Champion Iron Limited

(ACN: 119 770 142)

Condensed Interim Consolidated Financial Statements
For the Three and Six-Month Periods Ended September 30, 2020 and 2019

(Expressed in thousands of Canadian dollars - unaudited)

Champion Iron Limited

Interim Consolidated Statements of Financial Position

(Expressed in thousands of Canadian dollars - unaudited)

	Notes	As at September 30, 2020	As at March 31, 2020
Assets			
Current			
Cash and cash equivalents		**408,500**	281,363
Short-term investments		**17,291**	17,291
Receivables	3	**46,340**	31,249
Prepaid expenses and advances		**11,307**	13,035
Inventories	4	**66,900**	58,611
		550,338	401,549
Non-current			
Investments		**5,156**	1,546
Advance payments		**33,954**	32,438
Property, plant and equipment	5	**407,669**	371,540
Exploration and evaluation assets		**75,789**	75,525
Total assets		**1,072,906**	882,598
Liabilities			
Current			
Accounts payable and other		**61,268**	55,158
Income and mining taxes payable		**73,480**	57,761
Current portion of long-term debt	6	**40,017**	—
		174,765	112,919
Non-current			
Long-term debt	6	**219,965**	275,968
Lease liabilities		**1,506**	1,902
Rehabilitation obligation	7	**46,972**	42,836
Other long-term liabilities		**4,287**	4,410
Deferred tax liabilities		**73,647**	67,941
Total liabilities		**521,142**	505,976
Shareholders' equity			
Share capital	8	**436,124**	431,556
Contributed surplus		**20,864**	21,100
Warrants	8	**75,336**	75,336
Foreign currency translation reserve		**451**	381
Retained earnings (accumulated deficit)		**18,989**	(151,751)
Total equity		**551,764**	376,622
Total liabilities and equity		**1,072,906**	882,598
Commitments	15		

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

Approved on October 28, 2020 on behalf of the directors

/s/ Michael O'Keeffe
Director

/s/ Andrew Love
Lead Director

Champion Iron Limited

Interim Consolidated Statements of Income

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

	Notes	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Six Months Ended September 30, 2020	Six Months Ended September 30, 2019
Revenues	**10**	**310,994**	160,370	**555,568**	438,284
Cost of sales	**11**	**(100,068)**	(89,921)	**(202,844)**	(193,528)
Cost of sales - incremental costs related to COVID-19	**2**	**(2,671)**	—	**(7,233)**	—
Depreciation		**(8,346)**	(4,693)	**(17,286)**	(8,307)
Gross profit		**199,909**	65,756	**328,205**	236,449
Other expenses					
Share-based payments	**8**	**(489)**	(642)	**(1,374)**	(1,751)
General and administrative expenses		**(6,209)**	(3,713)	**(11,393)**	(7,899)
Sustainability and other community expenses		**(3,728)**	(3,519)	**(7,200)**	(5,595)
Operating income		**189,483**	57,882	**308,238**	221,204
Net finance costs	**12**	**(3,387)**	(46,433)	**(2,065)**	(75,485)
Income before income and mining taxes		**186,096**	11,449	**306,173**	145,719
Current income and mining taxes		**(69,305)**	(14,624)	**(112,747)**	(67,986)
Deferred income and mining taxes		**(4,627)**	1,449	**(5,706)**	(5,218)
Net income (loss)		**112,164**	(1,726)	**187,720**	72,515
Attributable to:					
Champion shareholders		**112,164**	2,140	**187,720**	40,891
Non-controlling interest		**—**	(3,866)	**—**	31,624
Earnings per share					
Basic	**13**	**0.24**	0.00	**0.40**	0.09
Diluted	**13**	**0.22**	0.00	**0.38**	0.08
Weighted average number of common shares outstanding					
Basic		**473,120,000**	434,409,000	**472,179,000**	433,339,000
Diluted		**498,656,000**	483,685,000	**493,674,000**	483,292,000

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,	
	2020	2019	**2020**	2019
Net income (loss)	**112,164**	(1,726)	**187,720**	72,515
Other comprehensive income (loss)				
Item that may be reclassified subsequently to the consolidated statement of income:				
Net movement in foreign currency translation reserve	**27**	(26)	**70**	(23)
Total other comprehensive income (loss)	**27**	(26)	**70**	(23)
Total comprehensive income (loss)	**112,191**	(1,752)	**187,790**	72,492
Attributable to:				
Champion shareholders	**112,191**	2,114	**187,790**	40,868
Non-controlling interest	**—**	(3,866)	**—**	31,624

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

Champion Iron Limited

Interim Consolidated Statements of Equity

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

		Attributable to Champion shareholders										
		Share Capital										
		Ordinary Shares		Preferred Shares								
	Notes	Shares[1]	$	Shares	$	Contributed Surplus	Warrants	Foreign Currency Translation	Retained Earnings (Accumulated Deficit)	Total	Non-Controlling Interest	Total
Balance - March 31, 2020		**467,689,000**	**272,049**	**185,000,000**	**159,507**	**21,100**	**75,336**	**381**	**(151,751)**	**376,622**	**—**	**376,622**
Net income		**—**	**—**	**—**	**—**	**—**	**—**	**—**	**187,720**	**187,720**	**—**	**187,720**
Other comprehensive income		**—**	**—**	**—**	**—**	**—**	**—**	**70**	**—**	**70**	**—**	**70**
Total comprehensive income		**—**	**—**	**—**	**—**	**—**	**—**	**70**	**187,720**	**187,790**	**—**	**187,790**
Exercise of stock options	**8**	**5,453,000**	**4,568**	**—**	**—**	**(1,610)**	**—**	**—**	**—**	**2,958**	**—**	**2,958**
Dividends on preferred shares	**8**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(16,980)**	**(16,980)**	**—**	**(16,980)**
Share-based payments	**8**	**—**	**—**	**—**	**—**	**1,374**	**—**	**—**	**—**	**1,374**	**—**	**1,374**
Balance - September 30, 2020		**473,142,000**	**276,617**	**185,000,000**	**159,507**	**20,864**	**75,336**	**451**	**18,989**	**551,764**	**—**	**551,764**
Balance - March 31, 2019		430,470,000	237,969	—	—	21,404	17,730	420	(127,177)	150,346	65,376	215,722
Net income		—	—	—	—	—	—	—	40,891	40,891	31,624	72,515
Other comprehensive loss		—	—	—	—	—	—	(23)	—	(23)	—	(23)
Total comprehensive income (loss)		—	—	—	—	—	—	(23)	40,891	40,868	31,624	72,492
Purchase of non-controlling interest	**9**	—	—	—	—	—	—	—	(114,000)	(114,000)	(97,000)	(211,000)
Issuance of preferred shares	**8**	—	—	185,000,000	159,715	—	—	—	—	159,715	—	159,715
Fair value of warrants issued	**8**	—	—	—	—	—	67,650	—	—	67,650	—	67,650
Exercise of compensation options	**8**	2,000,000	740	—	—	(240)	—	—	—	500	—	500
Exercise of warrants	**8**	2,709,000	4,836	—	—	—	(1,788)	—	—	3,048	—	3,048
Share-based payments	**8**	—	—	—	—	1,751	—	—	—	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	—	309,878

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 September 30, 2020	2019	Six Months Ended September 30, 2020	2019
Cash provided by (used in)					
Operating Activities					
Net income (loss)		**112,164**	(1,726)	**187,720**	72,515
Items not affecting cash					
Depreciation	**5,16**	**8,346**	4,693	**17,286**	8,307
Share-based payments	**8**	**489**	642	**1,374**	1,751
Loss on debt repayments	**12**	**—**	57,274	**—**	57,274
Accretion of borrowing costs and debt discount	**12**	**490**	898	**974**	2,219
Change in fair value of derivative liability	**12**	**—**	(19,534)	**—**	1,543
Accretion of the rehabilitation obligation	**12**	**—**	442	**72**	685
Change in fair value of non-current investments	**12**	**(1,143)**	404	**(3,610)**	429
Unrealized foreign exchange (gain) loss		**1,392**	(490)	**(637)**	(1,508)
Change in fair value of derivative assets	**12**	**—**	—	**—**	(1,907)
Deferred income and mining taxes		**4,627**	(1,449)	**5,706**	5,218
Interest		**—**	(15,530)	**—**	(19,517)
		126,365	25,624	**208,885**	127,009
Changes in non-cash operating working capital	**16**	**1,984**	79,299	**(5,248)**	69,835
Net cash flows from operating activities		**128,349**	104,923	**203,637**	196,844
Financing Activities					
Proceeds of long-term debt	**6**	**—**	239,148	**—**	239,148
Repayment of long-term debt	**6**	**—**	(226,972)	**—**	(234,464)
Repurchase of common shares - Investissement Québec	**9**	**—**	(211,000)	**—**	(211,000)
Issuance of preferred shares, net of transaction costs	**8**	**—**	182,003	**—**	182,003
Repayment of convertible debenture	**12**	**—**	(31,980)	**—**	(31,980)
Transaction costs on credit facilities	**6**	**—**	(6,633)	**—**	(6,633)
Exercise of warrants	**8**	**—**	210	**—**	3,048
Exercise of compensation options	**8**	**—**	500	**—**	500
Payment of lease liabilities		**(247)**	—	**(480)**	—
Exercise of stock options	**8**	**307**	—	**2,958**	—
Dividends paid on preferred shares	**8**	**(16,980)**	—	**(16,980)**	—
Net cash flows from financing activities		**(16,920)**	(54,724)	**(14,502)**	(59,378)
Investing Activities					
Decrease in short-term investments		**—**	413	**—**	616
Purchase of property, plant and equipment	**5,16**	**(28,018)**	(52,248)	**(51,639)**	(78,725)
Investment in exploration and evaluation assets		**(188)**	(233)	**(264)**	(427)
Net cash flows from investing activities		**(28,206)**	(52,068)	**(51,903)**	(78,536)
Net increase (decrease) in cash and cash equivalents		**83,223**	(1,869)	**137,232**	58,930
Cash and cash equivalent, beginning of the period		**330,215**	192,976	**281,363**	135,424
Effects of exchange rate changes on cash and cash equivalents		**(4,938)**	2,646	**(10,095)**	(601)
Cash and cash equivalent, end of the period		**408,500**	193,753	**408,500**	193,753
Interest paid		**5,039**	20,738	**5,335**	35,296
Income and mining taxes paid		**97,042**	14,462	**97,042**	48,521

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

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). The Company is domiciled in Australia and its principle administrative office is located on 1100 René-Lévesque Blvd. West. Suite 610, Montreal, QC, H3B 4N4, Canada.

Champion 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 Québec, approximately 300 km North of Sept-Iles and 13 km from the town of Fermont, Québec, Canada.

The Bloom Lake Mine assets are held through Québec Iron Ore Inc. ("QIO"), a wholly-owned subsidiary of Champion, further to the acquisition of Investissement Québec's 36.8% equity interest in QIO on August 16, 2019. Investissement Québec was formerly Ressources Québec Inc., at the time of the transaction.

2. Significant Accounting Policies and Future Accounting Changes

A. Basis of preparation

The Company's condensed interim consolidated financial statements ("financial statements") consist of Champion Iron Limited and its subsidiaries.

These financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial assets and financial liabilities recorded at fair value.

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

B. Statement of compliance

These financial statements have been prepared for a for-profit enterprise in accordance with the requirements of the Corporations Act 2001 and AASB 134/IAS 34, *Interim Financial Reporting.*

These financial statements do not include certain information and disclosures normally included in the audited annual consolidated financial statements prepared in accordance with Australian Accounting Standards ("AAS") and International Financial Reporting Standards ("IFRS") and should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended March 31, 2020.

The accounting policies used in these financial statements are consistent with those disclosed in the Company's audited consolidated financial statements for the year ended March 31, 2020, except for the new accounting standards issued and adopted by the Company described below.

These financial statements were approved and authorized for issue by the Board of Directors on October 28, 2020.

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

C. Significant accounting judgments, estimates and assumptions

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

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

Uncertainty due to COVID-19

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

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

In line with Government guidelines, Champion has deployed several measures in its efforts to mitigate risks related to the COVID-19 pandemic. The Company incurred direct, incremental and non-recurring operating costs of $2,671,000 and $7,233,000 for the three and six-month periods ended September 30, 2020, respectively, resulting from its COVID-19 safety measures, which are mainly comprised of premiums paid to employees from adjusted work schedules, incremental transportation costs and incremental costs for cleaning and disinfecting facilities. These costs are presented on a distinct line in the consolidated statements of income named "Cost of sales - incremental costs related to COVID-19". COVID-19 specific costs could continue to be incurred in the foreseeable future.

The Company has benefited from the temporary tax relief programs proposed by the Federal and Provincial Governments in Canada in response to the COVID-19, which allowed the deferral of tax payments until September 30, 2020. During the three-month period ended September 30, 2020, the Company has fully paid on schedule all deferred payments on taxes, amounting to $97.0M, which represented the income and mining taxes related to the fiscal year ended March 31, 2020, as well as monthly installments for the April to September 2020 period, inclusively.

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

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

D. New accounting amendments issued and adopted by the Company

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

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

AASB 1 (IAS 1), Presentation of financial statements ("IAS 1"), and AASB 8 (IAS 8), Accounting policies, changes in accounting estimates and errors ("IAS 8")
Definition of Material (Amendments to IAS 1 and to IAS 8) is intended to make the definition of material in IAS 1 easier to understand and is not intended to alter the underlying concept of materiality in IFRS Standards. The concept of "obscuring" material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from "could influence" to "could reasonably be expected to influence". The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1.

The following amendment to an existing standard has been adopted by the Company on July 1, 2020:

COVID-19 Related Rent Concessions - Amendment to AASB 16 (IFRS 16), Leases ("IFRS 16"):
Amendment to IFRS 16 i) provides lessees with a practical expedient that relieves a lessee from assessing whether a COVID-19-related rent concession is a lease modification; ii) requires lessees that apply the practical expedient to account for COVID-19-related rent concessions as if they were not lease modifications.

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

E. New accounting amendments issued but not yet in effect

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

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

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

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

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

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

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

Amendments to IFRS 16
Amendments to IFRS 16 remove the illustration of the reimbursement of leasehold improvements included in the Illustrative Example 13 of IFRS 16 since it does not explain clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in IFRS 16.

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

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

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

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

3. Receivables

	As at September 30, 2020	As at March 31, 2020
Trade receivables	**34,376**	15,944
Sales tax	**10,157**	12,958
Other receivables	**1,807**	2,347
	46,340	31,249

For the three and six-month periods ended September 30, 2020, no provision was recorded on any of the Company's receivables (three and six-month periods ended September 30, 2019: nil). Receivables are generally settled within six months and are therefore, collectable. As at September 30, 2020, the trade receivables, subject to provisional pricing, amounts to a receivable balance of $11,372,000 (March 31, 2020: payable balance of $10,879,000). The Company has no receivables past due as at September 30, 2020 (March 31, 2020: nil) and holds no collateral for any receivable amounts outstanding as at September 30, 2020 (March 31, 2020: nil).

4. Inventories

	As at September 30, 2020	As at March 31, 2020
Stockpiled ore	**13,861**	13,630
Concentrate inventories	**18,414**	16,560
Supplies and spare parts	**34,625**	28,421
	66,900	58,611

For the three and six-month periods ended September 30, 2020, the amount of inventories recognized as an expense totalled $111,085,000 and $227,363,000, respectively (three and six-month periods ended September 30, 2019: $94,614,000 and $201,835,000, respectively). For the three and six-month periods ended September 30, 2020, no specific provision was recorded on any of the Company's inventories (three and six-month periods ended September 30, 2019: nil).

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

5. Property, Plant and Equipment

	Mining and Processing Equipment	Locomotives, Railcars and Rails	Tailings Dykes	Assets under Construction[1]	Mining Development and Stripping Asset[2]	Asset Rehabilitation Obligation and Other[3]	Subtotal	Right-of-use assets	Total
Cost									
March 31, 2020	**150,455**	**43,421**	**73,196**	**65,388**	**41,105**	**33,154**	**406,719**	**10,335**	**417,054**
Additions	**6,624**	**5,500**	**—**	**34,142**	**6,184**	**4,076**	**56,526**	**—**	**56,526**
Transfers and disposals	**2,681**	**—**	**6,683**	**(9,364)**	**—**	**—**	**—**	**—**	**—**
Foreign exchange	**(68)**	**(2,651)**	**—**	**—**	**—**	**—**	**(2,719)**	**—**	**(2,719)**
September 30, 2020	**159,692**	**46,270**	**79,879**	**90,166**	**47,289**	**37,230**	**460,526**	**10,335**	**470,861**
Accumulated depreciation									
March 31, 2020	**30,087**	**5,767**	**3,983**	**—**	**871**	**3,554**	**44,262**	**1,252**	**45,514**
Depreciation	**12,536**	**964**	**2,000**	**—**	**443**	**1,397**	**17,340**	**692**	**18,032**
Transfers and disposals	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Foreign exchange	**—**	**(354)**	**—**	**—**	**—**	**—**	**(354)**	**—**	**(354)**
September 30, 2020	**42,623**	**6,377**	**5,983**	**—**	**1,314**	**4,951**	**61,248**	**1,944**	**63,192**
Net book value - September 30, 2020	**117,069**	**39,893**	**73,896**	**90,166**	**45,975**	**32,279**	**399,278**	**8,391**	**407,669**

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

1 During the development period of the Bloom Lake Phase II expansion project, the amount of borrowing costs capitalized for the three and six-month periods ended September 30, 2020 was $562,000 and $1,493,000, respectively (three and six-month periods ended September 30, 2019: nil). Borrowing costs consisted of interest expense on the long-term debt (note 6). The capitalization rate used to determine the amount of borrowing costs eligible for capitalization for the three and six-month periods ended September 30, 2020 was 3.8% and 3.9%, respectively (three and six-month periods ended September 30, 2019: nil).

2 For the three and six-month periods ended September 30, 2020, the addition to the stripping asset includes: i) production expenses capitalized amounting to $3,398,000 and $4,573,000, respectively, (three and six-month periods ended September 30, 2019: $2,736,000 and $5,577,000, respectively) and ii) allocated depreciation of property, plant and equipment amounting to $578,000 and $823,000, respectively (three and six-month periods ended September 30, 2019: $258,000 and $686,000, respectively).

3 Includes software with a cost and accumulated depreciation of $4,134,000 and $2,324,000, respectively, as at September 30, 2020 ($4,134,000 and $1,635,000, respectively, as at March 31, 2020).

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

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

6. Long-Term Debt

	Term Facility	Revolving Facility	As at September 30, 2020 (six-month period)	As at March 31, 2020 (twelve-month period)
Opening balance	**247,594**	**28,374**	**275,968**	228,890
Advances	**—**	**—**	**—**	267,522
Capital repayment of Sprott and CDPI	**—**	**—**	**—**	(231,456)
Payment of capitalized interest	**—**	**—**	**—**	(19,517)
Transaction costs	**—**	**—**	**—**	(8,985)
Amortization of transaction costs	**974**	**—**	**974**	2,915
Unrealized foreign exchange (gain) loss	**(15,264)**	**(1,696)**	**(16,960)**	14,657
Non-cash loss on repayment of debt	**—**	**—**	**—**	21,942
	233,304	**26,678**	**259,982**	275,968
Less current portion	**(40,017)**	**—**	**(40,017)**	—
Ending balance	**193,287**	**26,678**	**219,965**	275,968

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. The lending arrangement comprises of a US$180,000,000 single draw non-revolving credit facility (the "Term Facility") and a US$20,000,000 revolving credit facility (the "Revolving Facility") (collectively the "Credit Facilities"). The proceeds of the lending arrangement were primarily used to fully repay previously issued debt facilities held by QIO (the ''Refinancing'') with Sprott Private Resource Lending (Collector), LP ("Sprott") and CDP Investissements Inc. (''CDPI'').

The maturity date for the Term Facility and the Revolving Facility are August 16, 2024 and August 16, 2022, respectively. The repayment of the Term Facility starts on June 30, 2021, and quarterly thereafter, for 1/12th of the principal balance outstanding.

The Credit Facilities are subject to interest based on LIBOR and a financial margin that fluctuates from 2.85% to 3.75% depending on whether the net debt to EBIDTA ratio is below 1.0 or greater than 2.5. As at September 30, 2020, the weighted average interest rate was 3.8% (March 31, 2020: 4.8%), which represented the LIBOR + 2.85%.

The Credit Facilities are subject to operational and financial covenants, all of which have been met as at September 30, 2020.

7. Rehabilitation Obligation

	As at September 30, 2020 (six-month period)	As at March 31, 2020 (twelve-month period)
Opening balance	**42,836**	36,565
Increase due to reassessment of the rehabilitation obligation	**698**	6,643
Accretion expense	**72**	171
Effect of change in discount rate	**3,366**	(543)
Ending balance	**46,972**	42,836

The accretion of the rehabilitation obligation was evaluated as the amount of the expenditure required to settle the present obligation at the end of the reporting period, discounted by the number of years between the reporting date and the rehabilitation date using a discount rate of 0% as at September 30, 2020 (March 31, 2020: 0.43%). The future rehabilitation obligation was reassessed during the six-month period ended September 30, 2020 based on the reclamation plan approved by the Government in July 2019. The undiscounted amount related to the rehabilitation obligation is estimated at $46,972,000 as at September 30, 2020 (March 31, 2020: $46,274,000).

8. Share Capital and Reserves

a) Authorized

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

b) Ordinary share issuances

	Six Months Ended September 30,	
	2020	2019
	(in thousands)	(in thousands)
Shares		
Opening balance	**467,689**	430,470
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	**5,453**	—
Ending balance	**473,142**	435,179

c) Preferred share issuances

	Six Months Ended September 30,	
	2020	2019
	(in thousands)	(in thousands)
Shares		
Opening balance	**185,000**	—
Issuance of preferred shares	**—**	185,000
Ending balance	**185,000**	185,000

The Preferred Shares accumulate dividends, if and when declared by QIO. The dividend rate associated with the Preferred Shares is based on the gross realized iron ore price and fluctuates from 9.25% when the gross realized iron price for Bloom Lake 66.2% iron ore is greater than US$85/t to 13.25% should the gross realized iron ore price decrease below US$65/t. During the three and six-month periods ended September 30, 2020, the Company declared and paid dividends on the Preferred Shares amounting to $16,980,000, which represented the accumulated dividends for the August 17, 2019 to July 31, 2020 period, inclusively. For the August 1, 2020 to September 30, 2020 period, the Preferred Shares accumulated and undeclared dividends amounted to $2,860,000, which is accrued only when declared by QIO.

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

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

8. Share Capital and Reserves (continued)

d) Share-based payments

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

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

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

	Three Months Ended September 30,		Six Months Ended September 30,	
	2020	2019	**2020**	2019
Stock option costs	**60**	196	**134**	663
DSU costs	**—**	118	**61**	118
RSU costs	**191**	210	**703**	734
PSU costs	**238**	118	**476**	236
	489	642	**1,374**	1,751

e) Stock options

As at September 30, 2020, the Company is authorized to issue 47,314,000 stock options and share rights (September 30, 2019: 43,518,000) equal to 10% (September 30, 2019: 10%) of the issued and outstanding ordinary shares for issuance under the Omnibus incentive plan. The stock options granted will vest over a three-year period.

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

	Six Months Ended September 30,		Six Months Ended September 30,	
		2020		2019
	Number of Stock Options	**Weighted Average Exercise Price**	**Number of Stock Options**	**Weighted Average Exercise Price**
	(in thousands)		(in thousands)	
Opening balance	**6,814**	**0.83**	8,780	0.56
Granted	**—**	**—**	534	2.43
Exercised	**(5,453)**	**0.59**	—	—
Ending balance	**1,361**	**1.78**	9,314	0.66
Options exercisable - end of the period	**964**	**1.80**	8,160	0.50

During the six-month period ended September 30, 2020, no new stock options were granted. During the six-month period ended September 30, 2020, a total of 5,453,000 stock options were exercised (six-month period ended September 30, 2019: nil). The weighted average share price at the exercise date was $1.97 (six-month period ended September 30, 2019: nil).

During the six-month period ended September 30, 2019, a total of 534,000 new stock options were granted to new employees of the Company. The weighted average share price at the grant date was $2.43. The fair value of the outstanding stock options granted during the six-month period ended September 30, 2019 totalled $753,000.

8. Share Capital and Reserves (continued)

e) Stock options (continued)

A summary of the Company's outstanding and exercisable stock options as at September 30, 2020 is presented below:

Exercise Price Range	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price	Number of Stock Options Outstanding	Number of Stock Options Exercisable
			(in thousands)	(in thousands)
$1.00 - $2.00	0.95	$1.36	826	550
$2.01 - $3.00	1.41	$2.43	535	414
			1,361	**964**

f) Restricted share units

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

	Six Months Ended September 30,		Six Months Ended September 30,	
		2020		2019
	Number of RSU	**Weighted Average Exercise Price**	**Number of RSU**	**Weighted Average Exercise Price**
	(in thousands)		(in thousands)	
Opening balance	**598**	**2.18**	—	—
Granted	**412**	**2.33**	598	2.18
Ending balance	**1,010**	**2.24**	598	2.18
Vested - end of the period	**536**	**2.22**	199	2.18

During the six-month period ended September 30, 2020, 412,000 RSUs were granted to key management personnel (six-month period ended September 30, 2019: 598,000). They will vest annually in three equal tranches from the date of grant.

g) Performance share units

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

	Six Months Ended September 30,		Six Months Ended September 30,	
		2020		2019
	Number of PSU	**Weighted Average Exercise Price**	**Number of PSU**	**Weighted Average Exercise Price**
	(in thousands)		(in thousands)	
Opening balance	**653**	**2.17**	—	—
Granted	**619**	**2.33**	653	2.17
Ending balance	**1,272**	**2.25**	653	2.17
Vested - end of the period	**—**	**—**	—	—

During the six-month period ended September 30, 2020, 619,000 PSUs were granted to key management personnel (six-month period ended September 30, 2019: 653,000). The PSU awards vest at the end of three years from the date of grant according to performance indicators established by the Board of Directors.

8. Share Capital and Reserves (continued)

h) Compensation options

	Six Months Ended September 30, 2020		Six Months Ended September 30, 2019	
	Number of Compensation Options	**Weighted Average Exercise Price**	**Number of Compensation Options**	**Weighted Average Exercise Price**
	(in thousands)		(in thousands)	
Opening balance	—	—	21,000	0.25
Exercised	—	—	(2,000)	0.25
Ending balance	—	—	19,000	0.25

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.

i) Warrants

	Six Months Ended September 30, 2020		Six Months Ended September 30, 2019	
	Number of Warrants	**Weighted Average Exercise Price**	**Number of Warrants**	**Weighted Average Exercise Price**
	(in thousands)		(in thousands)	
Opening balance	**53,014**	**1.50**	24,000	1.13
Granted	—	—	42,733	1.59
Exercised	—	—	(2,709)	1.13
Ending balance	**53,014**	**1.50**	64,024	1.44

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

Long-term debt with Sprott and CDPI

In connection with the previous debt with Sprott and CDPI, the Company issued on October 16, 2017: (a) 3,000,000 ordinary share purchase warrants to Sprott, entitling the holder to purchase 3,000,000 ordinary shares of the Company for $1.125 until October 16, 2022 and (b) 21,000,000 ordinary share purchase warrants to CDPI, entitling the holder to purchase 21,000,000 ordinary shares of the Company for $1.125 after October 16, 2018 until October 16, 2024.

During the six-month period ended September 30, 2020, no warrants were exercised related to the previous debt with Sprott and CDPI. 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.

Glencore Debenture

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

During the six-month period ended September 30, 2020, no warrants were exercised related to the previous Debenture.

8. Share Capital and Reserves (continued)

i) Warrants (continued)

Preferred share offering with CDPI

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

During the six-month period ended September 30, 2020, no warrants were exercised related to the preferred share offering with CDPI.

A summary of the Company's outstanding and exercisable warrants as at September 30, 2019 and 2020 is presented below:

			Outstanding and Exercisable	
Exercise Price	**Holder**	**Expiry Date**	**As at September 30, 2020**	As at September 30, 2019
			(in thousands)	(in thousands)
$1.125	Sprott	October 16, 2022	**281**	291
$1.125	CDPI	October 16, 2024	**10,000**	21,000
$1.125	Glencore	October 13, 2025	**27,733**	27,733
$2.45	CDPI	August 16, 2026	**15,000**	15,000
			53,014	64,024

9. Non-Controlling Interest

	As at September 30, 2020	As at March 31, 2020
	(six-month period)	(twelve-month period)
Opening balance	**—**	65,376
Income attributable to non-controlling interest	**—**	31,624
Repurchase of RQ investment	**—**	(97,000)
Ending balance	**—**	—

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

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

10. Sales

	Three Months Ended September 30,		Six Months Ended September 30,	
	2020	2019	**2020**	2019
Iron ore revenue	**282,014**	195,081	**503,453**	448,622
Provisional pricing adjustments	**28,980**	(34,711)	**52,115**	(10,338)
Total iron ore revenue	**310,994**	160,370	**555,568**	438,284

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

During the three-month period ended September 30, 2020, a final price was established for most of the 1.3 million tonnes of iron ore that were in transit as at June 30, 2020. Accordingly, during the three-month period ended September 30, 2020, provisional pricing adjustments of $28,980,000 were recorded in additional revenues for the 1.3 million tonnes. As at September 30, 2020, 1.2 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, 2019: 0.9 million tonnes).

11. Cost of Sales

	Three Months Ended September 30,		Six Months Ended September 30,	
	2020	2019	**2020**	2019
Land transportation	**37,821**	37,673	**77,963**	75,459
Operating supplies and parts	**24,394**	23,202	**46,448**	49,202
Salaries, benefits and other employee expenses	**24,820**	22,127	**45,627**	39,833
Sub-contractors	**17,914**	16,900	**35,154**	38,929
Other production costs	**1,960**	3,506	**4,388**	7,740
Change in inventories	**(3,443)**	(10,751)	**(2,163)**	(12,058)
Production expenses capitalized as stripping asset	**(3,398)**	(2,736)	**(4,573)**	(5,577)
	100,068	89,921	**202,844**	193,528

For the three and six-month periods ended September 30, 2020, the amount recognized as an expense for defined contribution plans was $1,191,000 and $2,500,000, respectively, (three and six-month periods ended September 30, 2019: $1,160,000 and $2,175,000, respectively) and was included in salaries, benefits and other employee expenses.

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

12. Net Finance Costs

		Three Months Ended September 30,		Six Months Ended September 30,	
		2020	2019	**2020**	2019
Loss on debt repayment	**a)**	**—**	57,274	**—**	57,274
Change in fair value of non-current investments		**(1,143)**	404	**(3,610)**	429
Realized and unrealized foreign exchange (gain) loss		**1,424**	(488)	**(350)**	(253)
Interest on long-term debt and Debenture		**2,040**	5,209	**3,842**	12,216
Accretion of borrowing costs and debt discount		**490**	898	**974**	2,219
Accretion of the rehabilitation obligation		**—**	442	**72**	685
Interest expense on lease liabilities		**30**	—	**64**	—
Change in fair value of derivative liability		**—**	(19,534)	**—**	1,543
Change in fair value of derivative assets		**—**	—	**—**	(1,907)
Other interest and finance costs		**546**	2,228	**1,073**	3,279
		3,387	46,433	**2,065**	75,485

a) Debt repayment details

		Three Months Ended September 30,		Six Months Ended September 30,	
		2020	2019	**2020**	2019
Non-cash items					
Write-off - book value of Debenture	**i**	**—**	18,837	**—**	18,837
Write-off - book value of CDPI debt facility	**ii**	**—**	15,976	**—**	15,976
Write-off - book value of Sprott debt facility	**ii**	**—**	5,966	**—**	5,966
Write-off - Glencore derivative asset	**iii**	**—**	1,336	**—**	1,336
Write-off - CDPI derivative asset	**iii**	**—**	5,603	**—**	5,603
Write-off - Sprott derivative asset	**iii**	**—**	5,768	**—**	5,768
		—	53,486	**—**	53,486
Cash items					
Debt prepayment penalty fees	**i,ii**	**—**	3,788	**—**	3,788
		—	3,788	**—**	3,788
Loss on debt repayment		**—**	57,274	**—**	57,274

i. Debenture

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

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

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

12. Net Finance Costs (continued)

a) Debt repayment details (continued)

ii. CDPI and Sprott debt facilities

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

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

iii. Glencore, CDPI and Sprott derivative assets

These derivatives assets were extinguished due to the repayments of the previously issued debt facilities and the Debenture on August 16, 2019. As a result, a write-off of $12,707,000 has been recognized in the three and six-month periods ended September 30, 2019, following a change in the fair value of the derivative assets by $1,907,000 for the same period.

13. Earnings per Share

Earnings per share amounts are calculated by dividing the net income attributable to shareholders for the three and six-month periods ended September 30, 2020 and 2019 by the weighted average number of shares outstanding during the period.

	Three Months Ended September 30,		Six Months Ended September 30,	
	2020	2019	**2020**	2019
Net income attributable to Champion shareholders	**112,164**	2,140	**187,720**	40,891
Weighted average number of common shares outstanding - Basic	**473,120,000**	434,409,000	**472,179,000**	433,339,000
Dilutive share options, warrants and equity settled awards	**25,536,000**	49,276,000	**21,495,000**	49,953,000
Weighted average number of outstanding shares - Diluted	**498,656,000**	483,685,000	**493,674,000**	483,292,000
Basic earnings per share	**0.24**	0.00	**0.40**	0.09
Diluted earnings per share	**0.22**	0.00	**0.38**	0.08

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

14. Financial Instruments

Measurement categories

Financial assets and financial liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value, whether changes in fair value are recognized in the profit or loss or in other comprehensive income. These categories are financial assets at fair value through profit and loss ("FVPL"), financial assets at amortized cost, and financial liabilities at amortized cost. The following tables show the carrying values and the fair value of assets and liabilities for each of these categories as at September 30, 2020 and March 31, 2020:

As at September 30, 2020		Fair Value Through Profit and Loss	Financial Assets at Amortized Cost	Financial Liabilities at Amortized Cost	Total Carrying Amount and Fair Value
Assets					
Current					
Cash and cash equivalents	Level 1	**—**	**408,500**	**—**	**408,500**
Short-term investments	Level 1	**—**	**17,291**	**—**	**17,291**
Trade receivables	Level 2	**34,376**	**—**	**—**	**34,376**
Other receivables (excluding sales tax)	Level 2	**—**	**1,807**	**—**	**1,807**
Non-current					
Investments	Level 1	**5,156**	**—**	**—**	**5,156**
		39,532	**427,598**	**—**	**467,130**
Liabilities					
Current					
Accounts payable and other (excluding current portion of lease liabilities)	Level 2	**—**	**—**	**60,364**	**60,364**
Current portion of long-term debt	Level 2	**—**	**—**	**40,017**	**40,017**
		—	**—**	**100,381**	**100,381**
Non-current					
Long-term debt	Level 2	**—**	**—**	**219,965**	**219,965**
		—	**—**	**320,346**	**320,346**

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

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

14. Financial Instruments (continued)

Measurement categories (continued)

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

Fair value measurement hierarchy

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There are no transfers between Level 1, Level 2 and Level 3 during the three and six-month periods ended September 30, 2020 (three and six-month periods ended September 30, 2019: nil).

Financial instruments measured at fair value

Trade receivables

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

Non-current - Investments

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

15. Commitments and Contingencies

The Company has various obligations related to take-or-pay features of its logistics contracts. The Company also has 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, 2020
Less than a year	**53,153**
1 to 5 years	**57,125**
More than 5 years	**175,194**
	285,472

Included in the above is $24,075,000 of capital commitments relating to the purchase of property, plant and equipment as at September 30, 2020.

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

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

a) Changes in non-cash operating working capital

	Three Months Ended September 30,		Six Months Ended September 30,	
	2020	2019	**2020**	2019
Receivables	**36,772**	77,429	**(18,884)**	21,457
Prepaid expenses and advances	**(907)**	(7,091)	**1,728**	6,064
Inventories	**(7,135)**	(12,908)	**(8,366)**	(16,378)
Advance payments	**(2,248)**	6,788	**(1,516)**	7,866
Accounts payable and other	**3,288**	14,203	**6,194**	31,314
Income and mining taxes payable	**(27,723)**	162	**15,719**	19,465
Property taxes payable	**—**	775	**—**	312
Other long-term liabilities	**(63)**	(59)	**(123)**	(265)
	1,984	79,299	**(5,248)**	69,835

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

	Three Months Ended September 30,		Six Months Ended September 30,	
	2020	2019	**2020**	2019
Additions of property, plant and equipment as per note 5	**28,596**	63,315	**56,526**	90,220
Depreciation of property, plant and equipment allocated to stripping activity asset	**(578)**	(258)	**(823)**	(686)
Non-cash increase of the asset rehabilitation obligation	**—**	(4,733)	**(4,064)**	(4,733)
Asset transferred from exploration and evaluation assets to property, plant and equipment	**—**	(6,076)	**—**	(6,076)
Cash flow from investing activities - purchase of property, plant and equipment	**28,018**	52,248	**51,639**	78,725

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

	Three Months Ended September 30,		Six Months Ended September 30,	
	2020	2019	**2020**	2019
Depreciation of property, plant and equipment as per note 5	**9,405**	5,390	**18,032**	9,846
Depreciation of property, plant and equipment allocated to stripping activity asset	**(578)**	(258)	**(823)**	(686)
Net effect of depreciation of property, plant and equipment allocated to inventory	**(481)**	(439)	**77**	(853)
Depreciation of property, plant and equipment as per statement of income	**8,346**	4,693	**17,286**	8,307

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

17. Segmented Information

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

Three-Month Period Ended September 30, 2020	Mine Site	Exploration and Evaluation	Corporate	Total
Revenues	**310,994**	**—**	**—**	**310,994**
Cost of sales	**(100,068)**	**—**	**—**	**(100,068)**
Cost of sales - incremental costs related to COVID-19	**(2,671)**	**—**	**—**	**(2,671)**
Depreciation	**(8,281)**	**—**	**(65)**	**(8,346)**
Gross profit (loss)	**199,974**	**—**	**(65)**	**199,909**
Share-based payments	**—**	**—**	**(489)**	**(489)**
General and administrative expenses	**—**	**—**	**(6,209)**	**(6,209)**
Sustainability and other community expenses	**(1,567)**	**—**	**(2,161)**	**(3,728)**
Operating income (loss)	**198,407**	**—**	**(8,924)**	**189,483**
Net finance costs and taxes expenses				**(77,319)**
Net income				**112,164**
Segmented total assets	**972,373**	**75,789**	**24,744**	**1,072,906**
Segmented total liabilities	**(511,274)**	**—**	**(9,868)**	**(521,142)**
Segmented property, plant and equipment	**405,798**	**—**	**1,871**	**407,669**

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	—	—	(3,713)	(3,713)
Sustainability and other community expenses	(2,238)	—	(1,281)	(3,519)
Operating income (loss)	63,527	—	(5,645)	57,882
Net finance costs and taxes expenses				(59,608)
Net income				(1,726)
Segmented total assets	682,313	75,859	14,985	773,157
Segmented total liabilities	(456,020)	—	(7,259)	(463,279)
Segmented property, plant and equipment	303,828	—	340	304,168

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

17. Segmented Information (continued)

Six-Month Period Ended September 30, 2020	Mine Site	Exploration and Evaluation	Corporate	Total
Revenues	**555,568**	**—**	**—**	**555,568**
Cost of sales	**(202,844)**	**—**	**—**	**(202,844)**
Cost of sales - incremental costs related to COVID-19	**(7,233)**	**—**	**—**	**(7,233)**
Depreciation	**(17,157)**	**—**	**(129)**	**(17,286)**
Gross profit (loss)	**328,334**	**—**	**(129)**	**328,205**
Share-based payments	**—**	**—**	**(1,374)**	**(1,374)**
General and administrative expenses	**—**	**—**	**(11,393)**	**(11,393)**
Sustainability and other community expenses	**(2,995)**	**—**	**(4,205)**	**(7,200)**
Operating income (loss)	**325,339**	**—**	**(17,101)**	**308,238**
Net finance costs and taxes expenses				**(120,518)**
Net income				**187,720**
Segmented total assets	**972,373**	**75,789**	**24,744**	**1,072,906**
Segmented total liabilities	**(511,274)**	**—**	**(9,868)**	**(521,142)**
Segmented property, plant and equipment	**405,798**	**—**	**1,871**	**407,669**

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	—	—	(7,899)	(7,899)
Sustainability and other community expenses	(3,047)	—	(2,548)	(5,595)
Operating income (loss)	233,420	—	(12,216)	221,204
Net finance costs and taxes expenses				(148,689)
Net income				72,515
Segmented total assets	682,313	75,859	14,985	773,157
Segmented total liabilities	(456,020)	—	(7,259)	(463,279)
Segmented property, plant and equipment	303,828	—	340	304,168