Champion Iron Limited

(ACN: 119 770 142)

Condensed Interim Consolidated Financial Statements
For the Three-Month Periods Ended June 30, 2023 and 2022

(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 June 30, 2023	As at March 31, 2023
Assets			
Current			
Cash and cash equivalents		**250,340**	326,806
Restricted cash	**3**	**52,345**	—
Short-term investments		**—**	312
Receivables	**4**	**108,301**	162,268
Income and mining taxes receivable		**31,926**	37,912
Prepaid expenses and advances	**5**	**64,355**	43,051
Inventories	**6**	**211,633**	167,670
		718,900	738,019
Non-current			
Non-current investments		**11,524**	14,751
Advance payments	**7**	**170,890**	166,943
Intangible assets		**7,080**	7,866
Property, plant and equipment	**8**	**1,286,518**	1,261,968
Exploration and evaluation assets		**119,848**	117,127
Other non-current assets	**9**	**7,916**	8,595
Total assets		**2,322,676**	2,315,269
Liabilities			
Current			
Accounts payable and other		**226,453**	178,578
Income and mining taxes payable		**2,720**	—
Current portion of long-term debt	**9**	**29,506**	27,080
		258,679	205,658
Non-current			
Long-term debt	**9**	**438,536**	448,201
Deferred grant	**9**	**10,614**	10,614
Lease liabilities		**71,813**	73,430
Rehabilitation obligation		**84,550**	85,508
Other long-term liabilities	**10**	**9,666**	13,427
Deferred tax liabilities		**220,726**	215,727
Total liabilities		**1,094,584**	1,052,565
Shareholders' equity			
Share capital	**10**	**401,282**	401,282
Contributed surplus		**23,263**	22,796
Warrants	**10**	**22,288**	22,288
Foreign currency translation reserve		**455**	430
Retained earnings		**780,804**	815,908
Total equity		**1,228,092**	1,262,704
Total liabilities and equity		**2,322,676**	2,315,269
Commitments and contingencies	**16**		

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

Approved on July 28, 2023 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 June 30,	
	Notes	**2023**	2022
Revenues	**11**	**297,162**	279,321
Cost of sales	**12**	**(208,485)**	(169,407)
Depreciation	**17**	**(29,913)**	(19,792)
Gross profit		**58,764**	90,122
Other expenses			
Share-based payments	**10**	**964**	2,430
General and administrative expenses		**(12,949)**	(12,272)
Sustainability and other community expenses		**(3,969)**	(3,343)
Innovation and growth initiative expenses		**(3,691)**	(2,420)
Operating income		**39,119**	74,517
Net finance costs	**13**	**(6,926)**	(4,190)
Other income (expense)	**15**	**(3,227)**	621
Income before income and mining taxes		**28,966**	70,948
Current income and mining taxes		**(7,310)**	(10,909)
Deferred income and mining taxes		**(4,999)**	(18,485)
Net income		**16,657**	41,554
Earnings per share			
Basic	**14**	**0.03**	0.08
Diluted	**14**	**0.03**	0.08
Weighted average number of ordinary shares outstanding			
Basic		**517,193,000**	516,691,000
Diluted		**527,293,000**	527,877,000

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 June 30,	
	2023	2022
Net income	**16,657**	41,554
Other comprehensive income (loss)		
Item that may be reclassified subsequently to the consolidated statements of income:		
Net movement in foreign currency translation reserve	**25**	(43)
Total other comprehensive income (loss)	**25**	(43)
Total comprehensive income	**16,682**	41,511

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						
	Note	Shares[1]	$	Contributed Surplus	Warrants	Foreign Currency Translation	Retained Earnings	Total
Balance - March 31, 2023		**517,193,000**	**401,282**	**22,796**	**22,288**	**430**	**815,908**	**1,262,704**
Net income		**—**	**—**	**—**	**—**	**—**	**16,657**	**16,657**
Other comprehensive income		**—**	**—**	**—**	**—**	**25**	**—**	**25**
Total comprehensive income		**—**	**—**	**—**	**—**	**25**	**16,657**	**16,682**
Dividends on ordinary shares	**10**	**—**	**—**	**—**	**—**	**—**	**(51,686)**	**(51,686)**
Dividend equivalents	**10**	**—**	**—**	**75**	**—**	**—**	**(75)**	**—**
Share-based payments	**10**	**—**	**—**	**392**	**—**	**—**	**—**	**392**
Balance - June 30, 2023		**517,193,000**	**401,282**	**23,263**	**22,288**	**455**	**780,804**	**1,228,092**
Balance - March 31, 2022		516,612,000	398,635	21,339	22,473	539	718,712	1,161,698
Net income		—	—	—	—	—	41,554	41,554
Other comprehensive loss		—	—	—	—	(43)	—	(43)
Total comprehensive income (loss)		—	—	—	—	(43)	41,554	41,511
Exercise of stock options	**10**	300,000	2,145	(645)	—	—	—	1,500
Dividends on ordinary shares	**10**	—	—	—	—	—	(51,658)	(51,658)
Dividend equivalents	**10**	—	—	83	—	—	(83)	—
Share-based payments	**10**	—	—	1,052	—	—	—	1,052
Balance - June 30, 2022		516,912,000	400,780	21,829	22,473	496	708,525	1,154,103

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 June 30,	
	Notes	**2023**	2022
Cash provided by (used in)			
Operating Activities			
Net income		**16,657**	41,554
Adjustments for non-cash items			
Depreciation	**17**	**29,913**	19,792
Share-based payments	**10**	**(964)**	(2,430)
Write-off of a non-current investment	**15**	**2,744**	—
Unrealized gain on derivative liabilities		**—**	(176)
Change in fair value of non-current investments	**15**	**483**	(442)
Unrealized foreign exchange (gain) loss		**(2,092)**	1,400
Deferred income and mining taxes		**4,999**	18,485
Other		**1,567**	930
		53,307	79,113
Changes in non-cash operating working capital	**17**	**(4,039)**	(111,360)
Net cash flow from (used in) operating activities		**49,268**	(32,247)
Investing Activities			
Decrease in short-term investments		**312**	—
Purchase of property, plant and equipment	**8, 17**	**(55,670)**	(122,614)
Increase in non-current advance payments	**7**	**(8,189)**	(13,548)
Purchase of intangible assets		**—**	(1,092)
Decrease in restricted cash		**—**	43,736
Investment in exploration and evaluation assets		**(2,721)**	(2,132)
Net cash flow used in investing activities		**(66,268)**	(95,650)
Financing Activities			
Issuance of long-term debt	**9**	**10,521**	19,831
Repayment of long-term debt	**9**	**(10,613)**	(7,778)
Transaction costs on long-term debt	**9**	**—**	(3,903)
Increase in restricted cash	**3**	**(52,345)**	—
Exercise of stock options	**10**	**—**	1,500
Dividends paid on ordinary shares	**10**	**—**	(51,658)
Payment of lease liabilities		**(2,359)**	(1,079)
Net cash flow used in financing activities		**(54,796)**	(43,087)
Net decrease in cash and cash equivalents		**(71,796)**	(170,984)
Cash and cash equivalents, beginning of the period		**326,806**	321,892
Effects of exchange rate changes on cash and cash equivalents		**(4,670)**	5,016
Cash and cash equivalents, end of the period		**250,340**	155,924
Interest paid		**8,413**	3,031
Interest received		**3,417**	536
Net income and mining taxes paid (received)		**(1,564)**	95,240

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 the Australian Securities Exchange (ASX: CIA) and trades on the OTCQX Best Market (OTCQX: CIAFF). The Company is domiciled in Australia and its principle administrative office is located on 1155 René-Lévesque Blvd. West, Suite 3300, Montreal, QC, H3B 3X7, Canada.

Champion, through its wholly-owned 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 two concentrators that primarily source energy from renewable hydroelectric power. The two concentrators have a combined nameplate capacity of 15 million tonnes per annum and produce a low contaminant high-grade 66.2% Fe iron ore concentrate with the proven ability to produce a 67.5% Fe direct reduction quality concentrate. In January 2023, the Company announced the positive findings of a study evaluating upgrading half of the Bloom Lake mine capacity to a direct reduction quality pellet feed iron ore and approved an initial budget to advance the project. Bloom Lake's high-grade and low contaminant iron ore products have 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 has sold its iron ore concentrate to customers globally, including in China, Japan, the Middle East, Europe, South Korea, India and Canada. In addition to Bloom Lake, Champion owns a portfolio of exploration and development projects in the Labrador Trough, including the Kamistiatusset 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. Summary of Significant Accounting Policies and Future Accounting Changes

A. Basis of preparation

The Company's condensed interim consolidated financial statements ("financial statements") are for the group consisting 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, 2023.

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, 2023.

These financial statements were approved and authorized for issue by the Board of Directors ("the Board") on July 28, 2023.

C. Significant accounting policies

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, 2023, except for new accounting standards issued and adopted by the Company, which are described below.

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.

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

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, 2023:

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.

Amendments to AASB 108 (IAS 8), Accounting Policies, Changes in Accounting Estimates 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".

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 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

The following amendments to a standard have been issued and are applicable to the Company for its annual period beginning on April 1, 2024 and thereafter, with an earlier application permitted:

Amendments to AASB 101 (IAS 1), Presentation of Financial Statements ("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 consolidated statements 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.

Amendments to IAS 1 also specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require an entity to disclose information about these covenants in the notes to financial statements.

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

3. Restricted Cash

As at June 30, 2023, restricted cash consisted of the dividends held in trust accounts to be distributed to the shareholders on July 5, 2023, which amounted to $52,345 (March 31, 2023: nil). Refer to note 10 - Share Capital and Reserves for more details.

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

4. Receivables

	Note	As at June 30, 2023	As at March 31, 2023
Trade receivables		**43,206**	131,786
Sales tax		**47,237**	21,290
Grant receivable	**8**	**7,696**	7,075
Other receivables		**10,162**	2,117
		108,301	162,268

As at June 30, 2023, the trade receivables, associated with revenues subject to provisional pricing, amounted to a total balance of $9,810 (March 31, 2023: $76,984).

The Board approved in May 2023 the issuance of a secured loan of Australian dollar $10 million to a company related to the Executive Chairman of the Board. The loan bears interest at 6.1% and matures on December 31, 2023. The loan may be prepaid at anytime without any penalty. As at June 30, 2023, the loan receivable was $8,827 and was included under Other receivables.

5. Prepaid Expenses and Advances

	Note	As at June 30, 2023	As at March 31, 2023
Rail transportation	**7**	**50,211**	35,665
Port advance payments	**7**	**3,720**	3,685
Insurance		**7,447**	1,794
Other		**2,977**	1,907
		64,355	43,051

The rail transportation prepaid amount of $50,211 as at June 30, 2023 included the current portion of railway and port facilities agreements of $15,121, credits on monthly payments based on estimated costs and projected quantities of material transported exceeding actual costs and tonnage and monthly prepayments pursuant to service agreements.

6. Inventories

	As at June 30, 2023	As at March 31, 2023
Stockpiled ore	**30,064**	37,955
Concentrate inventories	**89,370**	51,704
Supplies and spare parts	**92,199**	78,011
	211,633	167,670

For the three-month period ended June 30, 2023, the amount of inventories recognized as an expense totalled $238,398 (three-month period ended June 30, 2022: $169,723).

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

7. Advance Payments

	As at June 30, 2023	As at March 31, 2023
Railway and port facilities	**119,788**	122,704
Port	**17,939**	18,541
Other long-term advance	**33,163**	25,698
	170,890	166,943

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 to SFPPN to guarantee access to the yard. As at June 30, 2023, the related advance payments amounted to $10,820 (March 31, 2023: $11,268). 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 expansion project, which totalled $83,464 as at June 30, 2023 (March 31, 2023: $83,464). These advance payments will be reclassified to property, plant and equipment as a right-of-use asset once the work is completed and the related additional transshipment capacity is available.

On April 16, 2021, the Company also entered into an agreement to expand an existing long-term rail contract to accommodate the anticipated increased Phase II production volumes. In connection with this agreement, remaining advance payments totalled $25,504 as at June 30, 2023 (March 31, 2023: $27,972).

In addition, the current portion of the railway and port facilities advances related to these agreements totalled $15,121 and is included under Prepaid expenses and advances in the consolidated statements of financial position as at June 30, 2023 (March 31, 2023: $14,469).

Port

Pursuant to the agreement which the Company entered with the Sept-Îles Port Authority ("Port"), the Company made an advance payment on its future shipping, wharfage and equipment fees. As at June 30, 2023, the remaining advance payment amounted to $17,939 (March 31, 2023: $18,541).

The current portion of the port advances totalled $3,720 and is included under Prepaid expenses and advances in the consolidated statements of financial position as at June 30, 2023 (March 31, 2023: $3,685).

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 advance payments for capital maintenance expenditures on SFPPN's assets.

(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 Dikes	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, 2023	**825,883**	**64,739**	**202,142**	**29,264**	**132,355**	**124,363**	**1,378,746**	**97,962**	**1,476,708**
Additions	**12,643**	**—**	**—**	**39,302**	**3,159**	**230**	**55,334**	**1,595**	**56,929**
Transfers, disposals and lease termination	**5,385**	**33**	**4,693**	**(10,111)**	**—**	**—**	**—**	**—**	**—**
Foreign exchange and other	**—**	**(1,000)**	**—**	**—**	**—**	**(1,476)**	**(2,476)**	**—**	**(2,476)**
June 30, 2023	**843,911**	**63,772**	**206,835**	**58,455**	**135,514**	**123,117**	**1,431,604**	**99,557**	**1,531,161**
Accumulated depreciation									
March 31, 2023	**100,085**	**12,175**	**21,790**	**—**	**60,340**	**10,220**	**204,610**	**10,130**	**214,740**
Depreciation	**20,030**	**703**	**2,494**	**—**	**2,515**	**1,508**	**27,250**	**2,905**	**30,155**
Foreign exchange and other	**—**	**(252)**	**—**	**—**	**—**	**—**	**(252)**	**—**	**(252)**
June 30, 2023	**120,115**	**12,626**	**24,284**	**—**	**62,855**	**11,728**	**231,608**	**13,035**	**244,643**
Net book value - June 30, 2023	**723,796**	**51,146**	**182,551**	**58,455**	**72,659**	**111,389**	**1,199,996**	**86,522**	**1,286,518**

	Mining and Processing Equipment	Locomotives, Railcars and Rails	Tailings Dikes	Assets under Construction (i)(ii)(iv)	Mining Development and Stripping Asset (iii)	Asset Rehabilitation Obligation and Other	Subtotal	Right-of-use Assets	Total
Cost									
March 31, 2022	222,915	54,476	143,932	531,785	111,965	73,139	1,138,212	66,368	1,204,580
Additions	94,316	—	—	162,203	20,390	12,613	289,522	34,819	324,341
Transfers, disposals and lease termination	508,652	6,725	58,210	(664,724)	—	48,627	(42,510)	(3,225)	(45,735)
Foreign exchange and other	—	3,538	—	—	—	(10,016)	(6,478)	—	(6,478)
March 31, 2023	825,883	64,739	202,142	29,264	132,355	124,363	1,378,746	97,962	1,476,708
Accumulated depreciation									
March 31, 2022	89,760	8,891	13,637	—	10,780	6,436	129,504	5,046	134,550
Depreciation	51,793	2,524	8,153	—	49,560	4,002	116,032	8,073	124,105
Transfers, disposals and lease termination	(41,468)	—	—	—	—	(218)	(41,686)	(2,989)	(44,675)
Foreign exchange and other	—	760	—	—	—	—	760	—	760
March 31, 2023	100,085	12,175	21,790	—	60,340	10,220	204,610	10,130	214,740
Net book value - March 31, 2023	725,798	52,564	180,352	29,264	72,015	114,143	1,174,136	87,832	1,261,968

(i) During the development period of the Direct Reduction Pellet Feed project, the amount of borrowing costs capitalized for the three-month period ended June 30, 2023 was $97 (three-month period ended June 30, 2022: $4,421 during the development period of the Bloom Lake Phase II expansion project). Borrowing costs consisted of interest expense and the amortization of transaction costs on the long-term debt. Refer to note 9 — Long-Term Debt. The capitalization rate used to determine the amount of borrowing costs eligible for capitalization for the three-month period ended June 30, 2023 was 7.4% (three-month period ended June 30, 2022: 5.3%).

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

8. Property, Plant and Equipment (continued)

(ii) The Company qualified for a government grant up to $21,817, 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-month period ended June 30, 2023 are net of government grants of $621 and a total grant of $7,696 was receivable as at June 30, 2023 (for the year ended March 31, 2023: $8,972 was recognized as grants and $7,075 was receivable as at March 31, 2023). Refer to note 4 — Receivables.

(iii) For the three-month period ended June 30, 2023, the addition to the stripping asset includes: i) production expenses capitalized amounting to $264 (three-month period ended June 30, 2022: $6,084) and ii) allocated depreciation of property, plant and equipment amounting to $55 (three-month period ended June 30, 2022: $952).

(iv) In December 2022, the Company declared commercial production at the Bloom Lake Phase II plant. Consequently, Phase II assets were reclassified from assets under construction to other categories under property, plant and equipment. Those assets also started to be depreciated in December 2022.

9. Long-Term Debt

	As at June 30, 2023	As at March 31, 2023
Revolving Facility	**238,319**	243,593
IQ Loan	**49,387**	55,369
FTQ Loan	**73,607**	73,537
CAT Financing	**106,729**	102,782
	468,042	475,281
Less current portion	**(29,506)**	(27,080)
	438,536	448,201

	As at June 30, 2023	As at March 31, 2023
Face value of long-term debt	**479,813**	487,654
Unamortized transaction costs and other	**(11,771)**	(12,373)
Long-term debt, net of transaction costs	**468,042**	475,281

Revolving Facility

In December 2020, QIO entered into a lending arrangement with various lenders to fund the completion of Phase II, which was comprised of a US$350,000,000 non-revolving credit facility and a US$50,000,000 revolving credit facility (collectively the "Senior Debt"), maturing on December 23, 2025 and December 23, 2023, respectively. On May 24, 2022, the Company refinanced the Senior Debt with a US$400,000,000 general purpose revolving facility (the "Revolving Facility") with various lenders maturing on May 24, 2026. Transaction costs of $3,903 were incurred for this refinancing.

Given that the Senior Debt was replaced by the Revolving Facility with substantially the same terms, the Company treated the refinancing as a non-substantial modification. The Company reclassified its unamortized transaction costs on the Senior Debt at the modification date to Other non-current assets in the consolidated statements of financial position. Unamortized transaction costs totalled $7,916 as at June 30, 2023 (March 31, 2023: $8,595) and are amortized on a straight-line basis over the term of the Revolving Facility.

9. Long-Term Debt (continued)

Revolving Facility (continued)

The Revolving Facility is based on Secured Overnight Financing Rate ("SOFR"), plus a credit spread adjustment and a financial margin that fluctuates from 2.0% to 3.0% depending on whether the net debt to EBIDTA ratio is below 0.5 or greater than 2.5. As at June 30, 2023, the undrawn portion of the Revolving Facility totalled US$220,000,000. The Revolving Facility is payable anytime at the discretion of the Company or at maturity. 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.

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 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 any time without penalty. The loan bearing interest at 3.70% was determined to be at below-market rate. The fair value of the total advances of $70,000 was estimated at $59,386 and was determined based on the prevailing market interest rate for a similar instrument at the time the advances were made. The residual amount of $10,614 was recognized as a government grant and presented as a deferred grant in the consolidated statements of financial position. The deferred grant is amortized straight-line over the life of mine starting when SFPPN's new infrastructure are available for use. During the three-month period ended June 30, 2023, the Company repaid $6,400 of the IQ loan. The remaining balance was $57,600 as at June 30, 2023 (March 31, 2023: $64,000).

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 and for general purposes after the completion of Phase II for an amount up to $75,000, maturing on May 21, 2028. The remaining balance was $75,000 as at June 30, 2023 (March 31, 2023: $75,000). The FTQ Loan includes an option to prepay in whole or in part at any time, but not prior to the second anniversary by paying a premium that varies from 2% to 6% based on the prepayment date.

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, 2023. In January 2023, the undrawn portion of the facility was increased by US$50,000,000 with the availability period extended to March 31, 2024. Transaction costs of $703 were incurred for this increase. During the three-month period ended June 30, 2023, the Company drew $10,521 (US$7,747,000) and repaid $4,213 (US$3,133,000), resulting in a balance of $108,895 (US$82,247,000) as at June 30, 2023 (March 31, 2023: $105,061 (US$77,633,000)). 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 any time. The carrying value of the financed equipment was $105,364 as at June 30, 2023 (March 31, 2023: $101,650).

During the three-month period ended June 30, 2023, the weighted average interest rate for all long-term debt was 7.2% (three-month period ended June 30, 2022: 4.3%).

The Revolving Facility, FTQ Loan and the CAT Financing are subject to operational and financial covenants, all of which have been met as at June 30, 2023. The undrawn portion of the Revolving Facility, FTQ Loan and the CAT Financing is subject to standby commitment fees varying from 0.35% to 1.38% before commercial production date and 0.35% to 0.50% thereafter.

10. 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.

10. Share Capital and Reserves (continued)

b) Ordinary share issuances

	Three Months Ended June 30,	
	2023	2022
	(in thousands)	(in thousands)
Shares		
Opening balance	**517,193**	516,612
Shares issued for exercise of options - incentive plan	**—**	300
Ending balance	**517,193**	516,912

In May 2023, the Company declared a dividend of $0.10 per ordinary share of the Company in connection with the semi-annual results for the period ended March 31, 2023, payable on July 5, 2023, to registered shareholders for a total amount of $51,686.

In June 2022, the Company paid a dividend of $0.10 per ordinary share of the Company in respect to the annual results for the period ended March 31, 2022 to registered shareholders for a total amount of $51,658.

c) 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 unit ("RSU") awards, performance share unit ("PSU") awards and deferred share unit ("DSU") awards. If and when cash dividends are paid, the holders of RSUs, PSUs and DSUs are entitled to receive a dividend equivalent.

Stock option 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 34-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 expense (recovery) is detailed as follows:

	Three Months Ended June 30,	
	2023	2022
Stock option	**—**	188
RSU	**(384)**	(1,195)
PSU	**(180)**	(751)
DSU	**(400)**	(672)
	(964)	(2,430)

For the three-month period ended June 30, 2023, the amount recognized as share-based payment expense related to equity-settled awards was $392 (three-month period ended June 30, 2022: $1,052). For the three-month period ended June 30, 2023, the amount recognized as share-based payment recovery related to cash-settled awards was $1,356 (three-month period ended June 30, 2022: $3,482).

The following table summarizes the carrying amount of the Company's cash-settled share-based payment liability in the consolidated statements of financial position for PSUs, RSUs and DSUs.

	As at June 30,	As at March 31,
	2023	2023
Accounts payable and other	**3,635**	9,138
Other long-term liabilities	**4,559**	8,234
	8,194	17,372

10. Share Capital and Reserves (continued)

d) Stock options

As at June 30, 2023, the Company is authorized to issue 51,719,000 stock options and share rights (June 30, 2022: 51,691,000) equal to 10% (June 30, 2022: 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:

	Three Months Ended June 30,			
	2023		2022	
	Number of Stock Options	Weighted Average Exercise Price	Number of Stock Options	Weighted Average Exercise Price
	(in thousands)		(in thousands)	
Opening balance	**1,200**	**5.00**	1,500	5.00
Exercised	**—**	**—**	(300)	5.00
Ending balance	**1,200**	**5.00**	1,200	5.00
Options exercisable - end of the period	**1,200**	**5.00**	800	5.00

During the three-month period ended June 30, 2023, no stock options were granted or exercised. During the three-month period ended June 30, 2022, no stock options were granted and a total of 300,000 stock options were exercised and the weighted average share price at the exercise date was $6.84.

A summary of the Company's outstanding and exercisable stock options as at June 30, 2023 is presented below:

Exercise Price	Weighted Average Remaining Life (Years)	Number of Stock Options Outstanding	Number of Stock Options Exercisable
		(in thousands)	(in thousands)
$5.00	1.61	1,200	1,200
		1,200	**1,200**

e) Restricted share units

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

	Three Months Ended June 30,			
	2023		2022	
	Number of RSUs	Weighted Average Share Price	Number of RSUs	Weighted Average Share Price
	(in thousands)		(in thousands)	
Opening balance	**1,115**	**5.08**	1,142	3.37
Granted	**—**	**—**	363	6.89
Dividend equivalents	**20**	**5.63**	14	6.95
Settled through cash payment	**(344)**	**2.55**	(431)	2.23
Forfeited	**(14)**	**6.49**	(2)	6.16
Ending balance	**777**	**6.19**	1,086	5.04
Vested - end of the period	**313**	**6.39**	377	3.49

During the three-month period ended June 30, 2023, no RSUs were granted to key management personnel (three-month period ended June 30, 2022: 363,000). RSUs will vest annually in three equal tranches from the date of grant.

During the three-month period ended June 30, 2023, 344,000 RSUs were settled in exchange for cash consideration based on a share price of $5.49 (three-month period ended June 30, 2022: 431,000 RSUs settled based on a share price of $7.16). The cash consideration is included in accounts payable and other under the changes in non-cash operating working capital in the consolidated statements of cash flows.

10. Share Capital and Reserves (continued)

f) Performance share units

The Company assesses each reporting period if performance criteria on share-based units will be achieved in measuring the share-based payments. The actual share-based payment and the period over which the expense is being recognized may vary from the estimate.

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

	Three Months Ended June 30,			
	2023		2022	
	Number of PSUs	**Weighted Average Share Price**	**Number of PSUs**	**Weighted Average Share Price**
	(in thousands)		(in thousands)	
Opening balance	**2,581**	**5.59**	2,842	4.55
Granted	**—**	**—**	610	6.89
Dividend equivalents	**51**	**5.63**	39	6.95
Settled through cash payment	**(693)**	**3.58**	(614)	2.23
Forfeited	**(28)**	**6.42**	(3)	6.16
Ending balance	**1,911**	**6.32**	2,874	5.55
Vested - end of the period	**—**	**—**	—	—

During the three-month period ended June 30, 2023, no PSUs were granted to key management personnel (three-month period ended June 30, 2022: 610,000).

During the three-month period ended June 30, 2023, 693,000 PSUs were settled in exchange for cash consideration based on a share price of $5.66 (three-month period ended June 30, 2022: 614,000 PSUs settled based on a share price of $7.16). The cash consideration is included in accounts payable and other under the changes in non-cash operating working capital in the consolidated statements of cash flows.

g) Warrants

	Three Months Ended June 30,			
	2023		2022	
	Number of Warrants	**Weighted Average Exercise Price**	Number of Warrants	Weighted Average Exercise Price
	(in thousands)		(in thousands)	
Opening balance	**15,000**	**2.45**	15,281	1.91
Exercised	**—**	**—**	—	—
Ending balance	**15,000**	**2.45**	15,281	1.91

A summary of the Company's outstanding and exercisable warrants as at June 30, 2023 and 2022 is presented below:

		Outstanding and Exercisable	
Exercise Price	**Expiry Date**	**As at June 30,**	As at June 30,
		2023	2022
		(in thousands)	(in thousands)
$1.125	October 16, 2022	**—**	281
$2.45	August 16, 2026	**15,000**	15,000
		15,000	15,281

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, 2023.

During the three-month period ended June 30, 2023, no warrants were exercised (three-month period ended June 30, 2022: nil).

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

11. Revenues

	Three Months Ended June 30,	
	2023	2022
Iron ore revenue	**343,968**	294,989
Provisional pricing adjustments	**(46,806)**	(15,668)
	297,162	279,321

Provisional pricing adjustments represent any difference between the revenue recognized at the end of the previous quarter and the final settlement price. Previous periods sales that were subject to provisional pricing as at March 31, 2023, 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 June 30, 2023 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 June 30, 2023, a final price was established for most of the 2.0 million tonnes of iron ore that were in transit as at March 31, 2023. Accordingly, during the three-month period ended June 30, 2023, negative provisional pricing adjustments of $46,806 were recorded as reduction of revenues for the 2.0 million tonnes. As at June 30, 2023, 1.4 million tonnes of iron ore sales remained subject to provisional pricing, with the final price to be determined in the subsequent reporting periods (June 30, 2022: 0.7 million tonnes).

12. Cost of Sales

	Three Months Ended June 30,	
	2023	2022
Mining and processing costs	**165,599**	110,368
Change in concentrate inventories	**(32,006)**	(12,080)
Land transportation and port handling	**74,892**	50,803
Incremental costs related to COVID-19	**—**	840
Bloom Lake Phase II start-up costs	**—**	19,476
	208,485	169,407

For the three-month period ended June 30, 2023, the amount recognized as an expense for defined contribution plans was $2,786 (three-month period ended June 30, 2022: $2,272) and is included in mining and processing costs.

13. Net Finance Costs

	Three Months Ended June 30,	
	2023	2022
Interest on long-term debt	**8,429**	—
Standby commitment fees on long-term debt	**431**	931
Amortization of transaction costs	**1,280**	818
Realized and unrealized foreign exchange loss (gain)	**(1,698)**	1,396
Interest expense on lease liabilities	**998**	850
Interest income	**(3,417)**	(536)
Other	**903**	731
	6,926	4,190

During the development period of the Direct Reduction Pellet Feed project, the amount of borrowing costs capitalized for the three-month period ended June 30, 2023 was $97 (three-month period ended June 30, 2022: $4,421 during the development period of the Bloom Lake Phase II expansion project). Borrowing costs consisted of interest expense and transaction costs on the long-term debt.

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

14. Earnings per Share

Earnings per share amounts are calculated by dividing the net income attributable to Champion shareholders for the three-month periods ended June 30, 2023 and 2022 by the weighted average number of shares outstanding during the period.

	Three Months Ended June 30,	
	2023	2022
Net income	**16,657**	41,554
Weighted average number of common shares outstanding - Basic	**517,193,000**	516,691,000
Dilutive share options, warrants and equity settled awards	**10,100,000**	11,186,000
Weighted average number of outstanding shares - Diluted	**527,293,000**	527,877,000
Basic earnings per share	**0.03**	0.08
Diluted earnings per share	**0.03**	0.08

15. 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 and financial liabilities at fair value through profit of loss ("FVTPL"), 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 June 30, 2023 and March 31, 2023:

As at June 30, 2023		Financial instruments at FVTPL	Financial Assets at Amortized Cost	Financial Liabilities at Amortized Cost	Total Carrying Amount and Fair Value
Assets					
Current					
Cash and cash equivalents	Level 1	**—**	**250,340**	—	**250,340**
Restricted cash	Level 1	**—**	**52,345**	—	**52,345**
Trade receivables	Level 2	**43,206**	**—**	—	**43,206**
Other receivables (excluding sales tax and grant)	Level 2	**—**	**10,162**	**—**	**10,162**
Non-current					
Equity investment in publicly listed entity (included in non-current investments)	Level 1	**9**	**—**	—	**9**
Convertible loan and equity investment in private entity (included in non-current investments)	Level 3	**11,515**	**—**	—	**11,515**
		54,730	**312,847**	**—**	**367,577**
Liabilities					
Current					
Accounts payable and other (excluding current portion of lease liabilities and cash-settled share-based payment liability)	Level 2	**—**	**—**	**210,086**	**210,086**
Cash-settled share-based payment liability (included in accounts payable and other)	Level 1	**3,635**	**—**	**—**	**3,635**
Current portion of long-term debt	Level 3	**—**	**—**	**29,506**	**29,506**
		3,635	**—**	**239,592**	**243,227**
Non-current					
Long-term debt	Level 3	**—**	**—**	**438,536**	**438,536**
Cash-settled share-based payment liability (included in other long-term liabilities)	Level 1	**4,559**	**—**	**—**	**4,559**
		8,194	**—**	**678,128**	**686,322**

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

15. Financial Instruments (continued)

Measurement Categories (continued)

As at March 31, 2023		Financial instruments at FVTPL	Financial Assets at Amortized Cost	Financial Liabilities at Amortized Cost	Total Carrying Amount and Fair Value
Assets					
Current					
Cash and cash equivalents	Level 1	—	326,806	—	326,806
Short-term investments	Level 1	—	312	—	312
Trade receivables	Level 2	131,786	—	—	131,786
Other receivables (excluding sales tax and grant)	Level 2	—	2,117	—	2,117
Non-current					
Equity investment in publicly listed entity (included in non-current investments)	Level 1	9	—	—	9
Convertible loans, derivative and equity investment in private entity (included in non-current investments)	Level 3	14,742	—	—	14,742
		146,537	329,235	—	475,772
Liabilities					
Current					
Accounts payable and other (excluding the current portion of lease liabilities and cash-settled share-based payment liability)	Level 2	—	—	156,029	156,029
Cash-settled share-based payment liability (included in accounts payable and other)	Level 1	9,138	—	—	9,138
Current portion of long-term debt	Level 3	—	—	27,080	27,080
		9,138	—	183,109	192,247
Non-current					
Long-term debt	Level 3	—	—	448,201	448,201
Cash-settled share-based payment liability (included in other long-term liabilities)	Level 1	8,234	—	—	8,234
		17,372	—	631,310	648,682

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). Long-term debt and restricted cash was accounted for at amortized cost using the effective interest method, and their fair values approximate their carrying values.

Fair Value Measurement Hierarchy

Subsequent to initial recognition, the Company uses a fair value hierarchy to categorize the inputs used to measure the financial instruments at fair value grouped into the following levels based on the degree to which the fair value is observable.

- Level 1: Inputs derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs derived from 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: Inputs 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-month period ended June 30, 2023 (three-month period ended June 30, 2022: nil).

15. Financial Instruments (continued)

Financial Instruments Measured at FVTPL

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.

Equity Instruments Publicly Listed

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. No adjustment in the fair value was recorded in the consolidated statements of income in the three-month period ended June 30, 2023 (three-month period ended June 30, 2022: nil).

Convertible Loans and Equity Instruments in Private Entity and Derivative Asset

The Company holds a convertible loan and equity instruments in an European-based private entity which collaborates with the Company in industrial trials related to cold pelletizing technologies. The loan is convertible at the discretion of the Company and automatically convertible at maturity in October 25, 2025. The Company also had the right to subscribe equity instruments of this European-based private entity at any time prior to June 2023 at a subscription price below the current market value. During the three-month period ended June 30, 2023, the Company wrote off the related derivative asset upon the expiry of the right to subscribe equity instruments amounting to $2,744 (fair value as at March 31, 2023: $2,971). As at June 30, 2023, convertible loans and equity instruments totalled $11,515 (March 31, 2023: $11,771).

The fair value of the convertible loans and equity instruments 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 entity’s financial performance from latest financial statements as well as enterprise values used in financing, if any. The change in fair value also reflects the foreign exchange gains or losses.

The change in fair value on the convertible loan, equity instruments and derivative asset for the three-month period ended June 30, 2023 amounted to a loss of $483 and was attributable to the changes in exchange rates (three-month period ended June 30, 2022: a gain of $442 attributable to changes in exchange rates).

Cash-Settled Share-Based Payment Liability

Cash-settled share-based liability is classified as a Level 1 in the fair value hierarchy. The fair value of the cash-settled share-based payment liability is measured based on the closing share price of the Company on the TSX at each reporting date until the liability is settled with any changes in the fair value measurement of the liability recognized under share-based payments in the interim consolidated statements of income.

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

16. Commitments and Contingencies

The Company's future minimum payments of commitments as at June 30, 2023 are as follows:

	Less than a year	1 to 5 years	More than 5 years	Total
Impact and Benefits Agreement with the Innu community	**7,091**	**30,891**	**123,822**	**161,804**
Take-or-pay fees related to the Port agreement	**7,541**	**32,497**	**105,901**	**145,939**
Capital expenditure obligations	**20,913**	**—**	**—**	**20,913**
Other purchase obligations	**59,753**	**33,755**	**—**	**93,508**
	95,298	**97,143**	**229,723**	**422,164**

The Company has obligations for services related to fixed charges for the use of infrastructure over a defined contractual period of time. The service commitment is excluded in the above figure as the service is expected to be used by the Company. To the extent that this changes, the commitment amount may change.

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

- A gross sales royalty 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.

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

a) Changes in non-cash operating working capital

	Three Months Ended June 30,	
	2023	2022
Receivables	**54,634**	8,498
Prepaid expenses and advances	**(21,304)**	(23,949)
Inventories	**(42,990)**	(21,376)
Advance payments	**4,242**	4,842
Accounts payable and other	**582**	9,322
Income and mining taxes receivable or payable	**8,706**	(86,949)
Other long-term liabilities	**(7,909)**	(1,748)
	(4,039)	(111,360)

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

17. Financial Information Included in the Consolidated Statements of Cash Flows (continued)

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

	Three Months Ended June 30,	
	2023	2022
Additions of property, plant and equipment as per note 8	**56,929**	135,945
Right-of-use assets	**(1,595)**	(14,906)
Depreciation of property, plant and equipment allocated to stripping activity asset	**(55)**	(952)
Non-cash increase of the asset rehabilitation obligation	**(230)**	(490)
Government grant recognized	**621**	3,613
Capitalized amortization of transaction costs	**—**	(596)
Net cash flow used in investing activities - purchase of property, plant and equipment	**55,670**	122,614

The additions of property, plant and equipment for the three-month period ended June 30, 2023 are net of government grants of $621 and a total grant of $7,696 was receivable as at June 30, 2023.

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

	Three Months Ended June 30,	
	2023	2022
Depreciation of property, plant and equipment as per note 8	**30,155**	22,914
Depreciation of property, plant and equipment allocated to stripping activity asset	**(55)**	(952)
Depreciation of intangible assets	**786**	778
Net effect of depreciation of property, plant and equipment allocated to inventory	**(973)**	(2,948)
Depreciation as per consolidated statements of income	**29,913**	19,792

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

18. Segmented Information

The Company is conducting mining operations and exploration and evaluation 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. The Bloom Lake mine site, which is comprised of two facilities in operation, was identified as a segment, namely Iron Ore Concentrate. Exploration and Evaluation and Corporate were identified as separate segments due to their specific nature.

Three Months Ended June 30,2023	Iron Ore Concentrate	Exploration and Evaluation	Corporate	Total
Revenues	**297,162**	**—**	**—**	**297,162**
Cost of sales	**(208,485)**	**—**	**—**	**(208,485)**
Depreciation	**(29,715)**	**—**	**(198)**	**(29,913)**
Gross profit (loss)	**58,962**	**—**	**(198)**	**58,764**
Share-based payments	**—**	**—**	**964**	**964**
General and administrative expenses	**—**	**—**	**(12,949)**	**(12,949)**
Sustainability and other community expenses	**(1,500)**	**—**	**(2,469)**	**(3,969)**
Innovation and growth initiative expenses	**—**	**—**	**(3,691)**	**(3,691)**
Operating income (loss)	**57,462**	**—**	**(18,343)**	**39,119**
Net finance costs, other expense and taxes expenses				**(22,462)**
Net income				**16,657**
Segmented total assets	**2,170,440**	**119,848**	**32,388**	**2,322,676**
Segmented total liabilities	**(1,079,357)**	**—**	**(15,227)**	**(1,094,584)**
Segmented property, plant and equipment	**1,278,370**	**—**	**8,148**	**1,286,518**

Three Months Ended June 30,2022	Iron Ore Concentrate	Exploration and Evaluation	Corporate	Total
Revenues	279,321	—	—	279,321
Cost of sales	(169,407)	—	—	(169,407)
Depreciation	(19,727)	—	(65)	(19,792)
Gross profit (loss)	90,187	—	(65)	90,122
Share-based payments	—	—	2,430	2,430
General and administrative expenses	—	—	(12,272)	(12,272)
Sustainability and other community expenses	(1,417)	—	(1,926)	(3,343)
Innovation and growth initiative expenses	—	—	(2,420)	(2,420)
Operating income (loss)	88,770	—	(14,253)	74,517
Net finance costs, other income and taxes expenses				(32,963)
Net income				41,554
Segmented total assets	1,851,318	109,942	53,553	2,014,813
Segmented total liabilities	(846,329)	—	(14,381)	(860,710)
Segmented property, plant and equipment	1,173,218	—	386	1,173,604