

Champion Iron Limited

(ACN: 119 770 142)

Condensed Interim Consolidated Financial Statements For the Three and Six-Month Periods Ended September 30, 2019 and 2018

(Expressed in thousands of Canadian dollars - unaudited)

Champion Iron Limited

Interim Consolidated Statements of Financial Position

(Expressed in thousands of Canadian dollars - unaudited)

		As at September 30,	As at March 31,
	Notes	2019	2019
Assets			
Current			
Cash and cash equivalents		193,753	135,424
Short-term investments		17,291	17,907
Receivables	3	71,634	93,012
Prepaid expenses and advances		16,459	24,186
Inventories	4	61,385	44,154
		360,522	314,683
Non-current			
Investments		2,224	2,653
Advance payments		30,384	38,250
Property, plant and equipment	5	304,168	224,123
Exploration and evaluation assets		75,859	81,508
Derivative assets	8	—	10,800
Total assets		773,157	672,017
Liabilities			
Current			
Accounts payable and accrued liabilities		76,011	44,697
Income and mining taxes payable	15	53,524	34,059
Current portion of long-term debt	6	—	35,852
		129,535	114,608
Non-current			
Property taxes payable		14,252	13,940
Long-term debt	6	230,299	193,038
Convertible debenture	7	—	12,067
Derivative liability	7	—	43,819
Rehabilitation obligation	9	41,983	36,565
Other long-term liability		4,533	4,798
Deferred tax liabilities	15	42,677	37,460
Total liabilities		463,279	456,295
Shareholders' equity			
Share capital	10	403,260	237,969
Contributed surplus		22,915	21,404
Warrants	10	83,592	17,730
Foreign currency translation reserve		397	420
Non-controlling interest	11	—	65,376
Accumulated deficit		(200,286)	(127,177)
Total equity		309,878	215,722
Total liabilities and equity		773,157	672,017

Commitments

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

Approved on October 29, 2019 on behalf of the directors

/s/ Michael O'Keefe
Director

/s/ Andrew Love
Director

Champion Iron Limited

Interim Consolidated Statements of Income

[Expressed in thousands of Canadian dollars, except per share amounts - unaudited]

	Notes	Three Months Ended September 30,		Six Months Ended September 30,	
		2019	2018	2019	2018
Revenues	12	160,370	174,678	438,284	325,419
Cost of sales	13	(89,921)	(87,265)	(193,528)	(183,033)
Depreciation		(4,693)	(4,084)	(8,307)	(8,509)
Gross profit		65,756	83,329	236,449	133,877
Other expenses					
Share-based payments	10	(642)	(744)	(1,751)	(1,067)
General and administrative expenses		(3,713)	(1,926)	(7,899)	(4,506)
Restart costs		—	—	—	(4,497)
Sustainability and other community expenses		(3,519)	(3,422)	(5,595)	(6,053)
Operating income		57,882	77,237	221,204	117,754
Net finance costs	14	(46,433)	(7,106)	(75,485)	(21,345)
Income before income and mining taxes		11,449	70,131	145,719	96,409
Current income and mining taxes	15	(14,624)	(11,974)	(67,986)	(17,504)
Deferred income and mining taxes	15	1,449	9,340	(5,218)	9,340
Net income (loss)		(1,726)	67,497	72,515	88,245
Attributable to:					
Champion shareholders		2,140	41,536	40,891	52,554
Non-controlling interest		(3,866)	25,961	31,624	35,691
Earnings per share	16				
Basic		0.00	0.10	0.09	0.13
Diluted		0.00	0.09	0.08	0.12
Weighted average number of common shares outstanding					
Basic		434,409,000	417,620,000	433,339,000	416,298,000
Diluted		483,685,000	457,535,000	483,292,000	455,438,000

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,	
	2019	2018	2019	2018
Net income (loss)	(1,726)	67,497	72,515	88,245
Item that may be reclassified subsequently to the consolidated statement of income				
Net movement in foreign currency translation reserve	(26)	555	(23)	(124)
Comprehensive income (loss)	(1,752)	68,052	72,492	88,121
Attributable to:				
Champion shareholders	2,114	42,091	40,868	52,430
Non-controlling interest	(3,866)	25,961	31,624	35,691

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)

	Notes	Ordinary Shares		Preferred Shares		Contributed Surplus	Warrants	Foreign Currency Translation	Non-Controlling Interest	Accumulated Deficit	Total
		Shares ⁽¹⁾	\$	Shares	\$						
Balance - March 31, 2019		430,470,000	237,969	—	—	21,404	17,730	420	65,376	(127,177)	215,722
Net income		—	—	—	—	—	—	—	31,624	40,891	72,515
Other comprehensive loss		—	—	—	—	—	—	(23)	—	—	(23)
Total comprehensive income (loss)		—	—	—	—	—	—	(23)	31,624	40,891	72,492
Repurchase of RQ investment	11	—	—	—	—	—	—	—	(97,000)	(114,000)	(211,000)
Issuance of preferred shares	10	—	—	185,000,000	159,715	—	—	—	—	—	159,715
Fair value of warrants issued - Glencore	7,10	—	—	—	—	—	45,362	—	—	—	45,362
Fair value of warrants issued - CDPI	10	—	—	—	—	—	22,288	—	—	—	22,288
Exercise of warrants	6,10	2,709,000	4,836	—	—	—	(1,788)	—	—	—	3,048
Exercise of compensation options	10	2,000,000	740	—	—	(240)	—	—	—	—	500
Share-based payments	10	—	—	—	—	1,751	—	—	—	—	1,751
Balance - September 30, 2019		435,179,000	243,545	185,000,000	159,715	22,915	83,592	397	—	(200,286)	309,878
Balance - March 31, 2018		414,618,000	224,336	—	—	21,204	17,730	578	823	(210,223)	54,448
Net income		—	—	—	—	—	—	—	35,691	52,554	88,245
Other comprehensive loss		—	—	—	—	—	—	(124)	—	—	(124)
Total comprehensive income (loss)		—	—	—	—	—	—	(124)	35,691	52,554	88,121
Exercise of stock options	10	3,950,000	1,943	—	—	(493)	—	—	—	—	1,450
Fair value of share rights exercised	10	752,000	1,000	—	—	(1,000)	—	—	—	—	—
Share-based payments	10	—	—	—	—	1,067	—	—	—	—	1,067
Balance - September 30, 2018		419,320,000	227,279	—	—	20,778	17,730	454	36,514	(157,669)	145,086

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 Flow

(Expressed in thousands of Canadian dollars - unaudited)

	Notes	Three Months Ended		Six Months Ended	
		September 30,		September 30,	
		2019	2018	2019	2018
Cash provided by (used in)					
Operating Activities					
Net income (loss)		(1,726)	67,497	72,515	88,245
Items not affecting cash					
Depreciation	5,19	4,693	4,084	8,307	8,509
Share-based payments	10	642	744	1,751	1,067
Loss on debt repayment	14	57,274	—	57,274	—
Accretion of borrowing costs and debt discount	14	898	3,179	2,219	4,389
Change in fair value of derivative liability	14	(19,534)	(2,496)	1,543	554
Accretion of the rehabilitation obligation	14	442	48	685	96
Unrealized loss on investments	14	404	1,209	429	1,654
Unrealized foreign exchange (gain) loss		(490)	(3,221)	(1,508)	123
Change in fair value of derivative assets	8,14	—	—	(1,907)	—
Deferred income and mining taxes	15	(1,449)	(9,340)	5,218	(9,340)
Interest		(15,530)	6,112	(19,517)	13,502
		25,624	67,816	127,009	108,799
Changes in non-cash operating working capital	19	79,299	(64,935)	69,835	(59,193)
Net cash flows from operating activities		104,923	2,881	196,844	49,606
Financing Activities					
Proceeds of long-term debt	6	239,148	46,147	239,148	74,195
Repayment of long-term debt	6	(226,972)	—	(234,464)	—
Repurchase of common shares - RQ	11	(211,000)	—	(211,000)	—
Issuance of preferred shares	10	182,003	—	182,003	—
Repayment of convertible debenture	7	(31,980)	—	(31,980)	—
Transaction costs on credit facilities	6	(6,633)	(1,618)	(6,633)	(1,618)
Exercise of warrants	10	210	—	3,048	—
Exercise of compensation options	10	500	—	500	—
Termination of production payment agreement ("PPA")		—	(4,564)	—	(4,564)
Exercise of stock options		—	1,450	—	1,450
Net cash flows from financing activities		(54,724)	41,415	(59,378)	69,463
Investing Activities					
Investment in short-term investments		413	(468)	616	(468)
Purchase of property, plant and equipment	5,19	(52,248)	(16,619)	(78,725)	(26,487)
Exploration and evaluation		(233)	(1,463)	(427)	(1,852)
Net cash flows from investing activities		(52,068)	(18,550)	(78,536)	(28,807)
Net increase (decrease) in cash and cash equivalents		(1,869)	25,746	58,930	90,262
Cash and cash equivalents, beginning of period		192,976	71,679	135,424	7,895
Effects of exchange rate changes on cash and cash equivalents		2,646	441	(601)	(291)
Cash and cash equivalents, end of period		193,753	97,866	193,753	97,866
Interest paid		20,738	361	35,296	1,101
Income and mining taxes paid		14,462	—	48,521	—

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

Champion Iron Limited

Notes to the Condensed Interim Consolidated Financial Statements

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

1. Nature of Operations

Champion Iron Limited ("Champion" or the "Company") was incorporated under the laws of Australia in 2006 and is listed on the Toronto Stock Exchange (TSX: CIA) and Australian Securities Exchange (ASX: CIA). Champion is an iron ore mining company with its key asset, the Bloom Lake Mine, a long-life, large-scale open pit operation located in northern Quebec, approximately 300 km north of Sept-Îles and 13 km from the town of Fermont, Quebec, Canada. The Company declared commercial production at the Bloom Lake Mine as of June 30, 2018.

The Bloom Lake Mine assets are held through Quebec Iron Ore Inc. ("QIO"), a wholly owned subsidiary of Champion. Ressources Québec ("RQ"), a subsidiary of governmental agency Investissement Québec, was the owner of a 36.8% interest in QIO until August 16, 2019 when the Company acquired RQ's 36.8% equity interest in QIO. Refer to note 11 - Non-Controlling Interest.

2. Summary of Significant Accounting Policies

A. Basis of preparation

These condensed interim consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial assets and financial liabilities to fair value.

The financial report is a general purpose financial report which has been prepared for a for-profit enterprise in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, except for investments and derivative financial instruments which have been measured at fair value.

B. Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board.

These condensed interim consolidated financial statements do not include certain information and disclosures normally included in annual consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") and should be read in conjunction with the Company's annual consolidated financial statements for the year ended March 31, 2019.

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on October 29, 2019.

The accounting policies used in these condensed interim consolidated financial statements are consistent with those disclosed in the Company's audited consolidated financial statements for the year ended March 31, 2019 except for the new accounting standards issued and adopted by the Company described below.

C. Accounting policy for share-based compensation

For equity settled awards, share-based compensation costs are measured at fair value and the awards expected to vest are accrued on a straight-line basis over the vesting period with a corresponding increase in contributed surplus. The grant date fair value of performance share unit ("PSU") awards, restricted share unit ("RSU") awards and deferred share unit ("DSU") awards is determined using the stock price of the Company on the Toronto Stock Exchange at the grant date. The grant date fair value of stock option awards is determined using the Black-Scholes option pricing model. Any consideration by the plan participants on the exercise of the stock options is credited to share capital.

D. Accounting policy for share capital and issuance costs

Proceeds from issuance of share capital are allocated between shares capital and ordinary share purchase warrants by calculating the fair value of the warrants using the Black-Scholes option pricing model and recording the share capital portion using the residual method as the difference between the fair value of the warrants and the proceeds received. Issuance costs are allocated pro rata between the share capital and warrants and netted against each component.

Champion Iron Limited

Notes to the Condensed Interim Consolidated Financial Statements

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

2. Summary of Significant Accounting Policies (continued)

E. New accounting standards issued and adopted by the Company

New standards became applicable for the current reporting period and the Company had to change its accounting policies as a result of adopting the following standards.

IFRS 16, Leases ("IFRS 16")

In January 2016, the IASB released IFRS 16, Leases, to replace the previous leases Standard, IAS 17, Leases, and related Interpretations. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, the customer (lessee) and the supplier (lessor). IFRS 16 eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. IFRS 16 also substantially carries forward the lessor accounting requirements.

IFRS 16 was adopted for the Company's fiscal year beginning on April 1, 2019, and the Company elected to use the modified retrospective approach. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application.

The Company applied the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application and did not reassess contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4. In addition, the Company elected to use the exemptions proposed by the standard on lease contracts for which the lease terms end within 12 months as of the date of initial application or lease commencement date, and lease contracts for which the underlying asset is of low value.

Where the Company is a lessee, IFRS 16 results in the on-balance sheet recognition of its leases that are considered operating leases under IAS 17. This results in the gross-up of the balance sheet through the recognition of a right-of-use asset and a liability for the present value of the future lease payments. Depreciation expense on the right-of-use asset and interest expense on the lease liability replace the operating lease expense.

This change in policy did not result in the recognition of a right-of-use asset and lease liability on April 1, 2019. The undiscounted commitments of the Company as of March 31, 2019 amounted to \$398,352,000, as presented in the annual consolidated financial statements and notes thereto included for the fiscal year ended March 31, 2019. The difference is due to the commitments of the Company being composed of take-or-pay logistic contracts or the commitment related to the Impact and Benefit Agreement, which do not qualify as a lease under IFRS 16.

IFRIC 23, Income taxes ("IFRIC 23")

In June 2017, the IASB released IFRIC 23, Uncertainty over income tax treatments. IFRIC 23 clarifies the application of recognition and measurement requirements in IAS 12, Income Taxes, when there is uncertainty over income tax treatments. It specifically addresses whether an entity considers each tax treatment independently or collectively, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and how an entity considers changes in facts and circumstances. IFRIC 23 was adopted effective April 1, 2019 and did not result in any adjustment.

Champion Iron Limited

Notes to the Condensed Interim Consolidated Financial Statements

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

3. Receivables

	As at September 30,	As at March 31,
	2019	2019
Trade receivables	47,804	79,464
Sales tax	22,808	12,705
Other receivables	1,022	843
	71,634	93,012

For the six-month period ended September 30, 2019, no specific provision was recorded on any of the Company's receivables (March 31, 2019: nil). Receivables are generally settled within six months and are therefore, collectable. As at September 30, 2019, the trade receivables, subject to provisional pricing, amounts to \$41,521,000 (March 31, 2019: \$29,475,000).

4. Inventories

	As at September 30,	As at March 31,
	2019	2019
Stockpiled ore	12,542	14,572
Concentrate inventories	25,072	10,196
Supplies and spare parts	23,771	19,386
	61,385	44,154

The amount of inventories recognized as an expense totalled \$94,614,000 and \$201,835,000 for the three and six-month periods ended September 30, 2019, respectively (\$91,349,000 and \$191,542,000 for the three and six-month periods ended September 30, 2018, respectively).

Champion Iron Limited

Notes to the Condensed Interim Consolidated Financial Statements

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

5. Property, Plant and Equipment

	Mining and Processing Equipment	Locomotives, Railcars and Rails	Tailings Dykes	Assets under Construction	Stripping Activity Asset	Asset Rehabilitation Obligation and Other	Total
Cost							
March 31, 2019	116,573	47,766	18,005	24,700	19,864	16,640	243,548
Additions	808	—	—	78,254	6,263	4,895	90,220
Transfers, disposals and others	(4,016)	—	20,296	(16,280)	—	—	—
Foreign exchange	—	(361)	—	—	—	—	(361)
September 30, 2019	113,365	47,405	38,301	86,674	26,127	21,535	333,407
Accumulated depreciation							
March 31, 2019	12,912	3,818	498	—	447	1,750	19,425
Depreciation	6,833	1,056	1,052	—	176	729	9,846
Transfers, disposals and others	—	—	—	—	—	—	—
Foreign exchange	—	(32)	—	—	—	—	(32)
September 30, 2019	19,745	4,842	1,550	—	623	2,479	29,239
Net book value - September 30, 2019	93,620	42,563	36,751	86,674	25,504	19,056	304,168

	Mining and Processing Equipment	Locomotives, Railcars and Rails	Tailings Dykes	Assets under Construction	Stripping Activity Asset	Asset Rehabilitation Obligation and Other	Total
Cost							
March 31, 2018	23,766	39,532	3,000	107,894	—	5,412	179,604
Additions	6,552	6,823	14,941	21,795	11,740	1,291	63,142
Transfers, disposals and others	86,255	—	64	(104,989)	8,124	9,942	(604)
Foreign exchange	—	1,411	—	—	—	(5)	1,406
March 31, 2019	116,573	47,766	18,005	24,700	19,864	16,640	243,548
Accumulated depreciation							
March 31, 2018	4,576	1,818	13	—	—	478	6,885
Depreciation	8,837	2,194	485	—	447	1,380	13,343
Transfers, disposals and others	(501)	—	—	—	—	(101)	(602)
Foreign exchange	—	(194)	—	—	—	(7)	(201)
March 31, 2019	12,912	3,818	498	—	447	1,750	19,425
Net book value - March 31, 2019	103,661	43,948	17,507	24,700	19,417	14,890	224,123

Champion Iron Limited

Notes to the Condensed Interim Consolidated Financial Statements

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

6. Long-Term Debt

				As at September 30,	As at March 31,
	Sprott	CDPI	Term Facility	2019	2019
Opening balance	97,986	130,904	—	228,890	141,225
Advances	—	—	239,148	239,148	74,195
Capital repayment	(98,596)	(132,860)	—	(231,456)	(7,636)
Capitalized interest	—	—	—	—	15,147
Payment of capitalized interest	(5,574)	(13,943)	—	(19,517)	(432)
Transaction costs	—	—	(8,296)	(8,296)	(1,618)
Accretion	927	775	221	1,923	(619)
Unrealized foreign exchange	(709)	(852)	(774)	(2,335)	8,628
Non-cash loss on repayment of debt ⁽¹⁾	5,966	15,976	—	21,942	—
	—	—	230,299	230,299	228,890
Less current portion	—	—	—	—	(35,852)
Ending balance	—	—	230,299	230,299	193,038

On August 16, 2019, QIO entered into a US\$200,000,000 lending arrangement with Bank of Nova Scotia and Société Générale as joint-lead arrangers as well as various lenders. Transaction costs of \$8,296,000 were incurred for this transaction for which \$1,663,000 were paid during previous periods, resulting in a net payment of \$6,633,000 for the three-month period ended September 30, 2019.

The proceeds of the financing activities were used to fully repay previously issued debt facilities held by QIO for an amount of \$239,148,000. Prepayment penalty fees of \$3,008,000 were also paid for the repayment of the Sprott facility, resulting in a total repayment of \$234,464,000. Refer to note 14 - Net Finance Costs.

The terms of the lending arrangement are as follows:

Amount:	US\$ 180,000,000 single draw non-revolving credit facility (the "Term Facility") US\$ 20,000,000 revolving credit facility (the "Revolving Facility") (collectively the "Credit Facilities")
Maturity:	Term Facility: March 31, 2024 Revolving Facility: August 16, 2021
Interest:	The Credit Facilities are subject to interest based on LIBOR and a financial margin that fluctuates from 2.85% to 3.75% depending on whether the net debt to EBITDA ratio is below 1.0 or greater than 2.5.
Repayment:	Term Facility - commencing on June 30, 2021, and quarterly thereafter, 1/12 th of the principal balance outstanding.
Covenants:	The Credit Facilities are subject to operational and financial covenants, all of which have been met as at September 30, 2019.
Collateral:	All of the present and future undertaking, 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.

As at September 30, 2019, the Company had no borrowings under the Revolving Credit Facility.

¹ The non-cash loss on repayment of debt represents a non-cash expense to eliminate the unamortized borrowing costs and debt discount. Refer to note 14 - Net Finance Costs.

Champion Iron Limited

Notes to the Condensed Interim Consolidated Financial Statements

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

6. Long-Term Debt (continued)

Derivatives

A prepayment option derivative asset existed in respect with the option to prepay the debt with Sprott Private Resource Lending (Collector), LP ("Sprott"). The fair value of the prepayment option derivative asset was calculated to be nil (March 31, 2019: \$5,879,000). In addition, a variable interest derivative asset existed on the debt with CDP Investissements Inc. ("CDPI") in respect of variable interest based on price of iron ore and the fair value was calculated to be nil (March 31, 2019: \$3,904,000). Refer to note 8 - Derivative Assets.

These derivatives were extinguished due to the repayment of previously issued debt facilities on August 16, 2019.

Warrants

In connection with the debt with Sprott and CDPI, the Company issued: (a) 3,000,000 ordinary share purchase warrants to Sprott, entitling the holder to purchase 3,000,000 ordinary shares of the Company for \$1.125 until October 16, 2022 and (b) 21,000,000 ordinary share purchase warrants to CDPI, entitling the holder to purchase 21,000,000 ordinary shares of the Company for \$1.125 after October 16, 2018 until October 16, 2024. During the six-month period ended September 30, 2019, Sprott exercised their right to purchase 2,709,000 ordinary shares at \$1.125 per share for total proceeds of \$3,048,000. As at September 30, 2019, Sprott and CDPI still own 291,000 and 21,000,000 ordinary share purchase warrants respectively.

The fair value of the ordinary share purchase warrants was initially calculated using the Black-Scholes option pricing model. The fair values initially attributed to Sprott and CDPI warrants were respectively \$1,980,000 and \$15,750,000 at issuance. As at September 30, 2019, the fair value attributed to the remaining 291,000 Sprott warrants was \$192,000. The ordinary share warrants were accounted for as warrants in the consolidated statements of equity.

7. Convertible Debenture

	As at September 30,		As at March 31,	
	2019		2019	
	Convertible Debenture	Conversion Option	Convertible Debenture	Conversion Option
Opening balance	12,067	43,819	14,016	24,683
Capital repayment	(31,200)	—	—	—
Change in fair value	—	1,543	—	19,136
Accretion of debt discount	296	—	(215)	—
Capitalized interest	—	—	2,695	—
Payment of capitalized interest	—	—	(4,429)	—
Non-cash loss on repayment of debt ⁽¹⁾	18,837	—	—	—
Write-off of conversion option	—	(45,362)	—	—
Ending balance	—	—	12,067	43,819

On August 16, 2019, the Company fully repaid the \$31,200,000 unsecured subordinated convertible debenture ("Debenture") with Glencore International AG ("Glencore") and the conversion option granting Glencore the right to convert into the ordinary shares of the Company was extinguished. Prepayment penalty fees of \$780,000 were also paid for the repayment of the Debenture, resulting in a total repayment of \$31,980,000. Refer to note 14 - Net Finance Costs.

The repayment did not affect the off-take agreement with Glencore.

¹ The non-cash loss on repayment of debt represents a non-cash expense to eliminate the unamortized borrowing costs and debt discount. Refer to note 14 - Net Finance Costs.

Champion Iron Limited

Notes to the Condensed Interim Consolidated Financial Statements

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

7. Convertible Debenture (continued)

Derivative

In connection with the Debenture, a prepayment option derivative asset existed in respect with the option to prepay the debt with Glencore. The fair value of the prepayment option derivative asset was calculated to be nil (March 31, 2019: nil).

In addition, a variable interest derivative asset existed in respect of variable interest based on price of iron ore and the fair value was calculated to be nil (March 31, 2019: \$1,017,000). Refer to note 8 - Derivative Assets.

Finally, a conversion option derivative liability existed in respect to the option of Glencore to convert and the option of Sprott and CDPI to require Glencore to convert the convertible debenture into ordinary shares of the Company. The equity conversion feature was accounted for as a derivative liability on the consolidated statements of financial position. The fair value of the conversion option derivative liability was calculated using the Black-Scholes option pricing model.

These derivatives were extinguished due to the repayment of the Debenture on August 16, 2019.

Warrants

Because the Company elected to prepay the Debenture and the Debenture was not converted into ordinary shares of the Company by Glencore prior to repayment on August 16, 2019, the Company granted 27,733,000 ordinary share purchase warrants to Glencore, entitling the holder to purchase 27,733,000 ordinary shares of the Company for \$1.125 until October 13, 2025.

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

The fair value of the ordinary share purchase warrants estimated at \$45,362,000 was calculated using the Black-Scholes option pricing model with the following assumptions:

	As at September 30,
	2019
Purchase warrants granted	27,733,000
Exercise price	1.125
Share price	\$2.06
Risk-free interest rate	1.16%
Expected volatility based on historical volatility	84%
Valuation date	August 16, 2019
Expected life of purchase warrants	6.2 years
Expected dividend yield	0%
Forfeiture rate	0%
Fair value	\$45,362,000

Champion Iron Limited

Notes to the Condensed Interim Consolidated Financial Statements

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

8. Derivative Assets

		As at September 30,	As at March 31,
	Notes	2019	2019
Prepayment option - Sprott	6	—	5,879
Variable interest - CDPI	6	—	3,904
Variable interest - Glencore	7	—	1,017
		—	10,800

These derivatives were extinguished due to the repayments of the previously issued debt facilities and the Debenture on August 16, 2019. As a result, a write-off of \$12,707,000 has been recognized in the six-month period ended September 30, 2019 following a change in the fair value of the derivative assets by \$1,907,000 for the same period. Refer to note 14 - Net Finance Costs. As at June 30, 2019, the value of the Sprott, CDPI and Glencore derivative assets were \$5,768,000, \$5,603,000 and \$1,336,000, respectively, for a total balance of \$12,707,000.

9. Rehabilitation Obligation

	As at September 30,	As at March 31,
	2019	2019
Opening balance	36,565	35,893
Increase due to reassessment of the rehabilitation obligation	4,733	—
Accretion of rehabilitation obligation	685	672
Ending balance	41,983	36,565

The accretion of rehabilitation obligation was evaluated as the amount of the expenditure required to settle the present obligation at the end of the reporting period, discounted by the number of years between the reporting date and the rehabilitation date using a discount rate of 0.28% (0.46% for the year ended on March 31, 2019) representing a risk-free rate. The future rehabilitation obligation was reassessed during the quarter ended September 30, 2019 based on the reclamation plan approved by the government in July 2019. The undiscounted amount related to the rehabilitation obligation is estimated at \$44,200,000.

Champion Iron Limited

Notes to the Condensed Interim Consolidated Financial Statements

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

10. Share Capital and Reserves

a) Ordinary share issuances

	Six Months Ended September 30,	
	2019	2018
	(in thousands)	(in thousands)
Shares		
Opening balance	430,470	414,618
Shares issued for exercise of warrants	2,709	—
Shares issued for exercise of compensation options	2,000	—
Shares issued for exercise of options - incentive plan	—	3,950
Shares issued for exercise of share rights	—	752
Ending balance	435,179	419,320

During the six-month period ended September 30, 2019, the Company issued 4,709,000 ordinary shares. 2,709,000 ordinary shares were issued further to the exercise of purchase warrants associated with the Sprott facility (Refer to note 6 - Long-Term Debt) and 2,000,000 ordinary shares were issued further to the exercise of compensation options.

b) Preferred share issuances

	Six Months Ended September 30,	
	2019	2018
	(in thousands)	(in thousands)
Shares		
Opening balance	—	—
Issuance of preferred shares	185,000	—
Ending balance	185,000	—

On August 16, 2019, QIO issued preferred shares for consideration of \$185,000,000 to CDPI (the "Preferred Shares"). Transaction costs of \$2,997,000 were incurred for this transaction, resulting in net proceeds of \$182,003,000. The Preferred Shares accumulate dividends, if and when declared by QIO. The dividend rate associated with the Preferred Shares will be based on the gross realized iron price and will fluctuate from 9.25% when the gross realized iron price for Bloom Lake 66.2% iron ore is greater than US\$85/t to 13.25% should the gross realized iron ore price decrease below US\$65/t.

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

At any time after the tenth (10th) anniversary, and provided that the Preferred Shares are not redeemed in full, CDPI shall have the right to notify QIO of its desire that QIO commence a sale transaction of QIO. The Preferred Shares were accounted for as equity in the consolidated statements of equity.

In connection with the preferred share offering with CDPI, the Company issued 15,000,000 ordinary share purchase warrants to CDPI, entitling the holder to purchase 15,000,000 ordinary shares of the Company for \$2.45 until August 16, 2026. The ordinary share warrants were accounted for as warrants in the consolidated statements of equity.

The fair value of the ordinary share purchase warrants estimated at \$22,288,000, which reduced the value attributed to the Preferred Shares recognized in equity, was calculated using the Black-Scholes option pricing model with the following assumptions:

Champion Iron Limited

Notes to the Condensed Interim Consolidated Financial Statements

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

10. Share Capital and Reserves (continued)

b) Preferred share issuances (continued)

	As at September 30, 2019
Purchase warrants granted	15,000,000
Exercise price	\$2.45
Share price	\$2.06
Risk-free interest rate	1.16%
Expected volatility based on historical volatility	84%
Valuation date	August 16, 2019
Expected life of purchase warrants	7 years
Expected dividend yield	0%
Forfeiture rate	0%
Fair value	\$22,288,000

c) Share-based payments

The Company has various share-based compensation plans for eligible employees. 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, DSU awards, RSU awards and PSU awards.

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

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

	Three Months Ended September 30,		Six Months Ended September 30,	
	2019	2018	2019	2018
Stock option costs	196	744	663	1,067
DSU costs	118	—	118	—
RSU costs	210	—	734	—
PSU costs	118	—	236	—
Total share-based payments expense	642	744	1,751	1,067

Champion Iron Limited

Notes to the Condensed Interim Consolidated Financial Statements

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

10. Share Capital and Reserves (continued)

d) Stock options

The Company is authorized to issue 43,518,000 stock options and share rights (March 31, 2019: 43,047,000) equal to 10% (March 31, 2019: 10%) of the issued and outstanding ordinary shares for issuance under the Omnibus incentive plan.

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

	Six Months Ended September 30,		Six Months Ended September 30,	
	2019		2018	
	Number of Stock Options <small>(in thousands)</small>	Weighted- Average Exercise Price	Number of Stock Options <small>(in thousands)</small>	Weighted- Average Exercise Price
Opening balance	8,780	0.56	12,800	0.44
Granted	534	2.43	1,200	1.28
Exercised	—	—	(2,950)	0.34
Ending balance	9,314	0.66	11,050	0.56
Options exercisable - end of period	8,160	0.50	10,533	0.49

A total of 534,000 new stock options were issued to new employees of the Company during the six-month period ended September 30, 2019. The fair market value of the outstanding stock options granted during the six-month period ended September 30, 2019 totalled \$753,000. The stock options granted will vest over a three-year period.

The exercise price of outstanding stock options ranges from \$0.20 to \$2.53 and the weighted-average remaining contractual life of outstanding stock options is 0.85 years.

The share-based payment cost was calculated according to the fair value of stock options issued based on the Black-Scholes stock option pricing model using the following weighted average:

	Six Months Ended September 30,	
	2019	2018
Risk-free interest rate	1.80%	2.5%
Expected volatility based on historical volatility	86%	80%
Expected life of stock options	3 years	3 years
Expected dividend yield	0%	0%
Forfeiture rate	0%	0%
Fair value per stock option - weighted average of options issued	\$1.41	\$0.69

Champion Iron Limited

Notes to the Condensed Interim Consolidated Financial Statements

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

10. Share Capital and Reserves (continued)

e) Restricted Share Units ("RSU")

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

	Six Months Ended September 30,		Six Months Ended September 30,	
	2019		2018	
	Number of RSU <small>(in thousands)</small>	Weighted- Average Exercise Price	Number of RSU <small>(in thousands)</small>	Weighted- Average Exercise Price
Opening balance	—	—	—	—
Granted	598	2.18	—	—
Ending balance	598	2.18	—	—
Vested - end of period	199	2.18	—	—

During the six-month period ended September 30, 2019, 598,000 RSUs were granted to key management personnel. They will vest annually in three equal tranches from the date of grant.

f) Performance Share Units ("PSU")

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

	Six Months Ended September 30,		Six Months Ended September 30,	
	2019		2018	
	Number of PSU <small>(in thousands)</small>	Weighted- Average Exercise Price	Number of PSU <small>(in thousands)</small>	Weighted- Average Exercise Price
Opening balance	—	—	—	—
Granted	653	2.17	—	—
Ending balance	653	2.17	—	—
Vested - end of period	—	—	—	—

During the six-month period ended September 30, 2019, 653,000 PSUs were granted to key management personnel. The PSU awards vest at the end of three years from the date of grant according to performance indicators established by the board of directors.

g) Compensation options

Exercise Price	Expiry Date	Outstanding and exercisable	
		As at September 30, 2019	As at March 31, 2019
\$0.250	February 1, 2020	19,000,000	21,000,000
		19,000,000	21,000,000

During the six-month period ended September 30, 2019, the Company issued 2,000,000 shares pursuant to the exercise of 2,000,000 compensation options with an exercise price of \$0.25 per share, for total net proceeds of \$500,000. At the time the options were exercised the shares were trading at a price of \$2.54.

Champion Iron Limited

Notes to the Condensed Interim Consolidated Financial Statements

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

10. Share Capital and Reserves (continued)

h) Warrants

Exercise Price	Holder	Notes	Expiry Date	Outstanding and Exercisable	
				As at September 30, 2019	As at March 31, 2019
\$1.125	Sprott	6	October 16, 2022	291,000	3,000,000
\$1.125	CDPI	6	October 16, 2024	21,000,000	21,000,000
\$1.125	Glencore	7	October 13, 2025	27,733,000	—
\$2.45	CDPI	10 b)	August 16, 2026	15,000,000	—
				64,024,000	24,000,000

11. Non-Controlling Interest

	As at September 30, 2019	As at March 31, 2019
Opening balance	65,376	823
Income attributable to non-controlling interest	31,624	64,553
Repurchase of RQ investment	(97,000)	—
Ending balance	—	65,376

RQ was the owner of a 36.8% interest in QIO until August 16, 2019 when the Company acquired RQ's 36.8% equity interest in QIO for \$211,000,000. As a result, the net income was attributed between the Company's shareholders and RQ until that date and the non-controlling interest has been eliminated in the Company's Balance Sheet as of that date.

12. Sales

	Three Months Ended September 30,		Six Months Ended September 30,	
	2019	2018	2019	2018
Iron ore revenue	195,081	169,227	448,622	319,968
Provisional pricing adjustments	(34,711)	5,451	(10,338)	5,451
Total iron ore revenue	160,370	174,678	438,284	325,419

Provisional pricing adjustments represent any difference between the revenue recognized at the end of the previous period and the final settlement price. As at September 30, 2019, Champion had 0.9 million tonnes of iron ore sales that remained subject to provisional pricing, with the final price to be determined in the following reporting periods.

Champion Iron Limited

Notes to the Condensed Interim Consolidated Financial Statements

[Expressed in thousands of Canadian dollars, except where otherwise indicated]

13. Cost of Sales

	Three Months Ended September 30,		Six Months Ended September 30,	
	2019	2018	2019	2018
Land transportation	39,956	33,837	80,110	63,747
Operating supplies and parts	23,202	19,355	49,202	37,351
Salaries, benefits and other employee expenses	22,127	13,683	39,833	27,074
Sub-contractors	16,900	12,519	38,929	30,946
Other production costs	1,289	2,269	3,183	3,990
Change in inventories	(13,553)	5,602	(17,729)	19,925
	89,921	87,265	193,528	183,033

14. Net Finance Costs

		Three Months Ended September 30,		Six Months Ended September 30,	
		2019	2018	2019	2018
Loss on debt repayment	a)	57,274	—	57,274	—
Interest on long-term debt and Debenture		5,209	6,914	12,216	13,752
Accretion of borrowing costs and debt discount		898	3,179	2,219	4,389
Change in fair value of derivative liability		(19,534)	(2,496)	1,543	554
Accretion of the rehabilitation obligation		442	48	685	96
Unrealized loss on investments		404	1,209	429	1,654
Realized and unrealized foreign exchange gain		(488)	(1,526)	(253)	(41)
Change in fair value of derivative assets		—	—	(1,907)	—
Other interest and finance costs		2,228	(222)	3,279	941
		46,433	7,106	75,485	21,345

a) Loss on debt repayment

	Notes	Three Months Ended September 30,		Six Months Ended September 30,	
		2019	2018	2019	2018
Non-cash items					
Write-off - book value of Debenture	7	18,837	—	18,837	—
Write-off - book value of CDPI debt facility	6	15,976	—	15,976	—
Write-off - book value of Sprott debt facility	6	5,966	—	5,966	—
Write-off - Glencore derivative asset	7,8	1,336	—	1,336	—
Write-off - CDPI derivative asset	6,8	5,603	—	5,603	—
Write-off - Sprott derivative asset	6,8	5,768	—	5,768	—
		53,486	—	53,486	—
Cash items					
Debt prepayment penalty fees		3,788	—	3,788	—
		3,788	—	3,788	—
Loss on debt repayment		57,274	—	57,274	—

Champion Iron Limited

Notes to the Condensed Interim Consolidated Financial Statements

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

15. Income and Mining Taxes

a) Tax expense:

The tax expense is applicable as follows:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2019	2018	2019	2018
Current income and mining taxes				
Current income tax on profits for the period	7,831	—	36,076	—
Current mining tax on profits for the period	6,793	11,974	31,910	17,504
Total current income and mining taxes	14,624	11,974	67,986	17,504
Deferred income and mining taxes				
Deferred income tax for the period	(1,743)	(10,460)	2,542	(10,460)
Deferred mining tax for the period	294	1,120	2,676	1,120
Total deferred income and mining taxes	(1,449)	(9,340)	5,218	(9,340)
Income and mining taxes expense	13,175	2,634	73,204	8,164

b) Deferred tax assets and liabilities as represented on the Consolidated Statement of Financial Position:

	As at September 30, 2019	As at March 31, 2019
Deferred tax asset	19,052	15,549
Deferred income tax liabilities	(46,163)	(40,224)
Deferred mining tax liability	(15,566)	(12,785)
	(61,729)	(53,009)
Net deferred tax liabilities	(42,677)	(37,460)

16. Earnings per Share

Earnings per share amounts are calculated by dividing the net income attributable to shareholders for the three and six-month periods ended September 30, 2019 by the weighted-average number of shares outstanding during the periods.

	Three Months Ended September 30,		Six Months Ended September 30,	
	2019	2018	2019	2018
Net income attributable to Champion shareholders	2,140	41,536	40,891	52,554
Weighted-average number of common shares outstanding	434,409,000	417,620,000	433,339,000	416,298,000
Dilutive share options and convertible financial liabilities	49,276,000	39,915,000	49,953,000	39,140,000
Weighted average number of outstanding shares for diluted earnings per	483,685,000	457,535,000	483,292,000	455,438,000
Basic earnings per share	0.00	0.10	0.09	0.13
Diluted earnings per share	0.00	0.09	0.08	0.12

Champion Iron Limited

Notes to the Condensed Interim Consolidated Financial Statements

[Expressed in thousands of Canadian dollars, except where otherwise indicated]

17. Financial Instruments

Measurement Categories

Financial assets and financial liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value, whether changes in fair value are recognized in the profit or loss or in other comprehensive income. These categories are financial assets at fair value through profit and loss, financial assets at amortized cost, and financial liabilities at amortized cost. The following table shows the carrying values of assets and liabilities for each of these categories as at September 30, 2019 and March 31, 2019.

As at September 30, 2019	Fair Value Through Profit and Loss	Financial Assets at Amortized Cost	Financial Liabilities at Amortized Cost	Total Carrying Amount and Fair Value
Assets				
Current				
Cash and cash equivalents	—	193,753	—	193,753
Short-term investments	—	17,291	—	17,291
Receivables (excluding sales tax)	48,826	—	—	48,826
Non-current				
Investments	2,224	—	—	2,224
	51,050	211,044	—	262,094
Liabilities				
Current				
Accounts payable and accrued liabilities	—	—	76,011	76,011
	—	—	76,011	76,011
Non-current				
Property taxes payable	—	—	14,252	14,252
Long-term debt	—	—	230,299	230,299
	—	—	320,562	320,562

Champion Iron Limited

Notes to the Condensed Interim Consolidated Financial Statements

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

17. Financial Instruments (continued)

As at March 31, 2019	Fair Value Through Profit and Loss	Financial Assets at Amortized Cost	Financial Liabilities at Amortized Cost	Total Carrying Amount and Fair Value
Assets				
Current				
Cash and cash equivalents	—	135,424	—	135,424
Short-term investments	—	17,907	—	17,907
Receivables (excluding sales tax)	80,307	—	—	80,307
Non-current				
Investments	2,653	—	—	2,653
Derivative assets	10,800	—	—	10,800
	93,760	153,331	—	247,091
Liabilities				
Current				
Accounts payable and accrued liabilities	—	—	44,697	44,697
Current portion of long-term debt	—	—	35,852	35,852
	—	—	80,549	80,549
Non-current				
Property taxes payable	—	—	13,940	13,940
Long-term debt	—	—	193,038	193,038
Convertible debenture	—	—	12,067	12,067
Derivative liability	43,819	—	—	43,819
	43,819	—	299,594	343,413

Fair value measurements recognized in the consolidated statement of income and comprehensive income

Subsequent to initial recognition, the Company measures financial instruments at fair value grouped into the following levels based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets;

Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There are no transfers between Level 1, Level 2 and Level 3 during the six-month period ended September 30, 2019.

Champion Iron Limited

Notes to the Condensed Interim Consolidated Financial Statements

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

18. Commitments and Contingencies

The Company has various obligations related to take-or-pay features of its logistics contracts. The Company has also other commitments with the Innu community related to its Impact and Benefits Agreement with the First Nations. Future minimum payments under these agreements are as follows:

	As at September 30,
	2019
Less than a year	105,328
1 to 5 years	76,340
More than 5 years	181,913
	363,581

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

a) Changes in non-cash operating working capital

	Three Months Ended		Six Months Ended	
	September 30,		September 30,	
	2019	2018	2019	2018
Receivables	77,429	(64,462)	21,457	(81,775)
Prepaid expenses and advances	(7,091)	5,603	6,064	1,245
Inventories	(12,908)	2,354	(16,378)	16,904
Advance payments	6,788	48	7,866	2,495
Accounts payable and accrued liabilities	14,203	(22,258)	31,314	(19,178)
Income and mining taxes payable	162	11,974	19,465	17,504
Property taxes not paid	775	1,806	312	3,612
Other long-term liability	(59)	—	(265)	—
	79,299	(64,935)	69,835	(59,193)

b) Supplementary cash flow information

	Three Months Ended		Six Months Ended	
	September 30,		September 30,	
	2019	2018	2019	2018
Depreciation of property, plant and equipment allocated to stripping activity asset	(258)	—	(686)	—
Net effect of depreciation of property, plant and equipment allocated to inventory	(439)	552	(853)	1,920
Increase due to reassessment of the rehabilitation obligation	(4,733)	—	(4,733)	—
Asset transferred from exploration and evaluation assets to property, plant and equipment	—	—	(6,076)	—

Champion Iron Limited

Notes to the Condensed Interim Consolidated Financial Statements

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

20. Segmented Information

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

Three-Month Period Ended September 30, 2019	Mine Site	Exploration and Evaluation	Corporate	Total
Revenues	160,370	—	—	160,370
Cost of sales	(89,921)	—	—	(89,921)
Depreciation	(4,684)	—	(9)	(4,693)
Gross profit (loss)	65,765	—	(9)	65,756
Share-based payments	—	—	(642)	(642)
General and administrative expenses	(1,445)	—	(2,268)	(3,713)
Sustainability and other community expenses	(3,519)	—	—	(3,519)
Operating income (loss)	60,801	—	(2,919)	57,882
Non-operating expenses	(55,973)	—	(3,635)	(59,608)
Net income (loss)	4,828	—	(6,554)	(1,726)
Segmented total assets	682,313	75,859	14,985	773,157
Segmented total liabilities	(456,020)	—	(7,259)	(463,279)
Segmented capital expenditures	303,828	—	340	304,168

Six-Month Period Ended September 30, 2019	Mine Site	Exploration and Evaluation	Corporate	Total
Revenues	438,284	—	—	438,284
Cost of sales	(193,528)	—	—	(193,528)
Depreciation	(8,289)	—	(18)	(8,307)
Gross profit (loss)	236,467	—	(18)	236,449
Share-based payments	—	—	(1,751)	(1,751)
General and administrative expenses	(3,236)	—	(4,663)	(7,899)
Sustainability and other community expenses	(5,577)	—	(18)	(5,595)
Operating income (loss)	227,654	—	(6,450)	221,204
Non-operating expenses	(123,205)	—	(25,484)	(148,689)
Net income (loss)	104,449	—	(31,934)	72,515
Segmented total assets	682,313	75,859	14,985	773,157
Segmented total liabilities	(456,020)	—	(7,259)	(463,279)
Segmented capital expenditures	303,828	—	340	304,168

Champion Iron Limited

Notes to the Condensed Interim Consolidated Financial Statements

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

20. Segmented Information (continued)

Three-Month Period Ended September 30, 2018	Mine Site	Exploration and Evaluation	Corporate	Total
Revenues	174,678	—	—	174,678
Cost of sales	(87,265)	—	—	(87,265)
Depreciation	(4,074)	—	(10)	(4,084)
Gross profit (loss)	83,339	—	(10)	83,329
Share-based payments	—	—	(744)	(744)
General and administrative expenses	(2,738)	—	812	(1,926)
Restart costs	—	—	—	—
Sustainability and other community expenses	(3,422)	—	—	(3,422)
Operating income	77,179	—	58	77,237
Non-operating expenses	(7,530)	—	(2,210)	(9,740)
Net income (loss)	69,649	—	(2,152)	67,497
Segmented total assets	491,841	73,989	16,807	582,637
Segmented total liabilities	(383,212)	—	(54,338)	(437,550)
Segmented capital expenditures	192,131	—	340	192,471

Six-Month Period Ended September 30, 2018	Mine Site	Exploration and Evaluation	Corporate	Total
Revenues	325,419	—	—	325,419
Cost of sales	(183,033)	—	—	(183,033)
Depreciation	(8,489)	—	(20)	(8,509)
Gross profit (loss)	133,897	—	(20)	133,877
Share-based payments	—	—	(1,067)	(1,067)
General and administrative expenses	(3,816)	—	(690)	(4,506)
Restart costs	(4,497)	—	—	(4,497)
Sustainability and other community expenses	(6,053)	—	—	(6,053)
Operating income (loss)	119,531	—	(1,777)	117,754
Non-operating expenses	(22,571)	—	(6,938)	(29,509)
Net income (loss)	96,960	—	(8,715)	88,245
Segmented total assets	491,841	73,989	16,807	582,637
Segmented total liabilities	(383,212)	—	(54,338)	(437,550)
Segmented capital expenditures	192,131	—	340	192,471

21. Comparative Figures

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