies. Its fair value is a recurring measurement and it is classified as Level 3. The determination of fair value is conducted on a quarterly basis and it is based on the investment's financial performance from latest financial statements. No adjustment in the fair value of the equity instrument was recorded in the consolidated statements of income in the three and nine-month periods ended December 31, 2021.

During the three-month period ended December 31, 2021, the Company invested in a convertible loan of US$2,500,000 in the European-based private entity, convertible after February 28, 2022 at the discretion of the Company and automatically convertible after sixty months from the contractual date of December 16, 2021. The loan is convertible into a variable number of ordinary shares which varies according to the certain level of financing that the entity will seek. No adjustment in the fair value of the convertible loan was recorded in the consolidated statements of income in the three and nine-month periods ended December 31, 2021.

A sensitivity analysis for Level 3 financial instruments is not presented as it is deemed that the impact would not be significant. The non-current investments are classified as financial assets at FVPL.

Derivative Financial Instruments

The Company entered into forward foreign exchange contracts to sell U.S. dollars to reduce the risk of variability of future cash flows resulting from forecasted sales. The amount of contracts signed was determined based on the planned Phase II construction expenditures. As at December 31, 2021, remaining forward exchange contracts totalled US$20,000,000, maturing between January and April 2022. The forward foreign exchange rates used to estimate the fair value of these contracts was $1.26 as at December 31, 2021 and resulted in a derivative liability of $1,024,000 as at December 31, 2021. The change in fair value of these contracts amounted to a gain of $2,751,000 and a loss of $1,024,000, respectively, for the three and nine-month periods ended December 31, 2021.

The fair value of forward exchange contracts was categorized as Level 2 in the fair value hierarchy. Fair value of derivative financial instruments generally reflects the estimated amounts that the Corporation would receive or pay taking into consideration the counterparty credit risk or the Corporation's credit risk, at the reporting dates. The Corporation uses market data such as credit spreads and foreign exchange spot rates to estimate the fair value of forward agreements. The Company did not apply hedge accounting on these contracts. The change in fair value of the derivative financial instruments is recognized in the consolidated statements of income.

20. Commitments and Contingencies

Commitments

The Company's future minimum payments of commitments as at December 31, 2021 are as follows:

(in thousands of dollars)	Less than a year	1 to 5 years	More than 5 years	Total
Impact and Benefits Agreement with the Innu community	5,362	23,109	86,079	114,550
Take-or-pay fees related to the Port agreement	6,632	28,227	103,511	138,370
Capital expenditure obligations	137,146	—	—	137,146
Service commitment	8,760	46,131	6,136	61,027
Spare parts purchase commitment	8,621	—	—	8,621
Committed leases not yet commenced	1,994	8,701	32,809	43,504
	168,515	106,168	228,535	503,218

In relation to the acquisition of the Kami Project and contingent upon it advancing to commercial production, the Company is subject to:

- A gross sales royalty to Altius on iron ore concentrate, refined copper, fine gold bullion, silver bullion, and other refined products;
- Finite production payments to the Receiver on future production;
- Education and training fund for the local communities; and
- Special tax payment to the Minister of Finance of Newfoundland and Labrador.

The Company is also subject to a limited production payment on its Consolidated Fire Lake North, Lac Lamêlée, Moiré Lake, O'Keefe-Purdy and Harvey-Tuttle properties.

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

21. Financial Information Included in the Consolidated Statements of Cash Flows

a) Changes in non-cash operating working capital

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2021	2020	**2021**	2020
Receivables	**31,388**	(28,559)	**39,921**	(47,443)
Prepaid expenses and advances	**(3,979)**	4,999	**(13,261)**	6,727
Inventories	**(8,059)**	(422)	**(14,001)**	(8,788)
Advance payments	**5,928**	(170)	**3,811**	1,391
Accounts payable and other	**30,959**	28,433	**122,752**	34,627
Income and mining taxes payable	**(43,769)**	42,457	**(143,890)**	58,176
Other long-term liabilities	**(87)**	(61)	**1,467**	(184)
	12,381	46,677	**(3,201)**	44,506

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

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2021	2020	**2021**	2020
Additions of property, plant and equipment as per note 8	**179,531**	51,277	**489,417**	106,570
Right-of-use assets	**(35,124)**	—	**(35,124)**	—
Depreciation of property, plant and equipment allocated to stripping activity asset	**(1,576)**	(1,237)	**(4,104)**	(2,060)
Non-cash increase of the asset rehabilitation obligation	**(4,820)**	(296)	**(48,087)**	(4,360)
Government grant receivable	**774**	—	**1,761**	—
Capitalized amortization of transaction costs	**(834)**	—	**(2,320)**	—
Net cash flow used in investing activities - purchase of property, plant and equipment	**137,951**	49,744	**401,543**	100,150

The additions of property, plant and equipment for the three and nine-month periods ended December 31, 2021 are net of government grants of $774,000 and $7,995,000, respectively, of which $1,761,000 was receivable as at December 31, 2021. The net cash flow from purchase of property, plant and equipment as presented in the statements of cash flows is net of government grants totalling $6,234,000 for the three and nine-month periods ended December 31, 2021.

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

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2021	2020	**2021**	2020
Depreciation of property, plant and equipment as per note 8	**12,459**	9,164	**33,324**	26,507
Depreciation of property, plant and equipment allocated to stripping activity asset	**(1,576)**	(1,237)	**(4,104)**	(2,060)
Depreciation of intangible assets	**644**	344	**1,918**	1,033
Net effect of depreciation of property, plant and equipment allocated to inventory	**(1,351)**	333	**(1,566)**	410
Depreciation as per statements of income	**10,176**	8,604	**29,572**	25,890

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

22. 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, 2021	Mine Site	Exploration and Evaluation	Corporate	Total
Revenues	**253,016**	**—**	**—**	**253,016**
Cost of sales	**(110,290)**	**—**	**—**	**(110,290)**
Depreciation	**(10,112)**	**—**	**(64)**	**(10,176)**
Gross profit (loss)	**132,614**	**—**	**(64)**	**132,550**
Share-based payments	**—**	**—**	**(2,287)**	**(2,287)**
General and administrative expenses	**—**	**—**	**(8,323)**	**(8,323)**
Sustainability and other community expenses	**(1,336)**	**—**	**(3,100)**	**(4,436)**
Product research and development expenses	**—**	**—**	**(1,130)**	**(1,130)**
Bloom Lake Phase II start-up costs	**—**	**—**	**(7,174)**	**(7,174)**
Operating income (loss)	**131,278**	**—**	**(22,078)**	**109,200**
Net finance costs, other income and taxes expenses				**(41,203)**
Net income				**67,997**
Segmented total assets	**1,781,061**	**107,410**	**35,303**	**1,923,774**
Segmented total liabilities	**(811,647)**	**—**	**(16,081)**	**(827,728)**
Segmented property, plant and equipment	**959,253**	**—**	**1,620**	**960,873**

Three Months Ended December 31, 2020	Mine Site	Exploration and Evaluation	Corporate	Total
Revenues	329,545	—	—	329,545
Cost of sales	(108,506)	—	—	(108,506)
Depreciation	(8,540)	—	(64)	(8,604)
Gross profit (loss)	212,499	—	(64)	212,435
Share-based payments	—	—	(170)	(170)
General and administrative expenses	—	—	(4,810)	(4,810)
Sustainability and other community expenses	(1,556)	—	(2,191)	(3,747)
Product research and development expenses	—	—	(408)	(408)
Operating income (loss)	210,943	—	(7,643)	203,300
Net finance costs, other income 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

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

22. Segmented Information (continued)

Nine Months Ended December 31, 2021	Mine Site	Exploration and Evaluation	Corporate	Total
Revenues	**1,129,430**	**—**	**—**	**1,129,430**
Cost of sales	**(342,020)**	**—**	**—**	**(342,020)**
Depreciation	**(29,379)**	**—**	**(193)**	**(29,572)**
Gross profit (loss)	**758,031**	**—**	**(193)**	**757,838**
Share-based payments	**—**	**—**	**(6,129)**	**(6,129)**
General and administrative expenses	**—**	**—**	**(23,675)**	**(23,675)**
Sustainability and other community expenses	**(4,420)**	**—**	**(8,210)**	**(12,630)**
Product research and development expenses	**—**	**—**	**(4,002)**	**(4,002)**
Bloom Lake Phase II start-up costs	**—**	**—**	**(11,787)**	**(11,787)**
Operating income (loss)	**753,611**	**—**	**(53,996)**	**699,615**
Net finance costs, other expense and taxes expenses				**(292,683)**
Net income				**406,932**
Segmented total assets	**1,781,061**	**107,410**	**35,303**	**1,923,774**
Segmented total liabilities	**(811,647)**	**—**	**(16,081)**	**(827,728)**
Segmented property, plant and equipment	**959,253**	**—**	**1,620**	**960,873**

Nine Months Ended December 31, 2020	Mine Site	Exploration and Evaluation	Corporate	Total
Revenues	885,113	—	—	885,113
Cost of sales	(318,583)	—	—	(318,583)
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	—	—	(15,689)	(15,689)
Sustainability and other community expenses	(4,551)	—	(6,396)	(10,947)
Product research and development expenses	—	—	(922)	(922)
Operating income (loss)	536,282	—	(24,744)	511,538
Net finance costs, other income 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

23. Subsequent Event

On January 26, 2022 (Montreal time) / January 27, 2022 (Sydney time), the Board declared a dividend of $0.10 per ordinary share of the Company in respect to the semi-annual results for the period ended September 30, 2021, payable on March 1, 2022, to registered shareholders at the close of business in Australia and Canada on February 8, 2022 (local time).