Champion Iron Limited

(ACN: 119 770 142)

Condensed Interim Consolidated Financial Statements
For the Three and Six-Month Periods Ended September 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 September 30, 2023	As at March 31, 2023
Assets			
Current			
Cash and cash equivalents		**316,530**	326,806
Short-term investments		**—**	312
Receivables	**3**	**123,628**	162,268
Income and mining taxes receivable		**13,958**	37,912
Prepaid expenses and advances	**4**	**37,232**	43,051
Inventories	**5**	**252,816**	167,670
		744,164	738,019
Non-current			
Non-current investments		**11,768**	14,751
Advance payments	**6**	**83,346**	166,943
Intangible assets		**6,433**	7,866
Property, plant and equipment	**7**	**1,430,568**	1,261,968
Exploration and evaluation assets		**124,422**	117,127
Other non-current assets	**8**	**7,237**	8,595
Total assets		**2,407,938**	2,315,269
Liabilities			
Current			
Accounts payable and other		**221,913**	178,578
Income and mining taxes payable		**8,829**	—
Current portion of long-term debt	**8**	**29,792**	27,080
		260,534	205,658
Non-current			
Long-term debt	**8**	**445,536**	448,201
Deferred grant	**8**	**10,497**	10,614
Lease liabilities		**71,763**	73,430
Rehabilitation obligation	**9**	**77,976**	85,508
Other long-term liabilities	**10**	**10,302**	13,427
Deferred tax liabilities		**240,272**	215,727
Total liabilities		**1,116,880**	1,052,565
Shareholders' equity			
Share capital	**10**	**401,911**	401,282
Contributed surplus		**20,343**	22,796
Warrants	**10**	**22,288**	22,288
Foreign currency translation reserve		**431**	430
Retained earnings		**846,085**	815,908
Total equity		**1,291,058**	1,262,704
Total liabilities and equity		**2,407,938**	2,315,269
Commitments and contingencies	**16**		
Subsequent event	**19**		

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

Approved on October 26, 2023 on behalf of the Directors

/s/ Michael O'Keeffe
Executive Chairman

/s/ Gary Lawler
Lead Director

Champion Iron Limited

Interim Consolidated Statements of Income

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

		Three Months Ended September 30,		Six Months Ended September 30,	
	Notes	**2023**	2022	**2023**	2022
Revenues	**11**	**387,568**	300,621	**684,730**	579,942
Cost of sales	**12**	**(212,584)**	(199,841)	**(421,069)**	(369,248)
Depreciation	**17**	**(31,215)**	(28,055)	**(61,128)**	(47,847)
Gross profit		**143,769**	72,725	**202,533**	162,847
Other expenses					
Share-based payments	**10**	**(1,880)**	(389)	**(916)**	2,041
General and administrative expenses		**(12,729)**	(8,564)	**(25,678)**	(20,836)
Sustainability and other community expenses		**(4,315)**	(3,860)	**(8,284)**	(7,203)
Innovation and growth initiative expenses		**(1,268)**	(4,026)	**(4,959)**	(6,446)
Operating income		**123,577**	55,886	**162,696**	130,403
Net finance costs	**13**	**(11,634)**	(10,765)	**(18,560)**	(14,955)
Other income (expense)	**15**	**244**	390	**(2,983)**	1,011
Income before income and mining taxes		**112,187**	45,511	**141,153**	116,459
Current income and mining taxes		**(27,360)**	(8,384)	**(34,670)**	(19,293)
Deferred income and mining taxes		**(19,546)**	(17,597)	**(24,545)**	(36,082)
Net income		**65,281**	19,530	**81,938**	61,084
Earnings per share					
Basic	**14**	**0.13**	0.04	**0.16**	0.12
Diluted	**14**	**0.12**	0.04	**0.16**	0.12
Weighted average number of ordinary shares outstanding					
Basic		**517,258,000**	517,104,000	**517,226,000**	516,899,000
Diluted		**526,175,000**	525,373,000	**526,597,000**	526,892,000

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 September 30,		Six Months Ended September 30,	
	2023	2022	**2023**	2022
Net income	**65,281**	19,530	**81,938**	61,084
Other comprehensive income (loss)				
Item that may be reclassified subsequently to the consolidated statements of income:				
Net movement in foreign currency translation reserve	**(24)**	(67)	**1**	(110)
Total other comprehensive income (loss)	**(24)**	(67)	**1**	(110)
Total comprehensive income	**65,257**	19,463	**81,939**	60,974

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

Champion Iron Limited

Interim Consolidated Statements of Changes in 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		**—**	**—**	**—**	**—**	**—**	**81,938**	**81,938**
Other comprehensive income		**—**	**—**	**—**	**—**	**1**	**—**	**1**
Total comprehensive income		**—**	**—**	**—**	**—**	**1**	**81,938**	**81,939**
Release of performance share units	**10**	**103,000**	**629**	**(1,345)**	**—**	**—**	**—**	**(716)**
Dividends on ordinary shares	**10**	**—**	**—**	**—**	**—**	**—**	**(51,686)**	**(51,686)**
Dividend equivalents	**10**	**—**	**—**	**75**	**—**	**—**	**(75)**	**—**
Share-based payments	**10**	**—**	**—**	**(1,183)**	**—**	**—**	**—**	**(1,183)**
Balance - September 30, 2023		**517,296,000**	**401,911**	**20,343**	**22,288**	**431**	**846,085**	**1,291,058**
Balance - March 31, 2022		516,612,000	398,635	21,339	22,473	539	718,712	1,161,698
Net income		—	—	—	—	—	61,084	61,084
Other comprehensive loss		—	—	—	—	(110)	—	(110)
Total comprehensive income (loss)		—	—	—	—	(110)	61,084	60,974
Exercise of warrants	**10**	281,000	502	—	(185)	—	—	317
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**	—	—	1,015	—	—	—	1,015
Balance - September 30, 2022		517,193,000	401,282	21,792	22,288	429	728,055	1,173,846

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)

	Notes	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Six Months Ended September 30, 2023	Six Months Ended September 30, 2022
Cash provided by (used in)					
Operating Activities					
Net income		**65,281**	19,530	**81,938**	61,084
Adjustments for non-cash items					
Depreciation	**17**	**31,215**	28,055	**61,128**	47,847
Share-based payments	**10**	**1,880**	389	**916**	(2,041)
Accretion expense of rehabilitation obligation	**9**	**309**	260	**596**	375
Write-off of a non-current investment	**15**	**—**	—	**2,744**	—
Change in fair value of non-current investments	**15**	**(244)**	(341)	**239**	(783)
Unrealized gain on derivative liabilities		**—**	—	**—**	(176)
Unrealized foreign exchange loss		**2,500**	9,644	**408**	11,044
Deferred income and mining taxes		**19,546**	17,597	**24,545**	36,082
Amortization of transaction cost		**1,289**	1,171	**2,569**	1,989
Amortization of deferred grant	**8**	**(117)**	—	**(117)**	—
Other		**—**	—	**—**	(3)
		121,659	76,305	**174,966**	155,418
Changes in non-cash operating working capital	**17**	**40,568**	10,764	**36,529**	(100,596)
Net cash flow from operating activities		**162,227**	87,069	**211,495**	54,822
Investing Activities					
Decrease in short-term investments		**—**	30,820	**312**	30,820
Purchase of property, plant and equipment	**7, 17**	**(90,386)**	(78,584)	**(146,056)**	(201,198)
Increase in non-current advance payments	**6**	**—**	(16,453)	**(8,189)**	(30,001)
Purchase of intangible assets		**(158)**	—	**(158)**	(1,092)
Decrease in restricted cash		**—**	—	**—**	43,736
Investment in exploration and evaluation assets		**(4,574)**	(920)	**(7,295)**	(3,052)
Net cash flow used in investing activities		**(95,118)**	(65,137)	**(161,386)**	(160,787)
Financing Activities					
Issuance of long-term debt	**8**	**6,339**	90,541	**16,860**	110,372
Repayment of long-term debt	**8**	**(6,941)**	(2,862)	**(17,554)**	(10,640)
Transaction costs on long-term debt	**8**	**—**	—	**—**	(3,903)
Exercise of warrants	**10**	**—**	317	**—**	317
Decrease in restricted cash		**52,345**	—	**—**	—
Exercise of stock options	**10**	**—**	—	**—**	1,500
Withholding taxes paid pursuant to the settlement of RSUs	**10**	**(716)**	—	**(716)**	—
Dividends paid on ordinary shares	**10**	**(51,686)**	—	**(51,686)**	(51,658)
Payment of lease liabilities		**(2,358)**	(1,150)	**(4,717)**	(2,229)
Net cash flow from (used in) financing activities		**(3,017)**	86,846	**(57,813)**	43,759
Net increase (decrease) in cash and cash equivalents		**64,092**	108,778	**(7,704)**	(62,206)
Cash and cash equivalents, beginning of the period		**250,340**	155,924	**326,806**	321,892
Effects of exchange rate changes on cash and cash equivalents		**2,098**	12,156	**(2,572)**	17,172
Cash and cash equivalents, end of the period		**316,530**	276,858	**316,530**	276,858
Interest paid		**9,480**	4,153	**17,893**	7,184
Interest received		**2,981**	1,615	**6,398**	2,151
Net income and mining taxes paid		**3,451**	22,412	**1,887**	117,652

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 low contaminant high-grade 66.2% Fe iron ore concentrate with the proven ability to produce a 67.5% Fe direct reduction quality iron ore concentrate. In January 2023, the Company announced the positive findings of a study evaluating the upgrade of half of the Bloom Lake mine's capacity to a direct reduction quality pellet feed iron ore (the "DRPF Project") 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 the requirements of the Corporations Act 2001 and AASB 134/IAS 34, Interim Financial Reporting. These financial statements do not include certain information and disclosures normally included in the audited annual consolidated financial statements prepared in accordance with Australian Accounting Standards ("AAS") and International Financial Reporting Standards ("IFRS") and should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended March 31, 2023.

These financial statements were approved and authorized for issue by the Board of Directors ("the Board") on October 26, 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.

Amendments to AASB 107 (IAS 7), Statement of Cash Flows ("IAS 7"), and AASB 7 (IFRS 7), Financial Instruments: Disclosures ("IFRS 7")
The amendments introduce disclosure requirements to enhance the transparency of supplier finance arrangements and their effects on an entity’s liabilities, cash flows and exposure to liquidity risk.

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

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

3. Receivables

	Note	As at September 30, 2023	As at March 31, 2023
Trade receivables		**85,352**	131,786
Sales tax		**32,344**	21,290
Grant receivable	**7**	**2,543**	7,075
Other receivables		**3,389**	2,117
		123,628	162,268

As at September 30, 2023, the trade receivables, associated with revenues subject to provisional pricing, amounted to a total balance of $14,457 (March 31, 2023: $76,984).

4. Prepaid Expenses and Advances

	Note	As at September 30, 2023	As at March 31, 2023
Railway transportation and terminal logistic	**6**	**25,489**	35,665
Port handling services	**6**	**3,792**	3,685
Insurance		**4,658**	1,794
Other		**3,293**	1,907
		37,232	43,051

The railway transportation and terminal logistic prepaid included the current portion of railway and port facilities agreements of $15,319 (March 31, 2023: $14,469), 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.

5. Inventories

	As at September 30, 2023	As at March 31, 2023
Stockpiled ore	**33,761**	37,955
Concentrate inventories	**116,517**	51,704
Supplies and spare parts	**102,538**	78,011
	252,816	167,670

For the three and six-month periods ended September 30, 2023, the amount of inventories recognized as an expense totalled $243,799 and $482,197, respectively (three and six-month periods ended September 30, 2022: $212,505 and $382,228, respectively).

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

6. Advance Payments

	Notes	**As at September 30, 2023**	As at March 31, 2023
Advance payments related to transshipment infrastructure[i]	**7**	**—**	83,464
Advance payments related to railway transportation and terminal logistic[ii]		**48,271**	53,709
Prepaid future port handling services[iii]		**21,009**	22,226
Other long-term advance[iv]		**33,177**	25,698
		102,457	185,097
Less current portion classified in "Prepaid expenses and advances"	**4**	**(19,111)**	(18,154)
		83,346	166,943

(i) In May 2021, the Company entered into a construction agreement with Société Ferroviaire et Portuaire de Pointe-Noire ("SFPPN") and made advances to increase the transshipment capacity and support the Company's plans to increase production with the Phase II expansion project. These advance payments of $83,464 were reclassified during the three and six-month periods ended September 30, 2023, to property, plant and equipment as a right-of-use asset concurrent with the completion of the work and the availability of related additional transshipment capacity.

(ii) In October 2017, the Company entered into a railway and stockyard facilities access agreement with 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 payments of $3,750 to SFPPN to cover the investments made at the time with respect to a portion of the infrastructure. Advance payments are amortized over the life of mine. As at September 30, 2023, the related advance payments amounted to $10,373 (March 31, 2023: $11,268).

In April 2021, the Company entered into an agreement to expand an existing long-term rail contract with a third-party railway services provider to accommodate the anticipated increased Phase II production volumes. Advance payments are recovered by means of a monthly credit per tonne hauled exceeding a predetermined tonnage. In connection with this agreement, remaining advance payments totalled $37,898 as at September 30, 2023 (March 31, 2023: $42,441). The current portion of the railway transportation and stockpiling advance payments totalled $15,319 as at September 30, 2023 and is included under Prepaid expenses and advances in the consolidated statements of financial position (March 31, 2023: $14,469).

(iii) Pursuant to the agreement between the Company and the Sept-Îles Port Authority ("Port"), the Company made an advance payment on its future shipping, wharfage and equipment fees. Advance payments totalled $21,009 as at September 30, 2023 (March 31, 2023: $22,226) and are recovered by means of a monthly credit per tonne sold. The current portion of the port advances totalled $3,792 as at September 30, 2023 (March 31, 2023: $3,685).

(iv) The other long-term advance totalled $33,177 as at September 30, 2023 (March 31, 2023: $25,698) and relates to amounts paid to SFPPN annually which are recoverable from SFPPN under the guarantee access agreement if certain conditions are met. It also includes advance payments for third-party major replacement parts and transshipment and rail assets improvement expenditures, which are amortized based on the expected useful life.

The increase in advance payments related to transshipment infrastructure and capital maintenance expenditures is presented under the investing activities in the consolidated statements of cash flows. For the three and six-month periods ended September 30, 2023, the increase in non-current advance payments totalled nil and $8,189, respectively (three and six-month periods ended September 30, 2022: $16,453 and $30,001, respectively).

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

7. 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 (iv)	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	**25,742**	**—**	**—**	**117,550**	**7,351**	**252**	**150,895**	**93,543**	**244,438**
Transfers, disposals	**16,564**	**(6)**	**5,035**	**(21,593)**	**—**	**—**	**—**	**—**	**—**
Foreign exchange and other	**—**	**(44)**	**—**	**—**	**—**	**(8,380)**	**(8,424)**	**—**	**(8,424)**
September 30, 2023	**868,189**	**64,689**	**207,177**	**125,221**	**139,706**	**116,235**	**1,521,217**	**191,505**	**1,712,722**
Accumulated depreciation									
March 31, 2023	**100,085**	**12,175**	**21,790**	**—**	**60,340**	**10,220**	**204,610**	**10,130**	**214,740**
Depreciation	**41,163**	**1,404**	**5,112**	**—**	**10,396**	**3,008**	**61,083**	**6,335**	**67,418**
Foreign exchange and other	**—**	**(4)**	**—**	**—**	**—**	**—**	**(4)**	**—**	**(4)**
September 30, 2023	**141,248**	**13,575**	**26,902**	**—**	**70,736**	**13,228**	**265,689**	**16,465**	**282,154**
Net book value - September 30, 2023	**726,941**	**51,114**	**180,275**	**125,221**	**68,970**	**103,007**	**1,255,528**	**175,040**	**1,430,568**

	Mining and Processing Equipment	Locomotives, Railcars and Rails	Tailings Dikes	Assets under Construction (i)(ii)(v)	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 DRPF Project, the amount of borrowing costs capitalized for the three and six-month periods ended September 30, 2023 was $355 and $452, respectively (three and six-month periods ended September 30, 2022: $5,138 and $9,559, respectively, 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 8 — Long-Term Debt.

The capitalization rate used to determine the amount of borrowing costs eligible for capitalization for the three and six-month periods ended September 30, 2023 was 7.5% (three and six-month periods ended September 30, 2022: 4.5% and 4.3%, respectively).

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

7. 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 and six-month periods ended September 30, 2023 are net of government grants of $42 and $663, respectively; and a total grant of $2,543 was receivable as at September 30, 2023 (for the three and six-month periods ended September 30, 2022: $1,550 and $5,163, respectively, were recognized as grants and $7,075 was receivable as at March 31, 2023). Refer to note 3 — Receivables.

(iii) For the three and six-month periods ended September 30, 2023, the addition to the stripping asset includes: i) production expenses capitalized amounting to nil and $264, respectively (three and six-month periods ended September 30, 2022: $42 and $6,126, respectively) and ii) allocated depreciation of property, plant and equipment amounting to nil and $55, respectively (three and six-month periods ended September 30, 2022: $9 and $961, respectively).

(iv) The addition of right-of-use assets for the six-month period ended September 30, 2023 included $83,464 related to additional transshipment capacity and financed through advance payments (refer to note 6 - Advance Payments) as well as $6,770 for additional locomotives paid in part by overpaid monthly service credits and classified as prepaid expenses.

(v) 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.

8. Long-Term Debt

	As at September 30, 2023	As at March 31, 2023
Revolving Facility	**243,360**	243,593
IQ Loan	**49,812**	55,369
FTQ Loan	**73,676**	73,537
CAT Financing	**108,480**	102,782
	475,328	475,281
Less current portion	**(29,792)**	(27,080)
	445,536	448,201

	As at September 30, 2023	As at March 31, 2023
Face value of long-term debt	**486,490**	487,654
Unamortized transaction costs and other	**(11,162)**	(12,373)
Long-term debt, net of transaction costs	**475,328**	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 $7,237 as at September 30, 2023 (March 31, 2023: $8,595) and are amortized on a straight-line basis over the term of the Revolving Facility.

8. 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 EBITDA ratio is below 0.5 or greater than 2.5. As at September 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. The remaining deferred grant as at September 30, 2023 totalled $10,497 (March 31, 2023: $10,614).

During the six-month period ended September 30, 2023, the Company repaid $6,400 of the IQ loan. The remaining balance was $57,600 as at September 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 September 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 and six-month periods ended September 30, 2023, the Company drew $6,339 (US$4,736,000) and $16,860 (US$12,483,000), respectively, and repaid $6,941 (US$5,229,000) and $11,154 (US$8,362,000), respectively, resulting in a balance of $110,530 (US$81,754,000) as at September 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 $107,459 as at September 30, 2023 (March 31, 2023: $101,650).

During the three and six-month periods ended September 30, 2023, the weighted average interest rate for all long-term debt was 7.2% (three and six-month periods ended September 30, 2022: 4.6% and 4.5%, respectively).

The Revolving Facility, FTQ Loan and the CAT Financing are subject to operational and financial covenants, all of which have been met as at September 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 0.50%.

9. Rehabilitation Obligation

	As at September 30, 2023 (six-month period)	As at March 31, 2023 (twelve-month period)
Opening balance	**85,508**	86,021
Increase due to reassessment of the rehabilitation obligation	**252**	8,649
Accretion expense	**596**	854
Effect of change in discount rate	**(8,380)**	(10,016)
Ending balance	**77,976**	85,508

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 2.06% as at September 30, 2023 (March 31, 2023: 1.34%). The undiscounted amount related to the rehabilitation obligation is estimated at $104,811 as at September 30, 2023 (March 31, 2023: $104,358).

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.

b) Ordinary share issuances

	Six Months Ended September 30,	
	2023	2022
	(in thousands)	(in thousands)
Shares		
Opening balance	**517,193**	516,612
Shares issued for exercise of warrants	**—**	281
Shares issued for exercise of options - incentive plan	**—**	300
Shares issued for release of performance share units - incentive plan	**103**	—
Ending balance	**517,296**	517,193

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, paid 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. The cash consideration for awards settled through cash payment 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)

c) Share-based payments (continued)

As at September 30, 2023, the Company is authorized to issue 51,730,000 stock options and share rights (September 30, 2022: 51,719,000) equal to 10% (September 30, 2022: 10%) of the issued and outstanding ordinary shares for issuance under the Omnibus incentive plan.

A summary of the share-based payments expense (recovery) is detailed as follows:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2023	2022	**2023**	2022
Stock option	**—**	108	**—**	296
RSU	**688**	218	**304**	(977)
PSU	**973**	15	**793**	(736)
DSU	**219**	48	**(181)**	(624)
	1,880	389	**916**	(2,041)

For the six-month period ended September 30, 2023, the amount recognized as share-based payment includes recovery related to equity-settled awards of $1,183 (six-month period ended September 30, 2022: share-based payment expense $1,015). For the six-month period ended September 30, 2023, the amount recognized as share-based payment expense related to cash-settled awards was $2,099 (six-month period ended September 30, 2022: share-based payment recovery $3,056).

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 September 30, 2023	As at March 31, 2023
Accounts payable and other	**4,691**	9,138
Other long-term liabilities	**5,284**	8,234
	9,975	17,372

d) Stock options

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

	Six Months Ended September 30, 2023		Six Months Ended September 30, 2022	
	Number of Stock Options (in thousands)	**Weighted Average Exercise Price**	**Number of Stock Options** (in thousands)	**Weighted Average Exercise Price**
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 six-month period ended September 30, 2023, no stock options were granted or exercised. During the six-month period ended September 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.

The weighted average remaining life for the 1,200,000 stock options exercisable as at September 30, 2023, was 1.35 years.

10. Share Capital and Reserves (continued)

e) Restricted share units

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

	Six Months Ended September 30, 2023		Six Months Ended September 30, 2022	
	Number of RSUs (in thousands)	Weighted Average Share Price	Number of RSUs (in thousands)	Weighted Average Share Price
Opening balance	**1,115**	**5.08**	1,142	3.37
Granted	**790**	**5.06**	488	6.31
Dividend equivalents	**20**	**5.63**	14	6.95
Settled through cash payment	**(349)**	**2.67**	(431)	2.23
Forfeited	**(20)**	**5.40**	(2)	6.16
Ending balance	**1,556**	**5.61**	1,211	5.13
Vested - end of the period	**354**	**6.17**	319	3.56

During the six-month period ended September 30, 2023, 790,000 RSUs were granted to key management personnel (six-month period ended September 30, 2022: 488,000).

During the six-month period ended September 30, 2023, 349,000 RSUs were settled in exchange for cash consideration based on a share price of $5.49 (six-month period ended September 30, 2022: 431,000 RSUs settled based on a share price of $6.88).

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:

	Six Months Ended September 30, 2023		Six Months Ended September 30, 2022	
	Number of PSUs (in thousands)	Weighted Average Share Price	Number of PSUs (in thousands)	Weighted Average Share Price
Opening balance	**2,581**	**5.59**	2,842	4.55
Granted	**1,185**	**5.06**	610	6.89
Dividend equivalents	**52**	**5.63**	39	6.95
Settled through cash payment	**(859)**	**4.09**	(614)	2.23
Forfeited	**(132)**	**6.33**	(3)	6.16
Released through the issuance of ordinary shares	**(103)**	**6.16**	—	—
Withheld as payment of withholding taxes	**(117)**	**6.16**	—	—
Ending balance	**2,607**	**5.78**	2,874	5.66
Vested - end of the period	**—**	**—**	—	—

During the six-month period ended September 30, 2023, 1,185,000 PSUs were granted to key management personnel (six-month period ended September 30, 2022: 610,000) and 103,000 ordinary shares were issued at a weighted average share price of $6.12. Withholding taxes of $716,000 were paid pursuant to the issuance of these aforementioned ordinary shares resulting in the Company not issuing an additional 117,000 PSUs.

During the six-month period ended September 30, 2023, 859,000 PSUs were settled in exchange for cash consideration based on a share price of $5.74 (six-month period ended September 30, 2022: 614,000 PSUs settled based on a share price of $6.88).

10. Share Capital and Reserves (continued)

g) Deferred share units

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

	Six Months Ended September 30,		Six Months Ended September 30,	
		2023		2022
	Number of DSUs	**Weighted Average Share Price**	**Number of DSUs**	**Weighted Average Share Price**
	(in thousands)		(in thousands)	
Opening balance	**366**	**3.97**	285	3.56
Granted	**43**	**5.55**	34	4.54
Dividend equivalents	**6**	**5.77**	5	6.95
Settled through cash payment	**(125)**	**3.66**	—	—
Forfeited	**(2)**	**6.06**	—	—
Ending balance	**288**	**4.37**	324	3.71
Vested - end of the period	**288**	**4.37**	324	3.71

During the six-month period ended September 30, 2023, 125,000 DSUs were settled in exchange for cash consideration based on a share price of $5.24 (six-month period ended September 30, 2022: nil).

h) Warrants

	Six Months Ended September 30,		Six Months Ended September 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	2.43
Exercised	**—**	**—**	(281)	1.13
Ending balance	**15,000**	**2.45**	15,000	2.45

The Company’s outstanding and exercisable warrants as at September 30, 2023 and 2022 is presented below:

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

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 six-month period ended September 30, 2023, no warrants were exercised (six-month period ended September 30, 2022: 281,000 warrants at a weighted average exercise price of $1.125).

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

11. Revenues

	Three Months Ended September 30,		Six Months Ended September 30,	
	2023	2022	**2023**	2022
Iron ore revenue	**386,009**	321,552	**729,977**	616,541
Provisional pricing adjustments	**1,559**	(20,931)	**(45,247)**	(36,599)
	387,568	300,621	**684,730**	579,942

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 June 30, 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 September 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 September 30, 2023, a final price was established for the 1.4 million tonnes of iron ore that were in transit as at June 30, 2023. Accordingly, during the three-month period ended September 30, 2023, positive provisional pricing adjustments of $1,559 were recorded as an increase of revenues for the 1.4 million tonnes. As at September 30, 2023, 1.3 million tonnes of iron ore sales remained subject to provisional pricing, with the final price to be determined in the subsequent reporting periods (September 30, 2022: 1.3 million tonnes).

12. Cost of Sales

	Three Months Ended September 30,		Six Months Ended September 30,	
	2023	2022	**2023**	2022
Mining and processing costs	**158,577**	117,066	**324,176**	227,434
Change in concentrate inventories	**(22,916)**	1,493	**(54,922)**	(10,587)
Land transportation and port handling	**76,923**	65,586	**151,815**	116,389
Incremental costs related to COVID-19	**—**	305	**—**	1,145
Bloom Lake Phase II start-up costs	**—**	15,391	**—**	34,867
	212,584	199,841	**421,069**	369,248

For the three and six-month periods ended September 30, 2023, the amount recognized as an expense for defined contribution plans was $2,721 and $5,507, respectively (three and six-month periods ended September 30, 2022: $2,324 and $4,596, respectively) and is included in mining and processing costs.

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

13. Net Finance Costs

	Three Months Ended September 30,		Six Months Ended September 30,	
	2023	2022	**2023**	2022
Interest on long-term debt	**8,635**	—	**17,064**	—
Amortization of transaction costs	**1,289**	1,171	**2,569**	1,989
Standby commitment fees on long-term debt	**437**	390	**868**	1,321
Interest expense on lease liabilities	**982**	870	**1,980**	1,720
Realized and unrealized foreign exchange loss	**2,439**	9,131	**741**	10,527
Amortization of deferred grant	**(117)**	—	**(117)**	—
Interest income	**(2,981)**	(1,615)	**(6,398)**	(2,151)
Other	**950**	818	**1,853**	1,549
	11,634	10,765	**18,560**	14,955

During the development period of the DRPF Project and the Bloom Lake Phase II expansion project, borrowing costs were capitalized. Refer to note 7 - Property, Plant and Equipment.

14. Earnings per Share

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

	Three Months Ended September 30,		Six Months Ended September 30,	
	2023	2022	**2023**	2022
Net income	**65,281**	19,530	**81,938**	61,084
Weighted average number of common shares outstanding - Basic	**517,258,000**	517,104,000	**517,226,000**	516,899,000
Dilutive share options, warrants and equity settled awards	**8,917,000**	8,269,000	**9,371,000**	9,993,000
Weighted average number of outstanding shares - Diluted	**526,175,000**	525,373,000	**526,597,000**	526,892,000
Basic earnings per share	**0.13**	0.04	**0.16**	0.12
Diluted earnings per share	**0.12**	0.04	**0.16**	0.12

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

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 September 30, 2023 and March 31, 2023:

As at September 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	—	316,530	—	316,530
Trade receivables	Level 2	85,352	—	—	85,352
Other receivables (excluding sales tax and grant)	Level 2	—	3,389	—	3,389
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	11,759	—	—	11,759
		97,120	319,919	—	417,039
Liabilities					
Current					
Accounts payable and other (excluding current portion of lease liabilities and cash-settled share-based payment liability)	Level 2	—	—	203,646	203,646
Cash-settled share-based payment liability (included in accounts payable and other)	Level 1	4,691	—	—	4,691
Current portion of long-term debt	Level 3	—	—	29,792	29,792
		4,691	—	233,438	238,129
Non-current					
Long-term debt	Level 3	—	—	445,536	445,536
Cash-settled share-based payment liability (included in other long-term liabilities)	Level 1	5,284	—	—	5,284
		9,975	—	678,974	688,949

(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 and cash-settled share-based payment liability). Long-term debt was accounted for at amortized cost using the effective interest method, and its fair values approximate its 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 and six-month periods ended September 30, 2023 (three and six-month periods ended September 30, 2022: nil).

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

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 and six-month periods ended September 30, 2023 (three and six-month periods ended September 30, 2022: nil).

Convertible Loan and Equity Instruments in Private Entity

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 six-month period ended September 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 September 30, 2023, the convertible loan and equity instruments totalled $11,759 (March 31, 2023: $11,771).

The fair value of the convertible loan 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 and six-month periods ended September 30, 2023 amounted to a gain of $244 and a loss of $239, respectively, and was attributable to the changes in exchange rates (three and six-month periods ended September 30, 2022: a gain of $341 and $783, respectively).

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 consolidated statements of income.

16. Commitments and Contingencies

The Company's future minimum payments of commitments as at September 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	**7,193**	**31,708**	**130,621**	**169,522**
Take-or-pay fees related to the Port agreement	**7,632**	**33,406**	**110,866**	**151,904**
Capital expenditure obligations	**6,155**	**—**	**—**	**6,155**
Other obligations	**51,395**	**31,591**	**250**	**83,236**
	72,375	**96,705**	**241,737**	**410,817**

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.

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

16. Commitments and Contingencies (continued)

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 September 30,		Six Months Ended September 30,	
	2023	2022	**2023**	2022
Receivables	**(18,725)**	40,271	**35,909**	48,769
Prepaid expenses and advances	**20,353**	(6,640)	**(951)**	(30,589)
Inventories	**(34,330)**	(5,318)	**(77,320)**	(26,694)
Advance payments	**4,080**	3,366	**8,322**	8,208
Accounts payable and other	**46,874**	(5,600)	**47,456**	3,722
Income and mining taxes receivable or payable	**24,077**	(11,490)	**32,783**	(98,439)
Other long-term liabilities	**(1,761)**	(3,825)	**(9,670)**	(5,573)
	40,568	10,764	**36,529**	(100,596)

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

	Three Months Ended September 30,		Six Months Ended September 30,	
	2023	2022	**2023**	2022
Additions of property, plant and equipment as per note 7	**187,509**	83,699	**244,438**	219,644
Right-of-use assets	**(91,948)**	(939)	**(93,543)**	(15,845)
Depreciation of property, plant and equipment allocated to stripping activity asset	**—**	(9)	**(55)**	(961)
Non-cash increase of the asset rehabilitation obligation	**(22)**	(452)	**(252)**	(942)
Government grant recognized	**42**	1,550	**663**	5,163
Government grant received	**(5,195)**	(5,195)	**(5,195)**	(5,195)
Capitalized amortization of transaction costs	**—**	(70)	**—**	(666)
Net cash flow used in investing activities - purchase of property, plant and equipment	**90,386**	78,584	**146,056**	201,198

The additions of property, plant and equipment for the three and six-month periods ended September 30, 2023 are net of government grants of $42 and $663, respectively, and a total grant of $2,543 was receivable as at September 30, 2023.

The additions of right-of-use assets for the three and six-month periods ended September 30, 2023 comprised assets financed by advance payments of $83,464 and prepaid expenses and advances of $6,770.

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

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

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

	Three Months Ended September 30,		Six Months Ended September 30,	
	2023	2022	**2023**	2022
Depreciation of property, plant and equipment as per note 7	**37,263**	29,615	**67,418**	52,529
Depreciation of property, plant and equipment allocated to stripping activity asset	**—**	(9)	**(55)**	(961)
Depreciation of intangible assets	**805**	783	**1,591**	1,561
Net effect of depreciation of property, plant and equipment allocated to inventory	**(6,853)**	(2,334)	**(7,826)**	(5,282)
Depreciation as per consolidated statements of income	**31,215**	28,055	**61,128**	47,847

d) Reconciliation of movements of liabilities to cash flows arising from financing activities

	Three Months Ended September 30,		Six Months Ended September 30,	
	2023	2022	**2023**	2022
Opening balance - Long-Term Debt	**468,042**	351,488	**475,281**	323,360
Cash provided by (used in) financing activities				
Proceeds	**6,339**	90,541	**16,860**	110,372
Repayments	**(6,941)**	(2,862)	**(17,554)**	(10,640)
Non-cash changes				
Foreign exchange movement	**7,278**	22,967	**(470)**	30,901
Reclassification of transaction costs	**—**	—	**—**	6,958
Transaction costs and other	**610**	562	**1,211**	1,745
Ending balance - Long-Term Debt	**475,328**	462,696	**475,328**	462,696

	Three Months Ended September 30,		Six Months Ended September 30,	
	2023	2022	**2023**	2022
Opening balance - Lease liabilities	**84,545**	69,221	**86,841**	53,979
Cash used in financing activities				
Repayments	**(2,358)**	(1,150)	**(4,717)**	(2,229)
Non-cash changes				
Foreign exchange movement	**1,438**	3,944	**(94)**	5,599
New lease liabilities	**1,714**	699	**3,309**	15,605
Lease termination	**—**	—	**—**	(240)
Ending balance - Lease liabilities	**85,339**	72,714	**85,339**	72,714

(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 September 30, 2023	Iron Ore Concentrate	Exploration and Evaluation	Corporate	Total
Revenues	**387,568**	**—**	**—**	**387,568**
Cost of sales	**(212,584)**	**—**	**—**	**(212,584)**
Depreciation	**(30,799)**	**—**	**(416)**	**(31,215)**
Gross profit (loss)	**144,185**	**—**	**(416)**	**143,769**
Share-based payments	**—**	**—**	**(1,880)**	**(1,880)**
General and administrative expenses	**—**	**—**	**(12,729)**	**(12,729)**
Sustainability and other community expenses	**(1,672)**	**—**	**(2,643)**	**(4,315)**
Innovation and growth initiative expenses	**—**	**—**	**(1,268)**	**(1,268)**
Operating income (loss)	**142,513**	**—**	**(18,936)**	**123,577**
Net finance costs, other income and taxes expenses				**(58,296)**
Net income				**65,281**
Segmented total assets	**2,251,869**	**124,422**	**31,647**	**2,407,938**
Segmented total liabilities	**(1,096,479)**	**—**	**(20,401)**	**(1,116,880)**
Segmented property, plant and equipment	**1,421,292**	**—**	**9,276**	**1,430,568**

Three Months Ended September 30, 2022	Iron Ore Concentrate	Exploration and Evaluation	Corporate	Total
Revenues	300,621	—	—	300,621
Cost of sales	(199,841)	—	—	(199,841)
Depreciation	(27,990)	—	(65)	(28,055)
Gross profit (loss)	72,790	—	(65)	72,725
Share-based payments	—	—	(389)	(389)
General and administrative expenses	—	—	(8,564)	(8,564)
Sustainability and other community expenses	(1,633)	—	(2,227)	(3,860)
Innovation and growth initiative expenses	—	—	(4,026)	(4,026)
Operating income (loss)	71,157	—	(15,271)	55,886
Net finance costs, other income and taxes expenses				(36,356)
Net income				19,530
Segmented total assets	1,994,093	110,862	51,368	2,156,323
Segmented total liabilities	(967,624)	—	(14,853)	(982,477)
Segmented property, plant and equipment	1,230,703	—	339	1,231,042

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

18. Segmented Information (continued)

Six Months Ended September 30, 2023	Iron Ore Concentrate	Exploration and Evaluation	Corporate	Total
Revenues	**684,730**	**—**	**—**	**684,730**
Cost of sales	**(421,069)**	**—**	**—**	**(421,069)**
Depreciation	**(60,514)**	**—**	**(614)**	**(61,128)**
Gross profit (loss)	**203,147**	**—**	**(614)**	**202,533**
Share-based payments	**—**	**—**	**(916)**	**(916)**
General and administrative expenses	**—**	**—**	**(25,678)**	**(25,678)**
Sustainability and other community expenses	**(3,172)**	**—**	**(5,112)**	**(8,284)**
Innovation and growth initiative expenses	**—**	**—**	**(4,959)**	**(4,959)**
Operating income (loss)	**199,975**	**—**	**(37,279)**	**162,696**
Net finance costs, other expense and taxes expenses				**(80,758)**
Net income				**81,938**
Segmented total assets	**2,251,869**	**124,422**	**31,647**	**2,407,938**
Segmented total liabilities	**(1,096,479)**	**—**	**(20,401)**	**(1,116,880)**
Segmented property, plant and equipment	**1,421,292**	**—**	**9,276**	**1,430,568**

Six Months Ended September 30, 2022	Iron Ore Concentrate	Exploration and Evaluation	Corporate	Total
Revenues	579,942	—	—	579,942
Cost of sales	(369,248)	—	—	(369,248)
Depreciation	(47,736)	—	(111)	(47,847)
Gross profit (loss)	162,958	—	(111)	162,847
Share-based payments	—	—	2,041	2,041
General and administrative expenses	—	—	(20,836)	(20,836)
Sustainability and other community expenses	(3,050)	—	(4,153)	(7,203)
Innovation and growth initiative expenses	—	—	(6,446)	(6,446)
Operating income (loss)	159,908	—	(29,505)	130,403
Net finance costs, other income and taxes expenses				(69,319)
Net income				61,084
Segmented total assets	1,994,093	110,862	51,368	2,156,323
Segmented total liabilities	(967,624)	—	(14,853)	(982,477)
Segmented property, plant and equipment	1,230,703	—	339	1,231,042

19. Subsequent Event

On October 25, 2023 (Montréal time) / October 26, 2023 (Sydney time), the Board declared a dividend of $0.10 per ordinary share of the Company in connection with the semi-annual results for the period ended September 30, 2023, payable on November 28, 2023 (Montréal time and Sydney time), to registered shareholders at the close of business in Australia and Canada on November 7, 2023 (Montréal time and Sydney time).