Champion Iron Limited

(ACN: 119 770 142)

Consolidated Financial Statements
For the Years Ended March 31, 2021 and 2020

(Expressed in thousands of Canadian dollars - audited)

Management's Responsibility for Financial Reporting

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, which includes making significant accounting judgments and estimates in accordance with International Financial Reporting Standards and ensuring that all information in the annual report is consistent with the consolidated financial statements, selecting appropriate accounting principles and methods, and making decisions that affect the measurement of transactions.

The Board of Directors and Audit Committee are composed primarily of Directors who are neither management nor employees of the Company. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfills these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Audit Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee is also responsible for recommending the appointment of the Company's external auditors.

Ernst & Young LLP, the independent auditors, has been appointed by the shareholders to audit the consolidated financial statements as at March 31, 2021 and 2020 and for the years then ended and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Audit Committee and management to discuss their audit findings.

/s/ David Cataford

David Cataford Chief Executive Officer

/s/ Natacha Garoute

Natacha Garoute Chief Financial Officer

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF CHAMPION IRON LIMITED

Opinion

We have audited the consolidated financial statements of Champion Iron Limited and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at March 31, 2021 and 2020, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of equity and consolidated statements of cash flows for the years ended March 31, 2021 and 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years ended March 31, 2021 and 2020 in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

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Key Audit Matter	How our audit addresses the key audit matter
Revenue from iron ore sales	
The Group recognised revenues of $1,282 million from the sale of iron ore for the year ended March 31, 2021. The amount of revenue recognised is impacted by the Group'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 Group initially recognises sales 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 revenue. This was considered to be a key audit matter due to the estimation involved in re-measuring receivables on sales that remain provisional at period-end.	Our audit procedures included the following: ▸ Understood the Group's process relating to the initial recognition of revenue and the re-measurement of receivables; ▸ For a sample of provisional and final sales, agreed volumes, quality and pricing to shipping documentation and invoices and verified cash receipts to bank statements; ▸ For the sample referred to above, confirmed timing of recognition of revenue was appropriate; ▸ Re-performed the measurement of receivables for which final pricing remained outstanding as at March 31, 2021, including assessing the appropriateness of forecast iron ore prices used in forming the estimate; and ▸ Considered the adequacy of the disclosures included within the financial report.
Bloom Lake rehabilitation provision	
As a consequence of its operations, the Group incurs obligations to restore and rehabilitate the land and area impacted by mining. Rehabilitation activities are governed by a combination of legislative requirements and Group policies. As at March 31, 2021, the consolidated statement of financial position included $45 million of mine rehabilitation and closure provisions in respect of Bloom Lake.	Our audit procedures included the following: ▸ Understood the Group's process relating to the determination, review and approval of rehabilitation provisions; ▸ Considered the qualifications, competence and objectivity of the Group's internal experts, who produced the surveys and updated the detailed cost estimates that were prepared by external experts in a prior period;

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Estimating the costs associated with these future activities requires considerable judgment in relation to factors such as when the rehabilitation will take place, the time period required for the rehabilitation to be effective, the extent and costs of rehabilitation activities, technological and regulatory changes, cost increases and changes in economic assumptions, including an appropriate rate to discount these future costs back to their net present value.

This was considered to be a key audit matter due to the significant judgments and assumptions involved in the calculation of these mine rehabilitation and closure provisions.

- Tested the mathematical accuracy of the rehabilitation model to support the provision balance;
- Assessed the assumptions used by management in the rehabilitation model, including the area disturbed, estimated costs to rehabilitate the disturbed area, the life of mine and the discount rate applied; and
- Considered the adequacy of the disclosures included within the financial report.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's discussion and analysis
- The information, other than the consolidated financial statements and our auditor's report thereon, in the Annual Report

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the Annual Report prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are

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based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Scott Nichols.

Ernst + Young

Ernst & Young
Sydney, Australia
May 27, 2021

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Independent Auditor's Report to the Members of Champion Iron Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Champion Iron Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 March 2021, the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 31 March 2021 and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Revenue from Iron Ore Sales

Why significant	How our audit addressed the key audit matter
The Group recognised revenues of $1,282 million from the sale of iron ore for the year ended 31 March 2021. The amount of revenue recognised is impacted by the Group'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 Group initially recognises sales 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 revenue. This was considered to be a key audit matter due to the estimation involved in re-measuring receivables on sales that remain provisional at period-end.	Our audit procedures included the following: • Understood the Group's process relating to the initial recognition of revenue and the re-measurement of receivables; • For a sample of provisional and final sales, agreed volumes, quality and pricing to shipping documentation and invoices and verified cash receipts to bank statements; • For the sample referred to above, confirmed timing of recognition of revenue was appropriate; • Re-performed the measurement of receivables for which final pricing remained outstanding as at 31 March 2021, including assessing the appropriateness of forecast iron ore prices used in forming the estimate; and • Considered the adequacy of the disclosures included within the financial report.

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Bloom Lake Rehabilitation Provision

Why significant	How our audit addressed the key audit matter
As a consequence of its operations, the Group incurs obligations to restore and rehabilitate the land and area impacted by mining. Rehabilitation activities are governed by a combination of legislative requirements and Group policies. As at 31 March 2021, the consolidated statement of financial position included $45 million of mine rehabilitation and closure provisions in respect of Bloom Lake. Estimating the costs associated with these future activities requires considerable judgment in relation to factors such as when the rehabilitation will take place, the time period required for the rehabilitation to be effective, the extent and costs of rehabilitation activities, technological and regulatory changes, cost increases and changes in economic assumptions, including an appropriate rate to discount these future costs back to their net present value. This was considered to be a key audit matter due to the significant judgments and assumptions involved in the calculation of these mine rehabilitation and closure provisions.	Our audit procedures included the following: ▸ Understood the Group's process relating to the determination, review and approval of rehabilitation provisions; ▸ Considered the qualifications, competence and objectivity of the Group's internal experts, who produced the surveys and updated the detailed cost estimates that were prepared by external experts in a prior period; ▸ Tested the mathematical accuracy of the rehabilitation model to support the provision balance; ▸ Assessed the assumptions used by management in the rehabilitation model, including the area disturbed, estimated costs to rehabilitate the disturbed area, the life of mine and the discount rate applied; and ▸ Considered the adequacy of the disclosures included within the financial report.

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Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2021 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 31 March 2021.

In our opinion, the Remuneration Report of Champion Iron Limited for the year ended 31 March 2021, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Scott Nichols
Partner
Sydney, Australia
27 May 2021

Champion Iron Limited

Consolidated Statements of Financial Position

(Expressed in thousands of Canadian dollars - audited)

	Notes	As at March 31, 2021	As at March 31, 2020
Assets			
Current			
Cash and cash equivalents	**3**	**609,316**	281,363
Short-term investments	**4**	**27,200**	17,291
Receivables	**5**	**98,755**	31,249
Prepaid expenses and advances		**5,454**	13,035
Inventories	**6**	**66,814**	58,611
		807,539	401,549
Non-current			
Restricted cash	**13**	**44,012**	—
Non-current investments	**7**	**8,761**	1,546
Advance payments	**8**	**49,246**	32,438
Intangible assets	**9**	**6,257**	6,070
Property, plant and equipment	**10**	**504,985**	365,470
Exploration and evaluation assets	**11**	**76,106**	75,525
Total assets		**1,496,906**	882,598
Liabilities			
Current			
Accounts payable and other	**12, 14**	**102,225**	55,158
Income and mining taxes payable	**23**	**191,542**	57,761
		293,767	112,919
Non-current			
Long-term debt	**13**	**214,951**	275,968
Lease liabilities	**14**	**1,401**	1,902
Rehabilitation obligation	**15**	**45,074**	42,836
Other long-term liabilities		**4,163**	4,410
Deferred tax liabilities	**23**	**84,533**	67,941
Total liabilities		**643,889**	505,976
Shareholders' equity			
Share capital	**16**	**515,970**	431,556
Contributed surplus		**22,309**	21,100
Warrants	**16**	**29,973**	75,336
Foreign currency translation reserve		**530**	381
Retained earnings (accumulated deficit)		**284,235**	(151,751)
Total equity		**853,017**	376,622
Total liabilities and equity		**1,496,906**	882,598
Commitments and contingencies	**28**		
Subsequent events	**34**		

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

Approved on May 27, 2021 on behalf of the directors

/s/ Michael O'Keeffe
Director

/s/ Andrew Love
Lead Director

Champion Iron Limited

Consolidated Statements of Income

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

		Year Ended March 31,	
	Notes	**2021**	2020
Revenues	**17**	**1,281,815**	785,086
Cost of sales	**18**	**(416,272)**	(399,368)
Cost of sales - incremental costs related to COVID-19	**2**	**(12,610)**	—
Depreciation		**(35,177)**	(22,001)
Gross profit		**817,756**	363,717
Other expenses			
Share-based payments	**16**	**(3,983)**	(2,551)
General and administrative expenses	**19**	**(23,594)**	(21,087)
Product research and development expenses		**(1,258)**	—
Sustainability and other community expenses	**20**	**(14,858)**	(13,540)
Operating income		**774,063**	326,539
Net finance costs	**21**	**(22,428)**	(84,244)
Other income (expense)	**22**	**10,237**	(1,107)
Income before income and mining taxes		**761,872**	241,188
Current income and mining taxes	**23**	**(280,855)**	(89,657)
Deferred income and mining taxes	**23**	**(16,592)**	(30,481)
Net income		**464,425**	121,050
Attributable to:			
Champion shareholders		**464,425**	89,426
Non-controlling interest		**—**	31,624
Earnings per share			
Basic	**24**	**0.97**	0.20
Diluted	**24**	**0.92**	0.19
Weighted average number of common shares outstanding			
Basic		**478,639,000**	441,620,000
Diluted		**506,323,000**	464,645,000

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

Champion Iron Limited

Consolidated Statements of Comprehensive Income

(Expressed in thousands of Canadian dollars - audited)

	Year Ended March 31,	
	2021	2020
Net income	**464,425**	121,050
Other comprehensive income (loss)		
Item that may be reclassified subsequently to the consolidated statements of income:		
Net movement in foreign currency translation reserve	**149**	(39)
Total other comprehensive income (loss)	**149**	(39)
Total comprehensive income	**464,574**	121,011
Attributable to:		
Champion shareholders	**464,574**	89,387
Non-controlling interest	**—**	31,624

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

Champion Iron Limited

Consolidated Statements of Equity

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

		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		**—**	**—**	**—**	**—**	**—**	**—**	**—**	**464,425**	**464,425**	**—**	**464,425**
Other comprehensive income		**—**	**—**	**—**	**—**	**—**	**—**	**149**	**—**	**149**	**—**	**149**
Total comprehensive income		**—**	**—**	**—**	**—**	**—**	**—**	**149**	**464,425**	**464,574**	**—**	**464,574**
Exercise of warrants	**16**	**27,733,000**	**76,563**	**—**	**—**	**—**	**(45,363)**	**—**	**—**	**31,200**	**—**	**31,200**
Exercise of stock options	**16**	**6,694,000**	**7,851**	**—**	**—**	**(2,774)**	**—**	**—**	**—**	**5,077**	**—**	**5,077**
Dividends on preferred shares	**16**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(28,439)**	**(28,439)**	**—**	**(28,439)**
Share-based payments	**16**	**—**	**—**	**—**	**—**	**3,983**	**—**	**—**	**—**	**3,983**	**—**	**3,983**
Balance - March 31, 2021		**502,116,000**	**356,463**	**185,000,000**	**159,507**	**22,309**	**29,973**	**530**	**284,235**	**853,017**	**—**	**853,017**
Balance - March 31, 2019		430,470,000	237,969	—	—	21,404	17,730	420	(127,177)	150,346	65,376	215,722
Net income		—	—	—	—	—	—	—	89,426	89,426	31,624	121,050
Other comprehensive loss		—	—	—	—	—	—	(39)	—	(39)	—	(39)
Total comprehensive income (loss)		—	—	—	—	—	—	(39)	89,426	89,387	31,624	121,011
Exercise of warrants	**16**	13,719,000	25,478	—	—	—	(10,044)	—	—	15,434	—	15,434
Exercise of stock options	**16**	2,500,000	832	—	—	(335)	—	—	—	497	—	497
Exercise of compensation options	**16**	21,000,000	7,770	—	—	(2,520)	—	—	—	5,250	—	5,250
Purchase of non-controlling interest	**29**	—	—	—	—	—	—	—	(114,000)	(114,000)	(97,000)	(211,000)
Issuance of preferred shares	**16**	—	—	185,000,000	159,507	—	—	—	—	159,507	—	159,507
Fair value of warrants issued	**16**	—	—	—	—	—	67,650	—	—	67,650	—	67,650
Share-based payments	**16**	—	—	—	—	2,551	—	—	—	2,551	—	2,551
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

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

1 All issued ordinary shares are fully paid and have no par value.

Champion Iron Limited

Consolidated Statements of Cash Flows

(Expressed in thousands of Canadian dollars - audited)

	Notes	Year Ended March 31, 2021	2020
Cash provided by (used in)			
Operating Activities			
Net income		**464,425**	121,050
Adjustments for non-cash items			
Depreciation	**10,32**	**35,177**	22,001
Share-based payments	**16**	**3,983**	2,551
Loss on debt refinancing and amortization of transaction costs	**21**	**3,895**	60,485
Change in fair value of non-current investments and related gain on disposal	**22**	**(10,237)**	1,107
Unrealized foreign exchange loss		**5,190**	2,487
Deferred income and mining taxes	**23**	**16,592**	30,481
Interest		**—**	(19,517)
Other		**72**	(193)
		519,097	220,452
Changes in non-cash operating working capital	**32**	**104,379**	89,115
Net cash flow from operating activities		**623,476**	309,567
Investing Activities			
(Increase) decrease in short-term investments	**4**	**(10,045)**	616
Increase in restricted cash	**13**	**(44,972)**	—
Proceeds on disposal of non-current investments	**7**	**3,022**	—
Purchase of intangible assets	**9**	**(1,705)**	(5,513)
Purchase of property, plant and equipment	**10,32**	**(174,650)**	(147,304)
Advance payments	**8**	**(15,211)**	—
Investment in exploration and evaluation assets	**11**	**(581)**	(691)
Net cash flow from investing activities		**(244,142)**	(152,892)
Financing Activities			
Proceeds of long-term debt	**13**	**—**	267,522
Repayment of long-term debt and convertible debenture	**13,21**	**(25,262)**	(266,444)
Repurchase of common shares - Investissement Québec	**29**	**—**	(211,000)
Issuance of preferred shares, net of transaction costs	**16**	**—**	181,795
Transaction costs on credit facilities	**13**	**(7,888)**	(7,322)
Exercise of warrants	**16**	**31,200**	15,434
Exercise of stock options and compensation options	**16**	**5,077**	5,747
Payment of lease liabilities	**14**	**(988)**	(622)
Dividends paid on preferred shares	**16**	**(28,439)**	—
Net cash flow from financing activities		**(26,300)**	(14,890)
Net increase in cash and cash equivalents		**353,034**	141,785
Cash and cash equivalents, beginning of the year		**281,363**	135,424
Effects of exchange rate changes on cash and cash equivalents		**(25,081)**	4,154
Cash and cash equivalents, end of the year		**609,316**	281,363
Interest paid		**10,052**	41,405
Income and mining taxes paid		**147,074**	65,955

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

1. Description of Business

Champion Iron Limited ("Champion" or the "Company") was incorporated under the laws of Australia in 2006 and is listed on the Toronto Stock Exchange (TSX: CIA) and Australian Securities Exchange (ASX: CIA) and the OTCQX Best Market (OTCQX: CIAFF). The Company is domiciled in Australia and its principle administrative office is located on 1100 René-Lévesque Blvd. West. Suite 610, Montreal, QC, H3B 4N4, Canada.

Champion Iron Limited, through its subsidiary Quebec Iron Ore Inc. ("QIO"), owns and operates the Bloom Lake Mining Complex ("Bloom Lake" or "Bloom Lake Mine"), located on the south end of the Labrador Trough, approximately 13 km north of Fermont, Québec, adjacent to established iron ore producers. Bloom Lake is an open-pit truck and shovel operation with a concentrator, and it ships iron ore concentrate from the site by rail, initially on the Bloom Lake railway, to a ship loading port in Sept-Îles, Québec. The Bloom Lake Phase I plant has a nameplate capacity of 7.4M tonnes per annum ("Mtpa") and produces a high-grade 66.2% Fe iron ore concentrate with low contaminant levels, which has proven to attract a premium to the Platts IODEX 62% Fe iron ore benchmark. In addition to the partially completed Bloom Lake Phase II project ("Phase II"), Champion also owns a portfolio of exploration and development projects in the Labrador Trough, including the Kamistiatusset iron ore project (the "Kami Project" - refer to note 34 - Subsequent Events) located a few kilometres south east of Bloom Lake, and the Fire Lake North iron ore project, located approximately 40 km south of Bloom Lake.

The Company sells its iron ore concentrate globally, including customers in China, Japan, the Middle East, Europe, South Korea, India and Canada.

2. Significant Accounting Policies and Future Accounting Changes

A. Basis of preparation

The Company's consolidated financial statements are for the group consisting of Champion Iron Limited and its subsidiaries.

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.

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

The nature of the operations and principal activities of the Company are described in the Directors' Report for the year ended March 31, 2021.

B. Statement of compliance

These audited consolidated financial statements have been prepared in accordance with in accordance with Australian Accounting Standards ("AAS") and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The Company has consistently applied the accounting policies used in the preparation of its IFRS consolidated financial statements with the exception of those arising from new accounting standards issued and adopted by the Company as described in this note. These consolidated financial statements were approved and authorized for issue by the Board of Directors (the "Board") on May 27, 2021.

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

C. Significant accounting policies and future accounting changes

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements.

Basis of consolidation and functional currency
The consolidated financial statements include the accounts of the Company and its significant subsidiaries listed below:

	Ownership Percentage	Country of Incorporation	Functional Currency
Champion Innovations Limited	100.0%	Canada	Canadian dollars
Champion Iron Mines Limited	100.0%	Canada	Canadian dollars
Québec Iron Ore Inc.	100.0%	Canada	Canadian dollars
Lac Bloom Railcars Corporation Inc.	100.0%	Canada	U.S. dollars

Consolidation
The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if, and only if, the Company has all of the following:

- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. All intra-group assets and liabilities, revenues, expenses and cash flows relating to intra-group transactions are eliminated.

Non-controlling interest
Non-controlling interest represents the minority shareholder's portion of the profit or loss and net assets of subsidiaries and is presented separately in the consolidated statements of financial position and consolidated statements of income. Losses within a subsidiary are attributable to the non-controlling interests even if that results in a deficit balance.

Segment reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is responsible for allocating resources and assessing the performance of the operating segments, and which has been identified as the management team that makes strategic decisions.

Cash and cash equivalents
Cash and cash equivalents consist of cash in bank, cash held in trust and short-term deposits with a maturity of less than three months.

Inventories
Inventories of ore and concentrate are measured and valued at the lower of average production cost and net realizable value. Net realizable value is the estimated selling price of the concentrates in the ordinary course of business based on the prevailing metal prices on the reporting date, less estimated costs to complete production and to bring concentrates to sale. Production costs that are capitalized as inventory include the costs directly related to bringing the inventory to its current condition and location, such as materials, labour and manufacturing overhead costs, based on normal capacity of the production facilities. Production costs that are capitalized as inventory exclude incremental costs related to COVID-19.

Supplies and spare parts are valued at the lower of cost or net realizable value. Any provision for obsolescence is determined by reference to specific items of stock. A regular review is undertaken to determine the extent of any provision for obsolescence.

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

C. Significant accounting policies and future accounting changes (continued)

Property, plant and equipment
Property, plant and equipment are carried at historical cost less any accumulated depreciation and impairment losses.

Depreciation is calculated on the following basis over the estimated useful lives of property, plant and equipment:

Mining and processing equipment	Straight-line over 2 to 12 years or units-of-production basis over the recoverable reserves
Locomotives, railcars and rails	Straight-line over 23 to 24 years or units-of-production basis over the recoverable reserves
Tailings dykes	Straight-line over 3 years or units-of-production basis over the recoverable reserves
Mining development and stripping asset	Straight-line over 5 years or units-of-production basis over the recoverable reserves
Asset rehabilitation obligation and other	Straight-line over 3 to 24 years or units-of-production basis over the recoverable reserves
Right-of-use assets	Straight-line over 2 to 8 years or units-of-production basis over the recoverable reserves

Intangible assets
Intangible assets acquired separately are carried at cost. Intangible assets acquired through an acquisition of a group of assets are recognized initially at their fair value at the acquisition date. Subsequently, intangible assets are carried at cost less accumulated depreciation and accumulated impairment losses.

Depreciation on finite-life intangible assets is recognized on a straight-line basis over their estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The estimated useful life and depreciation method are reviewed at least at each financial year-end, with the effect of any changes in estimate being accounted for on a prospective basis.

Depreciation is calculated on the following basis over the economic lives of the intangible assets with a finite useful life:

Software	Straight-line over 3 years

Research and development expenses
Research and development expenses are recognized in profit or loss as incurred, except if the expenditures are related to the development and setup of new products, processes and systems and satisfy generally accepted conditions for capitalization, including reasonable assurance that they will be recovered. Capitalized development expenditures are measured at cost less accumulated depreciation, using the straight-line method, and accumulated impairment losses.

Stripping (waste removal) costs
Where the benefits are realized in the form of improved access to ore to be mined in the future, the costs are recognized as a non-current asset, referred to as a stripping costs, if the following criteria are met:

a) Future economic benefits (being improved access to the ore body) are probable;
b) The component of the ore body for which access will be improved can be accurately identified; and
c) The costs associated with the improved access can be reliably measured.

If any of the criteria are not met, the production stripping costs are charged to profit or loss as operating costs in cost of sales as they are incurred.

The stripping ratio varies depending of the stage of the mine life. In the case of the Bloom Lake mine, the life of mine stripping ratio for Phase I is estimated at 0.5 based on the 43-101 Technical report on the Bloom Lake mine re-start feasibility study (the "Feasibility Study"). All costs related to a stripping ratio over the life of mine ratio are capitalized and all costs related to a stripping ratio lower than the life of mine ratio results in amortization of the stripping activity asset. The capitalized expenses are revalued on a monthly basis. Stripping costs incurred in the pre-production period have also been capitalized using the same methodology. The production start date has been determined by the Company using various relevant criteria as level of capital expenditures incurred compared to original budget, completion of reasonable period of testing, ability to produce concentrate in saleable form and ability to sustain ongoing production of concentrate.

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

C. Significant accounting policies and future accounting changes (continued)

Assets under construction

i) Property, plant and equipment in the course of construction or use for its own purposes

The cost comprises their purchase price and any costs directly attributable to bringing them into working condition for their intended use. Assets under construction are carried at cost less any recognized impairment loss and are not subject to depreciation. Assets under construction are classified to the appropriate category of property, plant and equipment and the depreciation of these assets commences when the assets are ready for their intended use.

ii) Mineral properties under development

Costs incurred subsequent to the establishment of the technical feasibility and commercial viability of the extraction of resources from a particular mineral property. Capitalized costs, including mineral property acquisition costs and certain mine development and construction costs, are not depreciated until the related mining property has reached a level of operating capacity pre-determined by management, often referred to "as commercial production" or expected capacity. The date of transition from construction to commercial production or expected capacity accounting is based on both qualitative and quantitative criteria such as substantial physical project completion, sustained level of mining, sustained level of processing activity, and passage of a reasonable period of time. Upon completion of mine construction activities (based on the determination of commercial production or expected capacity), costs are removed from assets under development and incorporated into the appropriate categories of property, plant and equipment and supplies inventories.

Exploration and evaluation assets

Exploration and evaluation assets, including the costs of acquiring licenses and directly attributable general and administrative costs, initially are capitalized as exploration and evaluation assets. The costs are accumulated by property pending the determination of technical feasibility and commercial viability. Pre-license costs are expensed when incurred. Pre-exploration costs are expensed unless it is considered probable that they will generate future economic benefits.

Mining tax credits earned in respect to costs incurred in Québec are recorded as a reduction to exploration and evaluation assets when there is reasonable assurance that the Company has complied with, and will continue to comply with, all conditions needed to obtain the credits.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the ability of the Company to obtain financing to complete the exploration and development of its mineral resource properties, the existence of economically recoverable reserves and future profitable production, or alternatively, upon the Company’s ability to recover its costs through a disposition of its mineral resource properties. The amounts shown for exploration and evaluation assets do not necessarily represent present or future value. Changes in future conditions could require a material change in the amount recorded for exploration and evaluation assets.

The technical feasibility and commercial viability of extracting a mineral resource from a property is considered to be determinable when proved and/or probable reserves are determined to exist and the necessary permits have been received to commence production. A review of each property is carried out at least annually. Upon determination of technical feasibility and commercial viability, exploration and evaluation assets are first tested for impairment and then reclassified to property, plant and equipment and/or intangibles or expensed to the consolidate statements of income to the extent of any impairment.

Impairment of non-financial assets

The Company's non-financial assets, such as property, plant and equipment and exploration and evaluation assets are reviewed for indicators of impairment at each reporting date and upon the occurrence of events or changes in circumstances indicating that the carrying value of the assets may not be recoverable. If indication of impairment exists, the asset’s recoverable amount is estimated.

An impairment loss is recognized in the consolidated statements of income when the carrying amount of an asset, or its cash-generating unit ("CGU"), exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use (being the present value of the expected cash flows of the relevant assets or CGUs). A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. However, the impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

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

C. Significant accounting policies and future accounting changes (continued)

Provisions
A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Long-term debt
The long-term are initially measured at fair value, net of transactions costs, and are subsequently measured at amortized cost using the effective interest rate method, with interest expense recognized on an effective yield basis.

Rehabilitation obligation
The Company records a rehabilitation obligation for legal and constructive asset retirement obligations. Rehabilitation obligation is recorded for an amount that represent the expenditure required to settle the present obligation at the end of the reporting period. Where the effect of the time value of money is material, the Company will adjust the amount of the provision which will be the present value of the expenditures expected to be required to settle the obligation, discounted by the number of years between the reporting date and the rehabilitation date.

Share capital and issuance costs
Share capital is classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

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.

Foreign currency transactions
Foreign currency transactions are translated into the functional currency of the Company's entities using the exchange rates prevailing at the dates of the transactions or an appropriate average exchange rate. Generally, foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than the Company's functional currency are recognized in the consolidated statements of income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in other comprehensive income or profit or loss are also recognized in other comprehensive income or profit or loss, respectively).

Functional and presentation currency
Items included in the financial statements of each consolidated entity of the Company are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements of entities that have a functional currency different from the Company are translated into Canadian dollars as follows: assets and liabilities are translated at the closing rate at the reporting date, and income and expenses are translated at the average rate during an appropriate year. Equity transactions are translated using the exchange rate at the date of the transaction.

Exchange differences relating to the translation of the results and net assets of the Company's operations from their functional currency to the Company's presentation currency are recognized directly in other comprehensive income and accumulated in the foreign currency translation reserve with the exception of those balances that are within the scope of AASB 9 Financial Instruments and IFRS 9 Financial Instruments.

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

C. Significant accounting policies and future accounting changes (continued)

Share-based payments
i) Stock option plan
The Company offers a stock option plan for its directors and employees. The fair value of stock options for each vesting period is determined using the Black-Scholes option pricing model and is recorded over the vesting period as an increase to stock-based compensation and contributed surplus. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest. Upon the exercise of stock options, the proceeds received by the Company and the related contributed surplus are recorded as an increase to share capital. In the event that vested stock options expire, previously recognized share-based compensation is not reversed. In the event that stock options are forfeited, previously recognized share-based compensation associated with the unvested portion of the stock options forfeited is reversed.

ii) Other equity settled awards
For other 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.

iii) Share-based payment transactions
The fair value of share-based payment transactions to non-employees and other share-based payments including shares issued to acquire exploration and evaluation assets are based on the fair value of the goods and services received. If the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or services.

Government grants
The Company receives certain grants from the government. Those grants are recognized only when there is a reasonable assurance that the Company will comply with any conditions attached to the grants and the grants will be received. Those grants are recorded against the expenditure that they are intended to compensate.

Income tax
Income tax expense comprises current and deferred taxes. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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

C. Significant accounting policies and future accounting changes (continued)

Financial assets

i) Initial recognition

Financial assets are either classified and measured at amortized cost, fair value through profit or loss or fair value through other comprehensive income.

In order for financial assets to be classified and measured at amortized cost or fair value through other comprehensive income, it needs to give rise to cash flows that represent solely payments of principal and interest on the principal amount outstanding.

ii) Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Company's consolidated statements of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

iii) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, e.g., derivative instruments, financial assets designated upon initial recognition at fair value through profit or loss, e.g., debt or equity instruments, or financial assets mandatorily required to be measured at fair value, i.e., where they fail the solely payments of principal and interest test. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that do not pass the solely payments of principal and interest test are required to be classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch. Financial assets at fair value through profit or loss are carried in the consolidated statements of financial position at fair value with net changes in fair value recognized in profit or loss.

A derivative embedded in a hybrid contract with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

As per IFRS 9, *Financial Instruments*, the requirements relating to the separation of embedded derivatives is no longer needed for financial assets. An embedded derivative will often make a financial asset fail the solely payments of principal and interest test thereby requiring the instrument to be measured at fair value through profit or loss in its entirety. This is applicable to the Company's trade receivables (subject to provisional pricing). These receivables relate to sales contracts where the selling price is determined after delivery to the customer, based on the market price at the relevant quotation period stipulated in the contract. This exposure to the commodity price causes such trade receivables to fail the solely payments of principal and interest test. As a result, these receivables are measured at fair value through profit or loss from the date of recognition of the corresponding sale, with subsequent movements being recognized in the consolidated statements of income.

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

C. Significant accounting policies and future accounting changes (continued)

Financial assets *(continued)*
iv) Financial assets at amortized cost
Financial assets at amortized cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Interest received is recognized as part of finance income in the statements of income. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

v) Impairment of financial assets
The Company recognizes an allowance for expected credit loss ("ECL") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables (not subject to provisional pricing) and other receivables due in less than 12 months, the Company applies the simplified approach in calculating ECL. Therefore, the Company does not track changes in credit risk, but instead, recognizes a loss allowance based on the financial asset's lifetime ECL at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. For any other financial assets carried at amortized cost (which are due in more than 12 months), the ECL is based on the 12-month ECL. The 12-month ECL is the proportion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment including forward-looking information.

The Company considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows and usually occurs when past due for more than one year and not subject to enforcement activity.

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

C. Significant accounting policies and future accounting changes (continued)

Financial liabilities

i) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

ii) Loans and borrowings and trade and other payables

After initial recognition, interest-bearing loans and borrowings and trade and other payables are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the consolidated statements of income when the liabilities are derecognized, as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the consolidated statements of income.

iii) Derecognition

A financial liability is derecognized when the associated obligation is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statements of income.

Leases

Leases are recognized as a right-of-use asset in property, plant and equipment and a corresponding liability in lease liabilities at the date at which the leased asset is available for use by the Company.

The right-of-use assets are initially measured at cost, which comprises:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives;
- any initial direct costs incurred by the Company; and
- restoration costs.

After the commencement date the right-of-use assets are measured at cost less any accumulated depreciation. The right-of use asset is depreciated either over the shorter of the asset's useful life and the lease term on a straight-line basis or the units-of-production basis over the recoverable reserves. Right-of-use assets are subject to impairment.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. These include:

- fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be payable by the Company under residual value guarantees;
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease payments are discounted using the Company's incremental borrowing rate unless the implicit rate in the lease contract is readily determinable in which case the latter is used.

Each lease payment is allocated between the repayment of the principal portion of the lease liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

After the commencement date, the amount of lease liability is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liability is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Payments associated with short-term leases, leases of low value assets and certain variable lease payments are recognized on a straight-line basis as an expense in profit or loss.

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

C. Significant accounting policies and future accounting changes (continued)

Borrowing costs
Borrowing costs attributable to the acquisition, development or construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are capitalized to the cost of those assets, until such time as the assets are substantially ready for their intended use. Interests on long-term debt are capitalized in assets under construction until substantially all the activities necessary to prepare the asset for its intended use are complete. Otherwise, borrowing costs are expensed as incurred in profit or loss.

D. Significant accounting judgments, estimates and assumptions

The preparation of financial statements in conformity with 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 $12,610,000 for the year ended March 31, 2021, resulting from its COVID-19 safety measures, which are mainly comprised of premiums paid to employees from adjusted work schedules, incremental transportation costs, on-site COVID-19 testing and laboratory cost 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.

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. Significant accounting judgments, estimates and assumptions (continued)

Estimates of mineral reserves and resources

The amounts used in units of production depreciation, impairment indicators analysis and stripping costs are based on estimates of mineral reserves and resources. Reserve and resource estimates are based on engineering data, estimated future prices, expected future rates of production and the timing of future capital expenditures, all of which are subject to many uncertainties and interpretations. The Company expects that, over time, its reserve and resource estimates will be revised upward or downward based on updated information such as the results of future drilling, testing and production levels, and may be affected by changes in iron ore prices. Refer to note 10 - Property, Plant and Equipment.

Impairment of exploration and evaluation assets

Exploration and evaluation assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable through future exploitation or sale. Such circumstances include the period for which the Company has the right to explore in a specific area, actual and planned expenditures, and results of exploration. Management judgment is also applied in determining whether an economically-viable operation can be established, significant negative industry or economic trends, cash generating units, the lowest levels of exploration and evaluation assets grouping, for which there are separately identifiable cash flows, generally on the basis of areas of geological interest. Refer to note 11 - Exploration and Evaluation Assets.

Estimate of rehabilitation obligation

The rehabilitation obligation is based on the best estimate of the expenditures required to settle the present obligation at the end of the reporting period. The best estimate of the expenditure required to settle the present obligation is the amount that the company would rationally pay to settle obligation at the end of the reporting period or to transfer it to a third party. The rehabilitation obligation has been determined based on the Company's internal estimates. Assumptions based on the current economic environment have been made, which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary rehabilitation works required that will reflect market conditions at the time. Furthermore, the timing of rehabilitation is likely to depend on when the Bloom Lake ceases to produce at economically viable rates. This, in turn, will depend upon future iron ore prices, which are inherently uncertain. Refer to note 15 - Rehabilitation Obligation.

Share-based payments

The Company uses the Black-Scholes option pricing model in determining share-based payments, which requires a number of assumptions to be made, including the risk-free interest rate, expected life, forfeiture rate and expected share price volatility. Consequently, actual share-based compensation may vary from the amounts estimated. Refer to note 16 - Share Capital and Reserves.

Revenue recognition

The Company recognizes revenue from sales of concentrate when control of the concentrate passes to the customer, which occurs upon shipment. Thus, the performance obligation is satisfied at a point in time. At that time, Company has transferred the significant risks and rewards relating to the customer, the legal title and the Company has physically transferred the concentrate.

Revenue is recognized at an amount that reflects the consideration to which the Company received or expects to receive in exchange for the goods transferred and are recorded net of sale taxes to the extent that the revenue can be reliably measured.

For all the sales contracts, the sales price is determined provisionally at the date of sale, with the final pricing determined at a mutually agreed date (generally between 2 to 3 months from the date of the sale), at a quoted market price at that time. This provisional pricing arrangement fails the solely payments of principal and interest and the receivable is recorded at fair value based on the forward iron concentrate prices for the relevant contract period. All subsequent mark-to-market adjustments are recorded in sales revenue up to the date of final settlement.

Price changes for shipments awaiting final pricing at year-end could have a material effect on future revenues. As at March 31, 2021, there was US$159,938,000 (March 31, 2020: US$62,099,000) in revenues that were awaiting final pricing.

Valuation of deferred income tax assets

To determine the extent to which deferred income tax assets can be recognized, management estimates the amount of probable future taxable profits that will be available against which deductible temporary differences and unused tax losses can be utilized. Such estimates are made as part of the budget on an undiscounted basis and are reviewed on a quarterly basis. Management exercises judgment to determine the extent to which realization of future taxable benefits is probable, considering factors such as the number of years to include in the forecast period. Refer to note 23 - Income and Mining Taxes.

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

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

Valuation of lease liabilities and right-of-use assets
The application of IFRS 16, Leases, requires the Company to make judgments that affect the valuation of the lease liabilities and the valuation of right-of-use assets. These include determining contracts in scope of IFRS 16, determining the contract term, determining the interest rate used for discounting future cash flows and separating components of a contract. The lease term determined by the Company generally comprises a non-cancellable period of lease contracts, periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option. The same term is applied as economic useful life of right-of-use assets. The separation of components of a contract requires estimates and judgments for allocating the consideration in the contract to each lease component and non-lease component. Refer to notes 10 - Property, Plant and Equipment and 14 - Lease Liabilities.

E. New accounting standards issued and adopted by the Company

The Company adopted the following new standards on April 1, 2020:

Amendments to 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.

Amendments to AASB 101 (IAS 1), Presentation of Financial Statements ("IAS 1"), and AASB 108 (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.

Amendments to AASB 9 (IFRS 9), Financial Instruments ("IFRS 9"), AASB 139 (IAS 39), Financial Instruments: Recognition and Measurement ("IAS 39"), and AASB 7 (IFRS 7), Financial Instruments: Disclosures ("IFRS 7")
Amendments to IFRS 9, IAS 39 and IFRS 7 are designed to support the provision of useful financial information by entities during the period of uncertainty arising from the phasing out of interest-rate benchmarks such as interbank offered rates (“IBORs”). The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform. In addition, the amendments require entities to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

The amendments listed above did not have a significant impact on the Company's consolidated financial statements for the year ended March 31, 2021.

F. New accounting standards 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, 2021 and thereafter, with an earlier application permitted:

Interest Rate Benchmark Reform - Phase 2, which amends IFRS 9, IAS 39, IFRS 7 and AASB 16 (IFRS 16), Leases ("IFRS 16")
The amendments relate to: i) changes to contractual cash flows - an entity will not have to derecognize or adjust the carrying amount of financial instruments for changes required by the reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; ii) hedge accounting - an entity will not have to discontinue its hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria; and iii) disclosures - an entity will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

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

F. New accounting standards issued but not yet in effect (continued)

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 116 (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).

Amendments to 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.

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 consolidated statements of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments also include clarifying the classification requirements for debt an entity might settle by converting it into equity.

Amendments to IAS 1 change the requirements in IAS 1 with regard to disclosure of accounting policies. Applying the amendments, an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments to IAS 1 are made to explain how an entity can identify a material accounting policy.

Amendments to IAS 8

Amendments to IAS 8 replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

The Company is currently evaluating the impacts of adopting these amendments on its financial statements.

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

3. Cash and Cash Equivalents

As at March 31, 2021, cash and cash equivalents totalling $609,316,000 (March 31, 2020: $281,363,000) consisted of cash in bank. As at March 31, 2021, the Company's cash balance is comprised of $223,583,000 U.S. dollars ($281,156,000), $350,000 Australian dollars ($335,000), and $327,825,000 Canadian dollars.

4. Short-Term Investments

As at March 31, 2021, short-term investments totalled $27,200,000 (March 31, 2020: $17,291,000). Short-term investments comprise of term deposits pledged as security in accordance with third party agreements. Maturity dates of the term deposits as collateral are less than 12 months, with a renewal option at the Company's option.

5. Receivables

	As at March 31, 2021	As at March 31, 2020
Trade receivables	**73,341**	15,944
Sales tax	**24,359**	12,958
Other receivables	**1,055**	2,347
	98,755	31,249

As at March 31, 2021, the trade receivables, subject to provisional pricing, amounted to $550,000 (March 31, 2020: payable balance of $10,879,000).

For information about the Company's exposure to credit risk, refer to note 25 - Financial Instruments.

6. Inventories

	As at March 31, 2021	As at March 31, 2020
Stockpiled ore	**13,050**	13,630
Concentrate inventories	**18,860**	16,560
Supplies and spare parts	**34,904**	28,421
	66,814	58,611

For the year ended March 31, 2021, the amount of inventories recognized as an expense totalled $464,059,000 (year ended March 31, 2020: $421,369,000). For the year ended March 31, 2021, no specific provision was recorded on any of the Company's inventories (year ended March 31, 2020: nil).

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

7. Non-current Investments

	As at March 31, 2021	As at March 31, 2020
Opening balance	**1,546**	2,653
Change in fair value of non-current investments	**10,237**	(1,107)
Disposal of non-current investments	**(3,022)**	—
Ending balance	**8,761**	1,546

Non-current investments are comprised of equity investments in publicly listed entities classified as financial assets at fair value through profit or loss.

For the year ended March 31, 2021, the net increase in the fair value of investments in common shares of $7,905,000 (year ended March 31, 2020: net decrease of $1,107,000) has been recorded as an unrealized gain on investments in the other income (expense) of the consolidated statements of income. During the year ended March 31, 2021, the Company sold shares of its other equity investments for a net proceed of $3,022,000. Refer to note 22 - Other Income (Expense).

8. Advance Payments

	As at March 31, 2021	As at March 31, 2020
Port	**17,920**	19,825
Railway and port facilities	**23,724**	6,600
Other long-term advance	**7,602**	6,013
	49,246	32,438

Port
On July 13, 2012, the Company signed an agreement with the Sept-Îles Port Authority ("Port") to reserve annual loading capacity of 10 million metric tonnes of iron ore for an initial term of 20 years with options to renew for 4 additional 5-year terms. Pursuant to the agreement, the Company made an advance payment of $25,581,000 on its future shipping, wharfage and equipment fees. The short-term portion of the advance payment amounts to $1,969,000 and is presented under prepaid expenses and advances in the consolidated statements of financial position.

Railway and port facilities
On October 12, 2017, the Company entered into a railway and stockyard facilities access agreement with Société Ferroviaire et Portuaire de Pointe-Noire ("SFPPN") for the transportation, unloading, stockpiling and loading of iron ore concentrate from Sept-Îles to Pointe-Noire, Québec. In connection with the agreement, the Company makes annual advance payments of $3,750,000 to SFPPN to guarantee access to the yard. During the year ended March 31, 2021, the Company made an additional advance of $15,211,000 to SFPPN to increase the transshipment capacity and support the Company's plans to increase production with the Phase II project (year ended March 31, 2020: nil).

Other long-term advance
The other long-term advance relates mainly to amounts paid to SFPPN annually and are recoverable from under the guarantee access agreement if certain conditions are met.

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

9. Intangible Assets

	As at March 31, 2021	As at March 31, 2020
Cost		
Opening balance	**7,705**	2,192
Additions	**1,705**	5,513
Ending balance	**9,410**	7,705
Accumulated depreciation		
Opening balance	**1,635**	720
Depreciation	**1,518**	915
Ending balance	**3,153**	1,635
Net book value	**6,257**	6,070

The Company's software was previously presented as property, plant and equipment in the consolidated statements of financial position. Prior year comparatives as at March 31, 2020 have been restated by reclassifying $6,070,000 from property, plant and equipment to intangible assets ($1,472,000 as at April 1, 2019) with no impact on the consolidated statements of income.

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

10. 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**	**61,817**	**41,105**	**29,020**	**399,014**	**10,335**	**409,349**
Additions	**14,828**	**5,500**	**—**	**129,560**	**26,726**	**3,203**	**179,817**	**—**	**179,817**
Transfers and disposals	**6,945**	**—**	**8,353**	**(15,298)**	**—**	**—**	**—**	**—**	**—**
Foreign exchange and other	**232**	**(5,258)**	**—**	**—**	**—**	**—**	**(5,026)**	**—**	**(5,026)**
March 31, 2021	**172,460**	**43,663**	**81,549**	**176,079**	**67,831**	**32,223**	**573,805**	**10,335**	**584,140**
Accumulated depreciation									
March 31, 2020	**30,087**	**5,767**	**3,983**	**—**	**871**	**1,919**	**42,627**	**1,252**	**43,879**
Depreciation	**25,931**	**1,934**	**4,229**	**—**	**928**	**1,600**	**34,622**	**1,388**	**36,010**
Transfers and disposals	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Foreign exchange and other	**—**	**(734)**	**—**	**—**	**—**	**—**	**(734)**	**—**	**(734)**
March 31, 2021	**56,018**	**6,967**	**8,212**	**—**	**1,799**	**3,519**	**76,515**	**2,640**	**79,155**
Net book value - March 31, 2021	**116,442**	**36,696**	**73,337**	**176,079**	**66,032**	**28,704**	**497,290**	**7,695**	**504,985**

	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, 2019	116,573	47,766	18,005	24,700	19,864	14,448	241,356	—	241,356
Adoption of IFRS 16[4]	—	—	—	—	—	—	—	1,291	1,291
Additions	1,352	—	—	124,879	21,241	14,580	162,052	2,221	164,273
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	61,817	41,105	29,020	399,014	10,335	409,349
Accumulated depreciation									
March 31, 2019	12,912	3,818	498	—	447	1,030	18,705	—	18,705
Depreciation	17,192	1,772	3,485	—	424	889	23,762	1,094	24,856
Transfers and disposals	(17)	(158)	—	—	—	—	(175)	158	(17)
Foreign exchange	—	335	—	—	—	—	335	—	335
March 31, 2020	30,087	5,767	3,983	—	871	1,919	42,627	1,252	43,879
Net book value - March 31, 2020	120,368	37,654	69,213	61,817	40,234	27,101	356,387	9,083	365,470

1 During the development period of the Bloom Lake Phase II expansion project, the amount of borrowing costs capitalized for the year ended March 31, 2021 was $3,793,000 (year ended March 31, 2020: $1,405,000). Borrowing costs consisted of interest expense on the long-term debt and the amortization of transaction costs (note 13). The capitalization rate used to determine the amount of borrowing costs eligible for capitalization for the year ended March 31, 2021 was 4.2% (year ended March 31, 2020: 5.9%).

2 For the year ended March 31, 2021, the addition to the stripping asset includes: i) production expenses capitalized amounting to $14,142,000 (year ended March 31, 2020: $10,700,000) and ii) allocated depreciation of property, plant and equipment amounting to $2,636,000 (year ended March 31, 2020: $1,431,000).

3 Software was reclassified from property, plant and equipment to intangible assets. Refer to note 9 - Intangible assets.

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

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

10. Property, Plant and Equipment (continued)

Right-of-use assets consist of the following:

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

	Building	Mining and Processing Equipment	Locomotives, Railcars and Rails	Total
March 31, 2019	—	—	—	—
Right-of-use assets as per IFRS 16 as at April 1, 2019	1,019	272	—	1,291
Additions	800	1,421	—	2,221
Transfers	—	—	6,665	6,665
Depreciation	(179)	(579)	(336)	(1,094)
March 31, 2020	1,640	1,114	6,329	9,083

Refer to note 14 - Lease Liabilities.

11. Exploration and Evaluation Assets

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

	Labrador Trough	Newfoundland	Total
March 31, 2019	79,293	2,215	81,508
Additions	468	223	691
Transfers to property, plant and equipment	(6,674)	—	(6,674)
March 31, 2020	73,087	2,438	75,525

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

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

12. Accounts Payable and Other

	Note	**As at March 31, 2021**	As at March 31, 2020
Trade payable and accrued liabilities		**83,395**	44,491
Wages and benefits		**18,329**	9,679
Current portion of lease liabilities	**14**	**501**	988
		102,225	55,158

13. Long-Term Debt

	Term Facility	Revolving Facility	**As at March 31, 2021** (twelve-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	**—**	**(25,262)**	**(25,262)**	(231,456)
Payment of capitalized interest	**—**	**—**	**—**	(19,517)
Transaction costs	**(7,888)**	**—**	**(7,888)**	(8,985)
Amortization of transaction costs	**2,398**	**—**	**2,398**	2,915
Foreign exchange (gain) loss	**(29,016)**	**(3,112)**	**(32,128)**	14,657
Non-cash loss on debt refinancing	**1,863**	**—**	**1,863**	21,942
Ending balance	**214,951**	**—**	**214,951**	275,968

	As at March 31, 2021	As at March 31, 2020
Term Facility	**226,350**	255,366
Revolving facility	**—**	28,374
Unamortized transaction costs	**(11,399)**	(7,772)
Long-term debt, net of transaction costs	**214,951**	275,968

On August 16, 2019, QIO entered into a US$200,000,000 lending arrangement with various lenders. The lending arrangement comprised 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"). The proceeds of the lending arrangement were primarily used to fully repay previously issued debt facilities held by QIO with Sprott Private Resource Lending (Collector), LP ("Sprott") and CDP Investissements Inc. ("CDPI"). For the year-ended March 31, 2020, the non-cash loss on debt repayment represents a non-cash expense to eliminate the unamortized borrowing costs and debt discount. Refer to note 21 - Net Finance Costs.

On December 23, 2020, QIO amended and increased its lending arrangement to fund the completion of Phase II. The Term Facility was increased to US$350,000,000 and the Revolving Facility was increased to US$50,000,000 (collectively the "Credit Facilities"). Transaction costs of $7,888,000 were incurred for this transaction for the year ended March 31, 2021. During the year ended March 31, 2021, a non-cash loss of $1,863,000 was accounted for in net finance costs as a result of the unsubstantial modification of the terms of the Credit Facilities. Refer to note 21 - Net Finance Costs. On March 30, 2021, the Company fully repaid the Revolving Facility of US$20,000,000.

The Credit Facilities required the Company to deposit US$35,000,000 of cash as contingent funds to cover potential cost overruns of Phase II. As at March 31, 2021, this deposit of $44,012,000 was classified as a non-current restricted cash in the consolidated statements of financial position.

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

13. Long-Term Debt (continued)

The original and the amended terms of the Credit Facilities are as follows:

	Original Terms	**Amended Terms**
Amount:	US$180,000,000 Term Facility US$20,000,000 Revolving Facility	US$350,000,000 Term Facility (US$180,000,000 drawn as at March 31, 2021) US$50,000,000 Revolving Facility (full amount undrawn as at March 31, 2021)
Maturity:	Term Facility: August 16, 2024 Revolving Facility: August 16, 2022	Term Facility: December 23, 2025 Revolving Facility: December 23, 2023
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 EBIDTA ratio is below 1.0 or greater than 2.5.	The Credit Facilities are subject to interest based on LIBOR plus 4.00% during the pre-completion of Phase II, after which the interest will be 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.
Repayment:	Term Facility - commencing on June 30, 2021, and quarterly thereafter, 1/12th of the principal balance outstanding.	Term Facility - commencing on the earlier of June 30, 2022 or the first quarter following the Phase II completion date, and equal quarterly installments thereafter of the principal balance outstanding.
Covenants:	The Credit Facilities are subject to operational and financial covenants, all of which have been met as at March 31, 2021.	
Collateral:	All of the present and future undertakings, properties and assets of QIO and Lac Bloom Railcars Corporation Inc. The Company guaranteed all the obligations of QIO and Lac Bloom Railcars Corporation Inc. and pledged all of the shares it holds in QIO and Lac Bloom Railcars Corporation Inc.	

As at March 31, 2021, the Credit Facilities are subject to an interest rate of 4.1% (March 31, 2020: 4.8%), which represented the LIBOR rate + 4.00%. In addition, for the year ended March 31, 2021, the weighted average interest rate was 3.8% (year ended March 31, 2020: 6.9%). Under the terms of the amended Credit Facilities, the undrawn portion of the Credit Facilities is subject to standby commitment fees of 1.38% during the pre-completion of Phase II and thereafter between 0.86% and 1.13% until the end of the term. As at March 31, 2021, the undrawn portion of the Credit Facilities amounted to US$220,000,000.

14. Lease Liabilities

	Note	**As at March 31, 2021**	As at March 31, 2020
Opening balance		**2,890**	—
Lease liabilities as per IFRS 16 as at April 1, 2019		**—**	1,291
New lease liabilities		**—**	2,221
Payments		**(988)**	(622)
		1,902	2,890
Less current portion classified in "accounts payable and other"	**12**	**(501)**	(988)
Ending balance		**1,401**	1,902

For the year ended March 31, 2020, lease liabilities were measured at the present value of the remaining lease payments, discounted using the Company's weighted average incremental borrowing rate of 4.8%.

The expense related to short-term leases, low-value leases and variable leases were $910,000, $566,000 and $2,400,000, respectively, for the year ended March 31, 2021 (March 31, 2020: $1,302,000, $472,000 and $3,043,000, respectively). These expenses were included in cost of sales. The total cash outflow for leases was $4,864,000 for the year ended March 31, 2021 (March 31, 2020: $5,439,000).

15. Rehabilitation Obligation

	As at March 31, 2021 (twelve-month period)	As at March 31, 2020 (twelve-month period)
Opening balance	**42,836**	36,565
Increase due to reassessment of the rehabilitation obligation	**994**	6,643
Accretion expense	**72**	171
Effect of change in discount rate	**1,172**	(543)
Ending balance	**45,074**	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 0.28% as at March 31, 2021 (March 31, 2020: 0.43%). The future rehabilitation obligation was reassessed during the year ended March 31, 2021 based on the reclamation plan approved by the Government in July 2019. The undiscounted amount related to the rehabilitation obligation is estimated at $47,268,000 as at March 31, 2021 (March 31, 2020: $46,274,000).

16. 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

	Year Ended March 31,	
	2021	2020
	(in thousands)	(in thousands)
Shares		
Opening balance	**467,689**	430,470
Shares issued for exercise of warrants	**27,733**	13,719
Shares issued for exercise of compensation options	**—**	21,000
Shares issued for exercise of options - incentive plan	**6,694**	2,500
Ending balance	**502,116**	467,689

c) Preferred share issuances

	Year Ended March 31,	
	2021	2020
	(in thousands)	(in thousands)
Shares		
Opening balance	**185,000**	—
Issuance of preferred shares	**—**	185,000
Ending balance	**185,000**	185,000

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

16. Share Capital and Reserves (continued)

c) Preferred share issuances (continued)

On August 16, 2019, QIO issued preferred shares for consideration of $185,000,000 to CDPI. Transaction costs of $3,205,000 were incurred for this transaction, resulting in net proceeds of $181,795,000. The preferred shares accumulate dividends, if and when declared by QIO. The dividend rate associated with the preferred shares is based on the gross realized iron ore price and fluctuates from 9.25% when the gross realized iron price for Bloom Lake 66.2% iron ore is greater than US$85/t to 13.25% should the gross realized iron ore price decrease below US$65/t. During the 21-month construction period of Phase II, the applicable dividend rate is locked in at 9.25%. During the year ended March 31, 2021, the Company declared and paid dividends on the preferred shares amounting to $28,439,000 or $0.15 per preferred shares, which represented the accumulated dividends for the August 17, 2019 to March 31, 2021 period.

The preferred shares are redeemable 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. Therefore, the Company has the ability to redeem all QIO preferred shares on August 16, 2021.

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.

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.

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

	Year Ended March 31,	
	2021	2020
Stock option costs	**1,994**	927
DSU costs	**309**	118
RSU costs	**727**	1,034
PSU costs	**953**	472
	3,983	2,551

16. Share Capital and Reserves (continued)

e) Stock options

As at March 31, 2021, the Company is authorized to issue 50,212,000 stock options and share rights (March 31, 2020: 46,769,000) equal to 10% (March 31, 2020: 10%) of the issued and outstanding ordinary shares for issuance under the Omnibus incentive plan. The stock options granted will vest over a three-year period.

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

	Year Ended March 31, 2021		Year Ended March 31, 2020	
	Number of Stock Options (in thousands)	Weighted Average Exercise Price	Number of Stock Options (in thousands)	Weighted Average Exercise Price
Opening balance	**6,814**	**0.83**	8,780	0.56
Granted	**1,800**	**5.00**	534	2.43
Exercised	**(6,694)**	**0.80**	(2,500)	0.22
Ending balance	**1,920**	**4.85**	6,814	0.83
Options exercisable - end of the year	**600**	**5.00**	5,551	0.60

During the year ended March 31, 2021, a total of 1,800,000 new stock options were granted to executive officers of the Company. The fair value of the stock options granted during the year ended March 31, 2021 amounted to $3,869,000. During the year ended March 31, 2021, a total of 6,694,000 stock options were exercised and the weighted average share price at the exercise date was $2.50.

During the year ended March 31, 2020, a total of 534,000 new stock options were granted to new employees of the Company. The fair value of the outstanding stock options granted during the year ended March 31, 2020 amounted to $753,000. During the year ended March 31, 2020, a total of 2,500,000 stock options were exercised and the weighted average share price at the exercise date was $2.31.

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 assumptions:

	Year Ended March 31, 2021	2020
Risk-free interest rate	**0.4 %**	1.8 %
Expected volatility based on historical volatility	**55 %**	86 %
Expected life of stock options	**4 years**	3 years
Expected dividend yield	**0 %**	0 %
Forfeiture rate	**0 %**	0 %
Share price at the grant date	**$5.05**	$2.55
Exercise price at the grant date	**$5.00**	$2.43
Fair value per stock option issued	**$2.15**	$1.41

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

Exercise Price	Weighted Average Remaining Life (Years)	Number of Stock Options Outstanding (in thousands)	Number of Stock Options Exercisable (in thousands)
$2.53	1.14	120	—
$5.00	3.85	1,800	600
		1,920	**600**

16. Share Capital and Reserves (continued)

f) Restricted share units

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

	Year Ended March 31, 2021		Year Ended March 31, 2020	
	Number of RSUs (in thousands)	Weighted Average Share Price	Number of RSUs (in thousands)	Weighted Average Share Price
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 year	**253**	**2.19**	199	2.18

During the year ended March 31, 2021, 412,000 RSUs were granted to key management personnel (year ended March 31, 2020: 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:

	Year Ended March 31, 2021		Year Ended March 31, 2020	
	Number of PSUs (in thousands)	Weighted Average Share Price	Number of PSUs (in thousands)	Weighted Average Share Price
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 year	**—**	**—**	—	—

During the year ended March 31, 2021, 619,000 PSUs were granted to key management personnel (year ended March 31, 2020: 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.

h) Compensation options

	Year Ended March 31, 2021		Year Ended March 31, 2020	
	Number of Compensation Options (in thousands)	Weighted Average Exercise Price	Number of Compensation Options (in thousands)	Weighted Average Exercise Price
Opening balance	**—**	**—**	21,000	0.25
Exercised	**—**	**—**	(21,000)	0.25
Ending balance	**—**	**—**	—	—

During the year ended March 31, 2020, the Company issued 21,000,000 shares pursuant to the exercise of 21,000,000 compensation options with an exercise price of $0.25 per share, for total net proceeds of $5,250,000. At the time the options were exercised, the shares were trading at a price of $2.38.

16. Share Capital and Reserves (continued)

i) Warrants

	Year Ended March 31,		Year Ended March 31,	
		2021		2020
	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	**(27,733)**	**1.13**	(13,719)	1.13
Ending balance	**25,281**	**1.91**	53,014	1.50

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

			Outstanding and Exercisable	
Exercise Price	**Holder**	**Expiry Date**	**As at March 31,**	As at March 31,
			2021	2020
			(in thousands)	(in thousands)
$1.125	Sprott	October 16, 2022	**281**	281
$1.125	CDPI	October 16, 2024	**10,000**	10,000
$1.125	Glencore	October 13, 2025	**—**	27,733
$2.45	CDPI	August 16, 2026	**15,000**	15,000
			25,281	53,014

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 year ended March 31, 2021, no warrants were exercised related to the previous debt with Sprott and CDPI. During the year ended March 31, 2020, Sprott and CDPI exercised their right to purchase 2,719,000 and 11,000,000 ordinary shares, respectively, at $1.125 per share for total proceeds of $3,059,000 and $12,375,000, respectively.

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 year ended March 31, 2021, Glencore exercised its right to purchase 27,733,000 ordinary shares, at $1.125 per share for total proceeds of $31,200,000.

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 year ended March 31, 2021, no warrants were exercised related to the preferred share offering with CDPI.

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

17. Revenues

	Year Ended March 31,	
	2021	2020
Iron ore revenue	**1,193,875**	819,334
Provisional pricing adjustments	**87,940**	(34,248)
	1,281,815	785,086

Provisional pricing adjustments represent any difference between the revenue recognized at the end of the previous period and the final settlement price. As at March 31, 2021, 1.0 million tonnes of iron ore sales remained subject to provisional pricing, with the final price to be determined in the subsequent reporting periods (March 31, 2020: 0.9 million tonnes).

18. Cost of Sales

	Year Ended March 31,	
	2021	2020
Land transportation	**156,455**	149,280
Operating supplies and parts	**98,193**	98,065
Salaries, benefits and other employee expenses	**89,536**	82,252
Sub-contractors	**71,395**	69,504
Other production costs	**16,841**	14,115
Change in inventories	**(2,006)**	(3,148)
Production expenses capitalized as stripping asset	**(14,142)**	(10,700)
	416,272	399,368

For the year ended March 31, 2021, the amount recognized as an expense for defined contribution plans was $4,829,000 (year ended March 31, 2020: $4,397,000) and was included in salaries, benefits and other employee expenses.

19. General and Administrative Expenses

	Year Ended March 31,	
	2021	2020
Salaries, benefits and other employee expenses	**10,281**	7,780
Public company related and administrative expenses	**8,605**	6,979
Professional fees	**4,339**	5,338
Travel expenses	**369**	990
	23,594	21,087

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

20. Sustainability and Other Community Expenses

	Year Ended March 31, 2021	2020
Property and school taxes	**6,028**	5,944
Impact and benefits agreement	**5,232**	5,154
Salaries, benefits and other employee expenses	**1,712**	741
Other expenses	**1,886**	1,701
	14,858	13,540

21. Net Finance Costs

		Year Ended March 31, 2021	2020
Loss on debt refinancing	a)	**1,863**	57,274
Interest on long-term debt and Debenture		**6,624**	16,920
Realized and unrealized foreign exchange Loss		**7,782**	3,199
Amortization of transaction costs		**2,032**	3,211
Interest expense on lease liabilities		**117**	119
Other interest and finance costs		**4,010**	3,521
		22,428	84,244

a) Debt refinancing details

		Year Ended March 31, 2021	2020
Non-cash items			
Loss on amendment of the Credit Facilities	i	**1,863**	—
Write-off - book value of Debenture	ii	**—**	18,837
Write-off - book value of CDPI debt facility	iii	**—**	15,976
Write-off - book value of Sprott debt facility	iii	**—**	5,966
Write-off - Glencore derivative asset	iv	**—**	1,336
Write-off - CDPI derivative asset	iv	**—**	5,603
Write-off - Sprott derivative asset	iv	**—**	5,768
		1,863	53,486
Cash items			
Debt prepayment penalty fees	ii,iii	**—**	3,788
		—	3,788
Loss on debt refinancing		**1,863**	57,274

i. **Amendment of the Credit Facilities**
On December 23, 2020, the Company amended its Credit Facilities. The non-cash loss of $1,863,000 represents a non-cash expense as a result of the unsubstantial modification of the terms of the original Credit Facilities. Refer to note 13 - Long-Term Debt.

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

21. Net Finance Costs (continued)

a) Debt repayment details (continued)

ii. 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.

iii. CDPI and Sprott debt facilities

On August 16, 2019, the Company fully repaid 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.

iv. 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 year ended March 31, 2020, following a change in the fair value of the derivative assets by $1,907,000 for the same period.

22. Other Income (Expense)

	Year Ended March 31,	
	2021	2020
Change in fair value of non-current investments	**7,905**	(1,107)
Gain on disposal of non-current investments	**2,332**	—
	10,237	(1,107)

23. Income and Mining Taxes

a) Deferred tax assets and liabilities

	As at March 31,	As at March 31,
	2021	2020
Deferred tax assets	**32,117**	28,201
Deferred income tax liability	**(82,814)**	(72,566)
Deferred mining tax liability	**(33,836)**	(23,576)
	(116,650)	(96,142)
Net deferred tax liabilities	**(84,533)**	(67,941)

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

23. Income and Mining Taxes (continued)

a) Deferred tax assets and liabilities (continued)

The movement in deferred income tax asset during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets	Operating losses carried forward	Capital losses carried forward	Rehabilitation obligation	Transaction costs	Mining tax deduction and other	Total
As at April 1, 2019	9,924	48	9,690	128	126	19,916
Credited (charged) to statements of income	(1,164)	(48)	1,662	1,434	6,401	8,285
As at March 31, 2020	**8,760**	**—**	**11,352**	**1,562**	**6,527**	**28,201**
Credited (charged) to statements of income	245	1,079	592	(892)	2,892	3,916
As at March 31, 2021	**9,005**	**1,079**	**11,944**	**670**	**9,419**	**32,117**

The movement in deferred income tax liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax liabilities	Property, plant and equipment	Mining tax	Exploration and evaluation assets	Other	Total
As at April 1, 2019	38,415	12,785	5,705	471	57,376
Charged (credited) to statements of income	26,902	10,791	1,073	—	38,766
As at March 31, 2020	**65,317**	**23,576**	**6,778**	**471**	**96,142**
Charged (credited) to statements of income	8,155	10,260	397	1,696	20,508
As at March 31, 2021	**73,472**	**33,836**	**7,175**	**2,167**	**116,650**

As at March 31, 2021, the Company had $9,012,000 (March 31, 2020: $30,363,000) of net deductible temporary differences, other than Canadian exploration expenses, cumulative Canadian development expenses and tax losses, for which no deferred tax assets have been recognized.

As at March 31, 2021, the Company had $47,641,000 (March 31, 2020: $47,806,000) of operating loss that can be carried forward against future taxable income and that will expire from 2027 to 2039. Out of those losses, $13,553,000 (March 31, 2020: $14,644,000) were not recognized. As at March 31, 2021, the Company also had $17,180,000 (March 31, 2020: $14,327,000) of operating losses that can be carried forward indefinitely against future taxable income, for which no deferred tax assets have been recognized.

As at March 31, 2021, the Company had $14,318,000 (March 31, 2020: $18,738,000) of net capital losses that can be carried forward indefinitely against future capital gains. Out of those capital losses, $6,177,000 (March 31, 2020: $18,738,000) were not recognized. Net capital losses can be carried forward indefinitely and can only be used against future taxable capital gains.

As at March 31, 2021, the Company had $1,778,000 (March 31, 2020: $1,778,000) of unrecognized investment tax credit that can be carried forward against future income tax payable and that will expire from 2033 to 2035.

As at March 31, 2021, the Company had $486,948,000 (March 31, 2020: nil) of taxable temporary differences related to investments in subsidiaries. Deferred tax liabilities were not recognized in respect of such taxable temporary differences as the Company controls the decisions affecting the realization of such liabilities and does not expect these temporary differences to reverse in the foreseeable future. Upon distribution of these earnings in the form of dividends or otherwise, the Company may be subject to income and withholding taxes.

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

23. Income and Mining Taxes (continued)

b) Tax expense

The tax expense is applicable as follows:

	Year Ended March 31, 2021	2020
Current income and mining taxes		
Current income tax on profits for the year	**150,166**	45,158
Current mining tax on profits for the year	**130,689**	44,499
Total current income and mining taxes	**280,855**	89,657
Deferred income and mining taxes		
Deferred income tax for the year	**6,332**	19,690
Deferred mining tax for the year	**10,260**	10,791
Total deferred income and mining taxes	**16,592**	30,481
Income and mining taxes expense	**297,447**	120,138

The tax on the Company's income before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	Year Ended March 31, 2021		2020	
	Amount	**%**	**Amount**	**%**
Income before income and mining taxes	**761,872**		241,188	
Canadian combined tax rate for Champion		**26.50 %**		26.58 %
Expected tax calculated at Canadian combined tax rate	**201,896**		64,096	
Increase (decrease) resulting from the tax effects of:				
Mining tax, net of tax benefit	**103,603**	**13.60 %**	40,159	16.65 %
(Income) expenses not (taxable) deductible for tax purposes	**(3,790)**	**(0.50)%**	11,575	4.80 %
Unrecorded tax benefits	**(97)**	**(0.01)%**	6,073	2.52 %
Recognition of previously unrecognized tax benefits	**(3,640)**	**(0.48)%**	—	— %
Difference in tax rate	**(232)**	**(0.03)%**	(1,258)	(0.52)%
Other	**(293)**	**(0.04)%**	(507)	(0.21)%
Income and mining taxes expense at effective tax rate	**297,447**	**39.04 %**	**120,138**	**49.82 %**

c) Income and mining taxes payable

The reconciliation of income and mining taxes payable is presented as follows:

Income and mining taxes payable	**Mining Tax**	**Income Tax**	**Total**
As at April 1, 2019	34,059	—	34,059
Current tax on profit for the year	44,499	45,158	89,657
Tax paid during the year	(65,932)	(23)	(65,955)
As at March 31, 2020	**12,626**	**45,135**	**57,761**
Current tax on profit for the year	130,689	150,166	280,855
Tax paid during the year	(56,708)	(90,366)	(147,074)
As at March 31, 2021	**86,607**	**104,935**	**191,542**

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

24. Earnings per Share

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

	Year Ended March 31,	
	2021	2020
Net income attributable to Champion shareholders	**464,425**	89,426
Weighted average number of common shares outstanding - Basic	**478,639,000**	441,620,000
Dilutive share options, warrants and equity settled awards	**27,684,000**	23,025,000
Weighted average number of outstanding shares - Diluted	**506,323,000**	464,645,000
Basic earnings per share	**0.97**	0.20
Diluted earnings per share	**0.92**	0.19

25. 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 March 31, 2021 and 2020:

As at March 31, 2021		**Fair Value Through Profit and Loss**	**Financial Assets at Amortized Cost**	**Financial Liabilities at Amortized Cost**	**Total Carrying Amount and Fair Value**
Assets					
Current					
Cash and cash equivalents	Level 1	—	**609,316**	—	**609,316**
Short-term investments	Level 1	—	**27,200**	—	**27,200**
Trade receivables	Level 2	**73,341**	—	—	**73,341**
Other receivables (excluding sales tax)	Level 2	—	**1,055**	—	**1,055**
Non-current					
Restricted cash	Level 1	—	**44,012**	—	**44,012**
Non-current investments	Level 1	**8,761**	—	—	**8,761**
		82,102	**681,583**	—	**763,685**
Liabilities					
Current					
Accounts payable and other (excluding current portion of lease liabilities)	Level 2	—	—	**101,724**	**101,724**
		—	—	**101,724**	**101,724**
Non-current					
Long-term debt	Level 2	—	—	**214,951**	**214,951**
		—	—	**316,675**	**316,675**

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

25. Financial Instruments (continued)

Measurement categories (continued)

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					
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

Financial risk factors

a) Market

i. Fair value

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

Fair value measurement hierarchy

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

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

There are no transfers between Level 1, Level 2 and Level 3 during the year ended March 31, 2021 (year ended March 31, 2020: nil).

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

25. Financial Instruments (continued)

Financial instruments measured at fair value

Trade receivables

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

Non-current investments

Equity instruments are classified as a Level 1 in the fair value hierarchy. Their fair values are a recurring measurement and are estimated using the closing share price observed on the relevant stock exchange. The equity investments are classified as financial assets at FVPL.

a) Market

ii. Interest rate risk

Interest risk is the risk that the value of assets and liabilities will change when the related interest rates change. The Company is exposed to interest rate risk primarily on its long-term debt and does not take any particular measures to protect itself against fluctuations in interest rates. With the exception of its long-term debt, the Company's current financial assets and financial liabilities are not significantly exposed to interest rate risk because either they are of a short-term nature or because they are non-interest bearing.

The Credit Facilities are subject to interest based on LIBOR. Based on the Credit Facilities outstanding balances at the end of the reporting period, the following table illustrates a LIBOR rate sensitivity analysis calculating the impact on net income and equity over a 12-month horizon:

	Year Ended March 31,	
(in U.S. dollars)	**2021**	2020
Increase in net income and equity with a 1% depreciation in the LIBOR rate	**1,800**	2,000
Decrease in net income and equity with a 1% appreciation in the LIBOR rate	**(1,800)**	(2,000)

iii. Commodity price risk

Commodity price risk arises from fluctuations in market prices of iron ore. The Company is exposed to the commodity price risk, as its iron ore sales are predominantly subject to prevailing market prices. The Company has limited ability to directly influence market prices of iron ore. The Company has sought to establish strategies that mitigate its exposure to iron ore price volatility in the short-term. The strategy of utilizing renowned brokers is aimed at providing some protection against decreases in the iron ore price while maintaining some exposure to pricing upside.

However, the Company's iron ore sales contracts are structured using the iron ore price indexes. These are provisionally priced sales volumes for which price finalization is referenced to the relevant index at a future date or the valuation is prescribed in some of the contracts. The estimated consideration in relation to the provisionally priced contracts is marked to market using the spot iron ore price at the end of each reporting period with the impact of the iron ore price movements recorded as an adjustment to operating sales revenue.

The following table sets out the Company's exposure, as at March 31, 2021, in relation to the impact of movements in the iron ore price for the provisionally invoiced sales volumes:

	Year Ended March 31,	
(in U.S. dollars)	**2021**	2020
Tonnes (dmt) subject to provisional pricing adjustments	**1,007,000**	931,000
10% increase in iron ore prices	**18,393**	6,370
10% decrease in iron ore prices	**(18,393)**	(6,370)

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

25. Financial Instruments (continued)

a) Market (continued)

The sensitivities demonstrate the monetary impact on revenues, net income and equity resulting from a 10% increase and a 10% decrease in the realized selling prices at each reporting date, while holding all other variables, including foreign exchange rates, constant. The relationship between iron ore prices and exchange rates is complex, and movements in exchange rates can impact commodity prices. The above sensitivities should therefore be used with caution.

iv. Foreign exchange risk

Foreign currency risk is the risk that the Company financial performance could be affected by fluctuations in the exchange rates between currencies. The Company's sales, sea freight and credit facilities costs are denominated in U.S. dollars. As such, the Company benefits from a natural hedge between its revenues and its sea freight and credit facilities costs. Still, the Company is exposed to foreign currency fluctuations as its cost of sales and general and administrative expenses are mainly incurred in Canadian dollars. Currently, the Company has no hedging contracts in place and therefore has exposure to the foreign exchange rate fluctuations. The strengthening of the U.S. dollar would positively impact the Company’s net income and cash flows while the strengthening of the Canadian dollar would reduce its net income and cash flows.

The following table indicates the foreign currency exchange risk as at March 31, 2021 and 2020:

(in U.S. dollars)	**As at March 31, 2021**	As at March 31, 2020
Current assets		
Cash and cash equivalents	**281,156**	129,644
Short-term investments	**7,666**	—
Receivables (excluding sales tax)	**58,323**	11,239
Non-current assets		
Restricted cash	**35,000**	—
Non-current liabilities		
Long-term debt	**(180,000)**	(200,000)
Total foreign currency net liabilities in USD	**202,145**	(59,117)
CAD dollar equivalents	**254,197**	(83,869)

The following table is a currency risk sensitivity analysis calculating the impact on net income and equity for the year ended March 31, 2021 and 2020, based on the Company’s net assets (liabilities) denominated in US dollars at the end of the reporting period:

	As at March 31 2021	As at March 31 2020
(Decrease) increase in net income and equity with a 10% depreciation in the US dollar	**(25,420)**	8,387
Increase (decrease) in net income and equity with a 10% appreciation in the US dollar	**25,420**	(8,387)

The sensitivity analysis above assumes that all other variables remain constant. The Company’s exposure to other currencies is not significant.

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

25. Financial Instruments (continued)

a) Market (continued)

v. Equity price risk

The Company is exposed to equity price risk for equity investments at fair value through profit and loss. Equity price risk is the risk that the fair value of a financial instrument varies due to equity market changes. The Company's equity investments are exposed to equity price risk since their fair value is determined through the last closing share price on the relevant stock exchange. The Company has no specific strategy to manage the equity price risk.

The following table is an equity risk sensitivity analysis calculating the impact on net income and equity based on variation of 10% of the quoted equity investment value at the end of the reporting period:

	As at March 31 2021	As at March 31 2020
Increase in net income and equity with a 10% appreciation in the equity investments	**876**	155
Decrease in net income and equity with a 10% depreciation in the equity investments	**(876)**	(155)

The sensitivity analysis above assumes that all other variables remain constant.

b) Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the Company’s cash and cash equivalents, short-term investments, and trade receivables.

Cash and cash equivalents and short-term investments
With respect to credit risk arising from cash and cash equivalents and short-term investments, the Company’s exposure to credit risk arises from default of the counterparty, with a maximum exposure corresponding to the carrying amount of these instruments. The Company limits its counterparty credit risk on these assets by dealing only with financial institutions with credit ratings of at least A or equivalent.

Trade receivables
The Company’s credit risk on trade receivables relates to two customers having similar activities and economic characteristics, representing a significant portion of sales with a maximum exposure corresponding to the carrying value. Trade receivable credit risk is mitigated through established credit monitoring activities. These include conducting financial and other assessments to establish and monitor a customer’s credit worthiness, setting customer limits, monitoring exposure against these limits. There is no assurance that customers will remain solvent over time and in the event a significant customer is unable to accept contracted volumes, the volumes may then be sold on a spot basis to traders, sold under renegotiated contractual volumes with existing customers, or sold under contracts with new customers.

Loss allowance on receivables is based on actual credit loss experience over the past years and current economic conditions. Receivables are generally settled within six months and are historically collectable. The Company has no receivables past due as at March 31, 2021 (March 31, 2020: nil). For the year ended March 31, 2021, no provision was recorded on any of the Company's receivables (year ended March 31, 2020: nil).

The Company holds no collateral for any receivable amounts outstanding as at March 31, 2021 (March 31, 2020: nil).

c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial liabilities and lease liabilities that are settled in cash or other financial assets. The Company’s approach to managing liquidity risk is to ensure, as far as possible, through budgeting and cash forecasting, that it will have sufficient liquidity to meet its liabilities as they come due. For the year-ended March 31, 2021, the COVID-19 pandemic did not have a negative impact on the Company's liquidity risk.

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

25. Financial Instruments (continued)

c) Liquidity risk (continued)

The following are the contractual maturities of financial liabilities and gross lease liabilities (non-financial liabilities) with estimated future interest payments as at March 31, 2021:

	Less than a year	1 to 5 years	More than 5 years	Total
Accounts payable and other	**101,724**	**—**	**—**	**101,724**
Long-term debt, including interest	**9,315**	**239,773**	**—**	**249,088**
Lease liabilities, including interest	**577**	**1,146**	**454**	**2,177**
	111,616	**240,919**	**454**	**352,989**

26. Capital Risk Management

Capital of the Company consists the components of shareholders' equity and borrowings. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can acquire, explore and develop mineral resource properties for the benefit of its shareholders.

The Company manages its capital structure and makes adjustments based on the funds available to the Company in light of changes in economic conditions. The Company is not subject to externally imposed capital requirements other than certain restrictions under the terms of its lending agreements. In order to facilitate the management of its capital requirements, the Company prepares long-term cash flow projections that consider various factors, including successful capital deployment, general industry conditions and economic factors. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

Historically, borrowings and equity financing were the Company's principal source of capital. As a result, capital is defined as long-term debt, lease liabilities and share capital of the Company:

	As at March 31, 2021	As at March 31, 2020
Long-term debt	**214,951**	275,968
Lease liabilities	**1,902**	2,890
Share capital	**515,970**	431,556
	732,823	710,414

27. Key Management Compensation

The Company considers its directors and officers to be key management personnel. Transactions with key management personnel are set out as follows:

	Year Ended March 31, 2021	2020
Short-term benefits		
Salaries	**3,044**	2,248
Bonus	**2,588**	1,343
	5,632	3,591
Share-based payments	**4,530**	2,785
All other remuneration	**351**	268
	10,513	6,644

28. Commitments and Contingencies

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

(in thousands of dollars)	Less than a year	1 to 5 years	More than 5 years	Total
Impact and Benefits Agreement with the Innu community	**5,245**	**22,604**	**90,606**	**118,455**
Take-or-pay fees related to the Port agreement	**4,599**	**19,573**	**76,992**	**101,164**
Capital expenditure obligations	**122,203**	**—**	**—**	**122,203**
Service commitment	**9,985**	**11,369**	**—**	**21,354**
Spare parts purchase commitment	**9,130**	**—**	**—**	**9,130**
Committed leases not yet commenced	**3,152**	**9,037**	**33,887**	**46,076**
Other	**754**	**1,146**	**454**	**2,354**
	155,068	**63,729**	**201,939**	**420,736**

29. Subsidiary Entity Information

Set out below is the Company's summarized financial information for its subsidiary, QIO, which had a material non-controlling interest until August 16, 2019. 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 is a successor to Ressources Québec Inc., which held the equity interest in QIO at the time of the transaction.

As at March 31, 2021, the Company no longer has a non-controlling interest. For the year ended March 31, 2020, the interest that non-controlling interest had in the group's activities and cash flows until August 16, 2019 is as follow:

i. Summarized statement of income for QIO before inter-company eliminations

	Period Ended August 16, 2019
Revenues	331,487
Net income and comprehensive income	85,936
Net income attributable to non-controlling interest	31,624

ii. Summarized cash flows for QIO before inter-company eliminations

	Period Ended August 16, 2019
Cash flows from operating activities	156,536
Cash flows from investing activities	(46,747)
Cash flows from financing activities	(9,704)
Net cash flow	100,085

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

30. Parent Entity Information

The following table is an AAS requirement and presents the information relating to Champion Iron Limited:

	As at March 31, 2021	As at March 31, 2020
Current assets	**70,783**	38,181
Non-current assets	**85,594**	85,594
Total assets	**156,377**	123,775
Current liabilities	**580**	1,620
Total liabilities	**580**	1,620
Net assets	**155,797**	122,155
Share capital	**227,069**	142,655
Warrants	**29,973**	75,336
Contributed surplus	**13,324**	12,115
Accumulated deficit	**(114,569)**	(107,951)
Total equity	**155,797**	122,155
Net loss of the parent entity	**6,618**	36,231
Comprehensive loss of the parent entity	**6,618**	36,231

31. Auditor's Remuneration

The following table is an AAS requirement and presents the total of all remuneration received or due and receivable by the auditors in connection with:

	Year Ended March 31,	
	2021	2020
E&Y Canada		
Audit fees	**497**	511
Tax fees	**194**	52
All other fees	**27**	160
	718	723
E&Y Australia		
Audit fees	**59**	57
All other fees	**1**	10
	60	67
	778	790

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

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

a) Changes in non-cash operating working capital

	Year Ended March 31,	
	2021	2020
Receivables	**(74,205)**	67,629
Prepaid expenses and advances	**7,581**	8,945
Inventories	**(8,488)**	(12,118)
Advance payments	**(1,597)**	5,812
Accounts payable and other	**47,554**	9,473
Income and mining taxes payable	**133,781**	23,702
Property taxes payable	**—**	(13,940)
Other long-term liabilities	**(247)**	(388)
	104,379	89,115

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

	Year Ended March 31,	
	2021	2020
Additions of property, plant and equipment before right-of-use assets as per note 10	**179,817**	162,052
Depreciation of property, plant and equipment allocated to stripping activity asset	**(2,636)**	(1,431)
Non-cash increase of the asset rehabilitation obligation	**(2,166)**	(6,643)
Capitalized amortization of transaction costs	**(365)**	—
Asset transferred from exploration and evaluation assets to property, plant and equipment	**—**	(6,674)
Net cash flow from investing activities - purchase of property, plant and equipment	**174,650**	147,304

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

	Year Ended March 31,	
	2021	2020
Depreciation of property, plant and equipment as per note 10	**36,010**	24,856
Depreciation of property, plant and equipment allocated to stripping activity asset	**(2,636)**	(1,431)
Depreciation of intangible assets	**1,518**	915
Net effect of depreciation of property, plant and equipment allocated to inventory	**285**	(2,339)
Depreciation as per statements of income	**35,177**	22,001

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

33. 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.

Year Ended March 31, 2021	Mine Site	Exploration and Evaluation	Corporate	Total
Revenues	**1,281,815**	**—**	**—**	**1,281,815**
Cost of sales	**(416,272)**	**—**	**—**	**(416,272)**
Cost of sales - incremental costs related to COVID-19	**(12,610)**	**—**	**—**	**(12,610)**
Depreciation	**(34,919)**	**—**	**(258)**	**(35,177)**
Gross profit (loss)	**818,014**	**—**	**(258)**	**817,756**
Share-based payments	**—**	**—**	**(3,983)**	**(3,983)**
General and administrative expenses	**—**	**—**	**(23,594)**	**(23,594)**
Product research and development expenses	**—**	**—**	**(1,258)**	**(1,258)**
Sustainability and other community expenses	**(6,025)**	**—**	**(8,833)**	**(14,858)**
Operating income (loss)	**811,989**	**—**	**(37,926)**	**774,063**
Net finance costs, other income and taxes expenses				**(309,638)**
Net income				**464,425**
Segmented total assets	**1,347,588**	**76,106**	**73,212**	**1,496,906**
Segmented total liabilities	**(632,538)**	**—**	**(11,351)**	**(643,889)**
Segmented property, plant and equipment	**503,239**	**—**	**1,746**	**504,985**

Year Ended March 31, 2020	Mine Site	Exploration and Evaluation	Corporate	Total
Revenues	785,086	—	—	785,086
Cost of sales	(399,368)	—	—	(399,368)
Depreciation	(21,785)	—	(216)	(22,001)
Gross profit (loss)	363,933	—	(216)	363,717
Share-based payments	—	—	(2,551)	(2,551)
General and administrative expenses	—	—	(21,087)	(21,087)
Sustainability and other community expenses	(5,943)	—	(7,597)	(13,540)
Operating income (loss)	357,990	—	(31,451)	326,539
Net finance costs, other income and taxes expenses				(205,489)
Net income				121,050
Segmented total assets	777,725	75,525	29,348	882,598
Segmented total liabilities	(494,832)	—	(11,144)	(505,976)
Segmented property, plant and equipment	363,483	—	1,987	365,470

34. Subsequent Events

Acquisition of Kami

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

On April 1, 2021, Champion paid $15,000,000 in cash and issued 4,200,000 ordinary shares to Sprott and Altius Resources Inc. ("Altius") and the secured debt between Alderon and Sprott was extinguished. The consideration also includes an undertaking in favour of the Receiver to make a finite production payment on a fixed amount of future iron ore concentrate production from the Kami Project.

The acquisition is comprised of i) an intangible asset for the Sept-Îles Port Authority agreement for the rights and entitlements to reserve annual loading capacity to support the Company's plans to increase production with the Phase II project; ii) take-or-pay advance payments on its future shipping, wharfage and equipment fees, previously made by Alderon in respect of the Port agreement; and iii) exploration and evaluation assets for the Kami Project.

Other

On April 1, 2021, the Company signed a master lease agreement for an amount up to US$75,000,000 with Caterpillar Financial Services Limited in connection with the financing of Phase II mining equipment. The financing is available until March 31, 2022 and bears interest at LIBOR rate plus a margin of 3.25%. Under the agreement, the Company must maintain financial covenants. On May 21, 2021, Champion also signed a financing agreement with Fonds de Solidarité des Travailleurs du Québec for an amount up to $75,000,000.

Starting on May 10, 2021, the Company entered into forward foreign exchange contracts to sell US$220,000,000 for $266,376,000 maturing between June 2021 and April 2022 to reduce the risk of variability of future cash flows resulting from forecasted sales.