Champion Iron Limited

(ACN: 119 770 142)

Condensed Interim Consolidated Financial Statements
For the Three-Month Period Ended June 30, 2022 and 2021

(Expressed in thousands of Canadian dollars - unaudited)

Champion Iron Limited

Interim Consolidated Statements of Financial Position

(Expressed in thousands of Canadian dollars - unaudited)

	Notes	**As at June 30, 2022**	As at March 31, 2022
Assets			
Current			
Cash and cash equivalents		**155,924**	321,892
Short-term investments		**31,161**	30,777
Receivables	**3**	**120,764**	124,137
Income and mining taxes receivable		**64,205**	—
Prepaid expenses and advances	**4**	**44,221**	20,272
Inventories	**5**	**123,185**	98,861
		539,460	595,939
Non-current			
Restricted cash	**7**	**—**	43,736
Non-current investments		**14,600**	14,158
Advance payments		**157,718**	149,012
Intangible assets		**8,859**	8,545
Property, plant and equipment	**6**	**1,173,604**	1,070,030
Exploration and evaluation assets		**109,942**	107,810
Other non-current asset	**7**	**10,630**	—
Total assets		**2,014,813**	1,989,230
Liabilities			
Current			
Accounts payable and other		**206,528**	192,151
Income and mining taxes payable		**—**	22,744
Current portion of long-term debt	**7**	**16,096**	71,995
		222,624	286,890
Non-current			
Long-term debt	**7**	**335,392**	251,365
Deferred grant	**7**	**8,727**	8,727
Lease liabilities	**8**	**65,016**	51,689
Rehabilitation obligation	**9**	**76,348**	86,021
Other long-term liabilities	**10**	**9,126**	17,848
Deferred tax liabilities		**143,477**	124,992
Total liabilities		**860,710**	827,532
Shareholders' equity			
Share capital	**10**	**400,780**	398,635
Contributed surplus		**21,829**	21,339
Warrants	**10**	**22,473**	22,473
Foreign currency translation reserve		**496**	539
Retained earnings		**708,525**	718,712
Total equity		**1,154,103**	1,161,698
Total liabilities and equity		**2,014,813**	1,989,230
Commitments and contingencies	**17**		

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

Approved on July 28, 2022 on behalf of the directors

/s/ Michael O'Keeffe
Executive Chairman

/s/ Andrew Love
Lead Director

Champion Iron Limited

Interim Consolidated Statements of Income

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

		Three Months Ended June 30,	
	Notes	**2022**	2021
Revenues	**11**	**279,321**	545,408
Cost of sales	**12**	**(169,407)**	(120,846)
Depreciation		**(19,792)**	(9,959)
Gross profit		**90,122**	414,603
Other expenses			
Share-based payments	**10**	**2,430**	(1,289)
General and administrative expenses		**(12,272)**	(7,804)
Sustainability and other community expenses		**(3,343)**	(4,114)
Innovation and growth initiative expenses[1]		**(2,420)**	(1,353)
Operating income		**74,517**	400,043
Net finance costs	**13**	**(4,190)**	(4,387)
Other income (expense)	**14**	**621**	(4,263)
Income before income and mining taxes		**70,948**	391,393
Current income and mining taxes		**(10,909)**	(160,754)
Deferred income and mining taxes		**(18,485)**	(6,300)
Net income		**41,554**	224,339
Earnings per share			
Basic	**15**	**0.08**	0.44
Diluted	**15**	**0.08**	0.43
Weighted average number of ordinary shares outstanding			
Basic		**516,691,000**	506,271,000
Diluted		**527,877,000**	524,690,000

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

[1] Innovation and growth initiative expenses were previously labelled Product research and development expenses in the consolidated financial statements for the year ended March 31, 2022. Growth initiatives are diversifying and as a result, the Company changed the heading to better reflects the nature of the expenses.

Champion Iron Limited

Interim Consolidated Statements of Comprehensive Income

(Expressed in thousands of Canadian dollars - unaudited)

	Three Months Ended June 30,	
	2022	2021
Net income	**41,554**	224,339
Other comprehensive income (loss)		
Item that may be reclassified subsequently to the consolidated statements of income:		
Net movement in foreign currency translation reserve	**(43)**	20
Total other comprehensive income (loss)	**(43)**	20
Total comprehensive income	**41,511**	224,359

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

Champion Iron Limited

Interim Consolidated Statements of Equity

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

		Attributable to Champion Shareholders								
		Share Capital								
		Ordinary Shares		Preferred Shares						
	Note	**Shares[1]**	**$**	**Shares**	**$**	**Contributed Surplus**	**Warrants**	**Foreign Currency Translation**	**Retained Earnings**	**Total**
Balance - March 31, 2022		**516,612,000**	**398,635**	**—**	**—**	**21,339**	**22,473**	**539**	**718,712**	**1,161,698**
Net income		**—**	**—**	**—**	**—**	**—**	**—**	**—**	**41,554**	**41,554**
Other comprehensive loss		**—**	**—**	**—**	**—**	**—**	**—**	**(43)**	**—**	**(43)**
Total comprehensive income (loss)		**—**	**—**	**—**	**—**	**—**	**—**	**(43)**	**41,554**	**41,511**
Exercise of stock options	**10**	**300,000**	**2,145**	**—**	**—**	**(645)**	**—**	**—**	**—**	**1,500**
Dividends on ordinary shares	**10**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(51,658)**	**(51,658)**
Dividend equivalents	**10**	**—**	**—**	**—**	**—**	**83**	**—**	**—**	**(83)**	**—**
Share-based payments	**10**	**—**	**—**	**—**	**—**	**1,052**	**—**	**—**	**—**	**1,052**
Balance - June 30, 2022		**516,912,000**	**400,780**	**—**	**—**	**21,829**	**22,473**	**496**	**708,525**	**1,154,103**
Balance - March 31, 2021		502,116,000	356,463	185,000,000	159,507	22,309	29,973	530	284,235	853,017
Net income		—	—	—	—	—	—	—	224,339	224,339
Other comprehensive income		—	—	—	—	—	—	20	—	20
Total comprehensive income		—	—	—	—	—	—	20	224,339	224,359
Exercise of stock options	**10**	100,000	715	—	—	(215)	—	—	—	500
Issuance of ordinary shares for the acquisition of the Kami Project[2]	**10**	4,200,000	22,050	—	—	—	—	—	—	22,050
Redemption of preferred shares	**10**	—	—	(60,000,000)	(51,732)	—	—	—	(8,268)	(60,000)
Dividends on preferred shares	**10**	—	—	—	—	—	—	—	(4,266)	(4,266)
Share-based payments	**10**	—	—	—	—	1,219	—	—	—	1,219
Balance - June 30, 2021		506,416,000	379,228	125,000,000	107,775	23,313	29,973	550	496,040	1,036,879

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

1 All issued ordinary shares are fully paid and have no par value.
2 Kamistiatusset iron ore project (the "Kami Project").

Champion Iron Limited

Interim Consolidated Statements of Cash Flows

(Expressed in thousands of Canadian dollars - unaudited)

		Three Months Ended June 30,	
	Notes	2022	2021
Cash provided by (used in)			
Operating Activities			
Net income		**41,554**	224,339
Adjustments for non-cash items			
Depreciation	**18**	**19,792**	9,959
Share-based payments	**10**	**(2,430)**	1,289
Unrealized (gain) loss on derivative liabilities	**14, 16**	**(176)**	5,217
Change in fair value of non-current investments and related gain on disposal	**14**	**(442)**	(954)
Unrealized foreign exchange loss		**1,400**	1,928
Deferred income and mining taxes		**18,485**	6,300
Other		**930**	370
		79,113	248,448
Changes in non-cash operating working capital	**18**	**(111,360)**	(261,077)
Net cash flow used in operating activities		**(32,247)**	(12,629)
Investing Activities			
Purchase of property, plant and equipment	**6, 18**	**(122,614)**	(109,939)
Increase in non-current advance payments		**(13,548)**	(40,338)
Purchase of intangible assets		**(1,092)**	(448)
Decrease of restricted cash	**7**	**43,736**	—
Net acquisition of short-term investments		**—**	(2,697)
Acquisition of the Kami Project	**10**	**—**	(15,444)
Acquisition of non-current investments	**16**	**—**	(1,239)
Disposal of non-current investments	**16**	**—**	7,060
Investment in exploration and evaluation assets		**(2,132)**	(743)
Net cash flow used in investing activities		**(95,650)**	(163,788)
Financing Activities			
Issuance of long-term debt	**7**	**19,831**	30,000
Repayment of long-term debt	**7**	**(7,778)**	—
Transaction costs on long-term debt	**7**	**(3,903)**	(981)
Exercise of stock options	**10**	**1,500**	500
Redemption of preferred shares	**10**	**—**	(60,000)
Dividends paid on preferred and ordinary shares	**10**	**(51,658)**	(4,266)
Payment of lease liabilities	**8**	**(1,079)**	(259)
Net cash flow used in financing activities		**(43,087)**	(35,006)
Net decrease in cash and cash equivalents		**(170,984)**	(211,423)
Cash and cash equivalents, beginning of the period		**321,892**	609,316
Effects of exchange rate changes on cash and cash equivalents		**5,016**	(4,336)
Cash and cash equivalents, end of the period		**155,924**	393,557
Interest paid		**2,181**	2,370
Income and mining taxes paid		**95,240**	261,733

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

1. Description of Business

Champion Iron Limited ("Champion" or the "Company") was incorporated under the laws of Australia in 2006 and is listed on the Toronto Stock Exchange (TSX: CIA) and the Australian Securities Exchange (ASX: CIA) and trades on the OTCQX Best Market (OTCQX: CIAFF). The Company is domiciled in Australia and its principle administrative office is located on 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. Bloom Lake is an open-pit operation with two concentrators that primarily source energy from renewable hydroelectric power. The Bloom Lake Phase I and Phase II plants have a combined nameplate capacity of 15 million tonnes per annum ("Mtpa") and produce a low contaminant high-grade 66.2% Fe iron ore concentrate with the proven ability to produce a 67.5% Fe direct reduction quality concentrate. Bloom Lake's high-grade and low contaminant iron ore products have attracted a premium to the Platts IODEX 62% Fe iron ore benchmark. The Company ships iron ore concentrate from Bloom Lake by rail, to a ship loading port in Sept-Îles, Québec, and sells its iron ore concentrate to customers globally, including in China, Japan, the Middle East, Europe, South Korea, India and Canada. In addition to the Bloom Lake Mining Complex, Champion owns a portfolio of exploration and development projects in the Labrador Trough, including the Kamistiatusset Project located a few kilometres south-east of Bloom Lake, and the Consolidated Fire Lake North iron ore project, located approximately 40 km south of Bloom Lake.

2. Summary of Significant Accounting Policies and Future Accounting Changes

A. Basis of preparation

The Company's condensed interim consolidated financial statements ("financial statements") consist of Champion Iron Limited and its subsidiaries. These financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial assets and financial liabilities recorded at fair value.

The nature of the operations and principal activities of the Company are described in the Directors' Report for the year ended March 31, 2022.

B. Statement of compliance

These financial statements have been prepared for a for-profit enterprise in accordance with AASB 134/IAS 34, Interim Financial Reporting. These financial statements do not include certain information and disclosures normally included in the audited annual consolidated financial statements prepared in accordance with Australian Accounting Standards ("AAS") and International Financial Reporting Standards ("IFRS") and should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended March 31, 2022.

These financial statements were approved and authorized for issue by the Board of Directors ("the Board") on July 28, 2022.

C. Significant accounting policies

The accounting policies used in these financial statements are consistent with those disclosed in the Company's audited consolidated financial statements for the year ended March 31, 2022, except for new accounting standards issued and adopted by the Company, which are described below.

D. Significant accounting judgments, estimates and assumptions

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

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

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

E. New accounting amendments issued and adopted by the Company

The following amendments to existing standards have been adopted by the Company on April 1, 2022:

Amendments to AASB 3 (IFRS 3), Business Combinations ("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 137 (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. The Company applied this amendment during the Bloom Lake Phase II expansion project ("Phase II").

Amendments to AASB 137 (IAS 37), Provisions, Contingent Liabilities and Contingent Assets ("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 AASB 9 (IFRS 9), Financial Instruments ("IFRS 9")
Amendments to IFRS 9 clarify which fees an entity includes when it applies the "10 per cent" test in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. The Company applied this amendment in the analysis of the refinancing agreement. Refer to note 7 - Long-Term Debt.

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

F. New accounting amendments issued to be adopted at a later date

The following amendments to a standard have been issued and are applicable to the Company for its annual period beginning on April 1, 2023 and thereafter, with an earlier application permitted:

Amendments to AASB 101 (IAS 1), Presentation of Financial Statements ("IAS 1")
Amendments to IAS 1 change the requirements in IAS 1 with regard to disclosure of accounting policies. Applying the amendments, an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments to IAS 1 are made to explain how an entity can identify a material accounting policy.

Amendments to IAS 1 also 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 AASB 108 (IAS 8), Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8")
Amendments to IAS 8 replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

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

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

F. New accounting amendments issued to be adopted at a later date (continued)

Amendments to AASB 112 (IAS 12), Income Taxes ("IAS 12")

The amendments specify how entities should account for deferred income taxes on transactions such as leases and decommissioning obligations. In specified circumstances, entities are exempt from recognizing deferred income taxes when they recognize assets or liabilities for the first time. The amendments clarify that the exemption does not apply to transactions such as leases and decommissioning obligations and that entities are required to recognize deferred income taxes on such transactions.

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

3. Receivables

	Note	As at June 30, 2022	As at March 31, 2022
Trade receivables		**72,019**	93,527
Sales tax		**31,661**	23,981
Grant receivable	6	**6,911**	3,298
Other receivables		**10,173**	3,331
		120,764	124,137

As at June 30, 2022, the trade receivables, subject to provisional pricing, amounted to a total balance of $21,353,000 (March 31, 2022: $26,504,000). As at June 30, 2022, other receivables mainly comprised of refund to obtain for rail transportation services paid based on projected volumes of iron ore concentrate exceeding the actual volumes.

4. Prepaid Expenses and Advances

	As at June 30, 2022	As at March 31, 2022
Rail transportation	**30,860**	10,331
Port advance payments	**4,262**	3,206
Insurance	**6,235**	2,167
Other	**2,864**	4,568
	44,221	20,272

5. Inventories

	As at June 30, 2022	As at March 31, 2022
Stockpiled ore	**34,430**	28,523
Concentrate inventories	**40,671**	26,386
Supplies and spare parts	**48,084**	43,952
	123,185	98,861

For the three-month period ended June 30, 2022, the amount of inventories recognized as an expense totalled $169,723,000 (three-month period ended June 30, 2021: $130,805,000). For the three-month period ended June 30, 2022, no specific provision was recorded on any of the Company's inventories (three-month period ended June 30, 2021: nil).

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

6. Property, Plant and Equipment

	Mining and Processing Equipment	Locomotives, Railcars and Rails	Tailings Dikes	Assets under Construction (i)(ii)	Mining Development and Stripping Asset (iii)	Asset Rehabilitation Obligation and Other	Subtotal	Right-of-use Assets	Total
Cost									
March 31, 2022	222,915	54,476	143,932	531,785	111,965	73,139	1,138,212	66,368	1,204,580
Additions	30,607	—	—	76,773	13,169	490	121,039	14,906	135,945
Transfers and disposals	6,236	—	—	(6,236)	—	—	—	(2,128)	(2,128)
Foreign exchange and other	—	1,330	—	—	—	(10,279)	(8,949)	—	(8,949)
June 30, 2022	259,758	55,806	143,932	602,322	125,134	63,350	1,250,302	79,146	1,329,448
Accumulated depreciation									
March 31, 2022	89,760	8,891	13,637	—	10,780	6,436	129,504	5,046	134,550
Depreciation	9,543	597	1,862	—	8,461	881	21,344	1,570	22,914
Transfers and disposals	—	—	—	—	—	—	—	(1,893)	(1,893)
Foreign exchange and other	—	273	—	—	—	—	273	—	273
June 30, 2022	99,303	9,761	15,499	—	19,241	7,317	151,121	4,723	155,844
Net book value - June 30, 2022	160,455	46,045	128,433	602,322	105,893	56,033	1,099,181	74,423	1,173,604

	Mining and Processing Equipment	Locomotives, Railcars and Rails	Tailings Dikes	Assets under Construction (i)	Mining Development and Stripping Asset (iii)	Asset Rehabilitation Obligation and Other	Subtotal	Right-of-use Assets	Total
Cost									
March 31, 2021	172,460	43,663	81,549	176,079	67,831	32,223	573,805	10,335	584,140
Additions	24,658	6,959	—	449,228	44,134	44,674	569,653	57,138	626,791
Transfers and disposals	25,797	4,123	62,383	(93,522)	—	—	(1,219)	—	(1,219)
Foreign exchange and other	—	(269)	—	—	—	(3,758)	(4,027)	(1,105)	(5,132)
March 31, 2022	222,915	54,476	143,932	531,785	111,965	73,139	1,138,212	66,368	1,204,580
Accumulated depreciation									
March 31, 2021	56,018	6,967	8,212	—	1,799	3,519	76,515	2,640	79,155
Depreciation	34,482	1,972	5,425	—	8,981	2,917	53,777	2,406	56,183
Transfers and disposals	(740)	—	—	—	—	—	(740)	—	(740)
Foreign exchange and other	—	(48)	—	—	—	—	(48)	—	(48)
March 31, 2022	89,760	8,891	13,637	—	10,780	6,436	129,504	5,046	134,550
Net book value - March 31, 2022	133,155	45,585	130,295	531,785	101,185	66,703	1,008,708	61,322	1,070,030

(i) During the development period of the Phase II project, the amount of borrowing costs capitalized for the three-month period ended June 30, 2022 was $4,421,000 (three-month period ended June 30, 2021: $2,713,000). Borrowing costs consisted of interest expense on the long-term debt and the amortization of transaction costs. Refer to note 7 - Long-Term Debt. The capitalization rate used to determine the amount of borrowing costs eligible for capitalization for the three-month period ended June 30, 2022 was 5.3% (three-month period ended June 30, 2021: 5.7%).

(ii) The Company qualified for a government grant up to $21,817,000, payable in multiple advances, in relation to energy consumption reduction initiatives under certain conditions. The Company must reach gas emissions reduction targets over a period of 10 years and must complete the construction before August 5, 2025. The additions of property, plant and equipment for the three-month period ended June 30, 2022 are net of government grants of $3,613,000 which was receivable as at June 30, 2022 (three-month period ended June 30, 2021: nil). Refer to note 3 - Receivables.

(iii) For the three-month period ended June 30, 2022, the addition to the stripping asset includes: i) production expenses capitalized amounting to $6,084,000 (three-month period ended June 30, 2021: $6,146,000) and ii) allocated depreciation of property, plant and equipment amounting to $952,000 (three-month period ended June 30, 2021: $1,136,000).

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

7. Long-Term Debt

	As at June 30, 2022	As at March 31, 2022
	(three-month period)	(twelve-month period)
Opening balance	**323,360**	214,951
Advances	**19,831**	120,874
Market value adjustment	**—**	(8,727)
Principal repayment	**(7,778)**	(2,116)
Transaction costs	**—**	(4,373)
Reclassification of unamortized transaction costs	**6,953**	—
Amortization of transaction costs	**1,188**	4,681
Foreign exchange loss (gain)	**7,934**	(1,930)
	351,488	323,360
Less current portion	**(16,096)**	(71,995)
Ending balance	**335,392**	251,365

	As at June 30, 2022	As at March 31, 2022
Face value of long-term debt	**363,165**	343,178
Unamortized transaction costs and other	**(11,677)**	(19,818)
Long-term debt, net of transaction costs	**351,488**	323,360

Revolving Facility

In December 2020, QIO entered into a lending arrangement with various lenders to fund the completion of Phase II, which was comprised of a US$350,000,000 non-revolving credit facility and a US$50,000,000 revolving credit facility (collectively the "Senior Debt"), maturing on December 23, 2025 and December 23, 2023, respectively. On May 24, 2022, the Company completed the refinancing of the Senior Debt with a US$400,000,000 general purpose revolving facility (the "Revolving Facility") with various lenders maturing on May 24, 2026. The Company converted the US$180,000,000 outstanding balance under the Senior Debt to the Revolving Facility. The restricted cash covenant of US$35,000,000 (March 31, 2022: $43,736,000) to cover potential cost overruns of Phase II under the Senior Debt was lifted concurrent with the refinancing. Transaction costs of $3,903,000 were incurred for this refinancing.

The Revolving Facility is based on Secured Overnight Financing Rate ("SOFR"), plus a credit spread adjustment and a financial margin that fluctuates from 2.00% to 3.00% depending on whether the net debt to EBIDTA ratio is below 0.5 or greater than 2.5. As at June 30, 2022, the undrawn portion of the Revolving Facility totalled US$220,000,000. The Revolving Facility is payable at anytime at the discretion of the Company or at maturity.

Given that the Senior Debt was replaced by the Revolving Facility with substantially the same terms, the Company treated the refinancing as a non-substantial modification. The Company reclassified its unamortized transaction costs on the Senior Debt at the modification date to Other non-current asset in the consolidated statements of financial position. Transaction costs totalled $10,630,000 as at June 30, 2022 and are amortized on a straight-line basis over the term of the Revolving Facility.

Collaterals are comprised of all of the present and future undertakings, properties and assets of QIO and Lac Bloom Railcars Corporation Inc. The Company guaranteed all the obligations of QIO and Lac Bloom Railcars Corporation Inc. and pledged all of the shares it holds in QIO and Lac Bloom Railcars Corporation Inc.

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

7. Long-Term Debt (continued)

IQ Loan

On July 21, 2021, QIO entered into an unsecured loan agreement with Investissement Québec ("IQ Loan") to finance the Company's share of the increase in transshipment capacity by Société Ferroviaire et Portuaire de Pointe-Noire ("SFPPN") for an amount up to $70,000,000 maturing on April 1, 2032. The repayment commences on April 1, 2022 in ten equal annual installments of the principal balance outstanding. The agreement comprises an option to prepay the loan at any time without penalty. The loan bearing interest at 3.70% was determined to be at below-market rate. The fair value of the total advances of $60,000,000 was estimated at $51,273,000 and was determined based on the prevailing market interest rate for a similar instrument at the time the advances were made. The residual amount of $8,727,000 was recognized as a government grant and presented as a deferred grant in the consolidated statements of financial position. The deferred grant is amortized straight-line over the life of mine starting when SFPPN's new infrastructure are available for use.

During the three-month period ended June 30, 2022, the Company repaid $6,000,000 of the IQ Loan and has a remaining balance of $54,000,000 as at June 30, 2022 (March 31, 2022: $60,000,000).

FTQ Loan

On May 21, 2021, QIO entered into an unsecured loan agreement with Fonds de Solidarité des Travailleurs du Québec ("FTQ Loan") to fund the completion of Phase II for an amount up to $75,000,000, maturing on May 21, 2028. As at June 30, 2022, the drawn portion of the FTQ Loan totalled $30,000,000 (March 31, 2022: $30,000,000). The FTQ Loan includes an option to prepay in whole or in part at any time, but not prior to the second anniversary by paying a premium that varies from 2% to 6% based the prepayment date.

CAT Financing

On April 1, 2021, the Company signed an agreement with Caterpillar Financial Services Limited ("CAT Financing") to finance Phase II mining equipment for a facility of up to US$75,000,000 and available until March 31, 2023. During the three-month period ended June 30, 2022, the Company drew on $19,831,000 (US$15,459,000) and repaid $1,778,000 (US$1,424,000) resulting in a balance of US$36,642,000 as at June 30, 2022 (March 31, 2022: US$22,607,000). The CAT Financing matures between 3 to 6 years depending on the equipment and is collateralized by all of the financed equipment. The CAT Financing includes an option to prepay the loan without penalty at any time.

The Revolving Facility, FTQ Loan and the CAT Financing are subject to operational and financial covenants, all of which have been met as at June 30, 2022. The undrawn portion of the Revolving Facility, FTQ Loan and the CAT Financing is subject to standby commitment fees varying from 0.35% to 1.38%.

During the three-month period ended June 30, 2022, the weighted average interest rate was 4.3% (three-month period ended June 30, 2021: 4.4%).

8. Lease Liabilities

	As at June 30, 2022	As at March 31, 2022
Opening balance	**53,979**	1,902
New lease liabilities	**14,906**	56,159
Payments	**(1,079)**	(2,043)
Lease termination	**(240)**	(1,285)
Impact of foreign exchange	**1,655**	(754)
	69,221	53,979
Less current portion classified in "Accounts payable and other"	**(4,205)**	(2,290)
Ending balance	**65,016**	51,689

During the three-month period ended June 30, 2022, QIO received the remaining railcars related to a master lease agreement for 450 railcars for a term of 20 years to support the Phase II production volume. The lease liability is guaranteed by Champion and QIO is not subject to any financial covenants under the master lease agreement and cannot assign or sublease any railcars. New lease liabilities for the three-month period ended June 30, 2022 were comprised of these railcars and additional equipment.

9. Rehabilitation Obligation

	As at June 30,	As at March 31,
	2022	2022
	(three-month period)	(twelve-month period)
Opening balance	**86,021**	45,074
Increase due to reassessment of the rehabilitation obligation	**490**	44,605
Accretion expense	**116**	100
Effect of change in discount rate	**(10,279)**	(3,758)
Ending balance	**76,348**	86,021

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 1.36% as at June 30, 2022 (March 31, 2022: 0.54%). The undiscounted amount related to the rehabilitation obligation is estimated at $94,311,000 as at June 30, 2022 (March 31, 2022: $93,706,000).

10. Share Capital and Reserves

a) Authorized

The Company's share capital consists of authorized:

- Unlimited number of ordinary shares, without par value; and
- Unlimited number of preferred shares, without par value, issuable in series.

b) Ordinary share issuances

	Three Months Ended June 30,	
	2022	2021
	(in thousands)	(in thousands)
Opening balance	**516,612**	502,116
Shares issued for exercise of options - incentive plan	**300**	100
Shares issued for the acquisition of the Kami Project	**—**	4,200
Ending balance	**516,912**	506,416

On April 1, 2021, the Company issued 4,200,000 ordinary shares to Sprott Private Resource Lending (Collector), LP ("Sprott") and Altius Resources Inc. as partial consideration for the acquisition 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. The consideration paid also included a cash payment of $15,000,000, in addition to $444,000 in transaction costs. Additional details on the purchase price allocation are disclosed in note 8 of the Company's audited annual consolidated financial statements for the year ended March 31, 2022.

During the three-month period ended June 30, 2022, the Company paid a dividend of $0.10 per ordinary share of the Company in respect to the annual results for the period ended March 31, 2022 to registered shareholders for a total amount of $51,658,000 (three-month period ended June 30, 2021: nil).

10. Share Capital and Reserves (continued)

c) Preferred share issuances

	Three Months Ended June 30,
	2021
	(in thousands)
Opening balance	185,000
Redemption of preferred shares	(60,000)
Ending balance	125,000

On August 16, 2019, QIO issued preferred shares for consideration of $185,000,000 to CDP Investissements Inc. ("CDPI"). Transaction costs of $3,205,000 were incurred for this transaction, resulting in net proceeds of $181,795,000. The preferred shares accumulated dividends, if and when declared by QIO. During the 21-month construction period of Phase II, the applicable dividend rate was locked in at 9.25% and fluctuated thereafter based on the gross realized iron ore price.

During the three-month period ended June 30, 2021, the Company declared and paid dividends on the preferred shares amounting to $4,266,000 or $0.02 per preferred share which represented the accumulated dividends for the April 1, 2021 to June 30, 2021 period, inclusively. On June 30, 2021, QIO redeemed 60,000,000 of its preferred shares. The redemption was settled for $60,000,000 and the excess of the repurchase price over the book value of $8,268,000 was recorded in retained earnings for the three-month period ended June 30, 2021.

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

Stock option awards and RSU awards vest annually in three equal tranches from the date of grant. PSU awards vest i) at the end of three years from the date of grant or ii) over a 32-month period for Phase II construction. Vesting is subject to key performance indicators established by the Board. A portion of the PSUs granted with performance criteria based on Phase II milestones is settled in cash. DSU awards vest at the date of the grant. On July 28, 2021, the Company modified some of the RSUs, PSUs and DSUs to allow the holders to elect the form of settlement for vested share-based units granted under the Omnibus incentive plan.

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

	Three Months Ended June 30,	
	2022	2021
Stock option costs	**188**	322
RSU costs	**(1,195)**	369
PSU costs	**(751)**	598
DSU costs	**(672)**	—
	(2,430)	1,289

For the three-month period ended June 30, 2022, the amount recognized as share-based payment expense related to equity-settled awards was $1,052,000 (three-month period ended June 30, 2021: $1,219,000). For the three-month period ended June 30, 2022, the amount recognized as share-based payment recovery related to cash-settled awards was $3,482,000 (three-month period ended June 30, 2021: share-based payment expense of $70,000).

10. Share Capital and Reserves (continued)

d) Share-based payments (continued)

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

	As at June 30, 2022	As at March 31, 2022
Accounts payable and other	**3,492**	7,313
Other long-term liabilities	**3,673**	12,304
	7,165	19,617

e) Stock options

As at June 30, 2022, the Company is authorized to issue 51,691,000 stock options and share rights (June 30, 2021: 50,642,000) equal to 10% (June 30, 2021: 10%) of the issued and outstanding ordinary shares for issuance under the Omnibus incentive plan. The stock options granted will vest over a three-year period.

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

	Three Months Ended June 30, 2022		**Three Months Ended June 30, 2021**	
	Number of Stock Options	**Weighted Average Exercise Price**	**Number of Stock Options**	**Weighted Average Exercise Price**
	(in thousands)		(in thousands)	
Opening balance	**1,500**	**5.00**	1,920	4.85
Exercised	**(300)**	**5.00**	(100)	5.00
Ending balance	**1,200**	**5.00**	1,820	4.84
Options exercisable - end of the period	**800**	**5.00**	620	4.52

During the three-month period ended June 30, 2022, no new stock options were granted to executive officers of the Company (three-month period ended June 30, 2021: nil). During the three-month period ended June 30, 2022, a total of 300,000 stock options were exercised and the weighted average share price at the exercise date was $6.84. During the three-month period ended June 30, 2021, a total of 100,000 stock options were exercised and the weighted average share price at the exercise date was $6.00.

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

		Number of Stock Options	
Exercise Price	**Weighted Average Remaining Life (Years)**	**Outstanding**	**Exercisable**
		(in thousands)	(in thousands)
$5.00	2.61	1,200	800
		1,200	**800**

10. Share Capital and Reserves (continued)

f) Restricted share units

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

	Three Months Ended June 30, 2022		Three Months Ended June 30, 2021	
	Number of RSUs (in thousands)	Weighted Average Share Price	Number of RSUs (in thousands)	Weighted Average Share Price
Opening balance	**1,142**	**3.37**	1,010	2.24
Granted	**363**	**6.89**	316	6.16
Dividend equivalents	**14**	**6.95**	—	—
Settled through cash payment	**(431)**	**2.23**	—	—
Forfeited	**(2)**	**6.16**	—	—
Ending balance	**1,086**	**5.04**	1,326	3.18
Vested - end of the period	**377**	**3.49**	536	2.22

During the three-month period ended June 30, 2022, 363,000 RSUs were granted to key management personnel (three-month period ended June 30, 2021: 316,000). They will vest annually in three equal tranches from the date of grant.

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

g) Performance share units

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

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

	Three Months Ended June 30, 2022		Three Months Ended June 30, 2021	
	Number of PSUs (in thousands)	Weighted Average Share Price	Number of PSUs (in thousands)	Weighted Average Share Price
Opening balance	**2,842**	**4.55**	1,272	2.25
Granted	**610**	**6.89**	1,635	6.16
Dividend equivalents	**39**	**6.95**	—	—
Settled through cash payment	**(614)**	**2.23**	—	—
Forfeited	**(3)**	**6.16**	—	—
Ending balance	**2,874**	**5.55**	2,907	4.45
Vested - end of the period	**—**	**—**	—	—

During the three-month period ended June 30, 2022, 610,000 PSUs were granted to key management personnel (three-month period ended June 30, 2021: 1,635,000).

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

10. Share Capital and Reserves (continued)

h) Warrants

	Three Months Ended June 30,		Three Months Ended June 30,	
		2022		2021
	Number of Warrants	**Weighted Average Exercise Price**	**Number of Warrants**	**Weighted Average Exercise Price**
	(in thousands)		(in thousands)	
Opening balance	**15,281**	**1.91**	25,281	1.91
Exercised	**—**	**—**	—	—
Ending balance	**15,281**	**1.91**	25,281	1.91

A summary of the Company's outstanding and exercisable warrants as at June 30, 2022 and 2021 is presented below:

			Outstanding and Exercisable	
Exercise Price	**Holder**	**Expiry Date**	**As at June 30,**	As at June 30,
			2022	2021
			(in thousands)	(in thousands)
$1.125	Sprott	October 16, 2022	**281**	281
$1.125	CDPI	October 16, 2024	**—**	10,000
$2.45	CDPI	August 16, 2026	**15,000**	15,000
			15,281	25,281

All ordinary share warrants were accounted for as warrants in the consolidated statements of equity. There has been no change to the details of the warrants as disclosed in the Company's audited annual consolidated financial statements for the year ended March 31, 2022.

During the three-month period ended June 30, 2022, no warrants were exercised (three-month period ended June 30, 2021: nil).

11. Revenues

	Three Months Ended June 30,	
	2022	2021
Iron ore revenue	**294,989**	484,513
Provisional pricing adjustments	**(15,668)**	60,895
	279,321	545,408

Provisional pricing adjustments represent any difference between the revenue recognized at the end of the previous period and the final settlement price. As at June 30, 2022, 0.7 million tonnes of iron ore sales remained subject to provisional pricing, with the final price to be determined in the subsequent reporting periods (June 30, 2021: 1.2 million tonnes).

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

12. Cost of Sales

	Three Months Ended June 30,	
	2022	2021
Land transportation	**50,803**	41,996
Operating supplies and parts	**43,472**	30,900
Salaries, benefits and other employee expenses	**38,250**	25,497
Sub-contractors	**34,217**	20,777
Other production costs	**5,679**	6,377
Change in inventories	**(17,246)**	(623)
Production expenses capitalized as stripping asset	**(6,084)**	(6,146)
Incremental costs related to COVID-19	**840**	2,068
Bloom Lake Phase II start-up costs	**19,476**	—
	169,407	120,846

Incremental operating costs related to COVID-19 results from the Company's safety measures, which are mainly comprised of on-site COVID-19 testing and laboratory costs, incremental costs for cleaning and disinfecting facilities, premiums paid to employees from adjusted work schedules and incremental transportation costs.

Effective April 1, 2022, the Company presents its Phase II start-up costs into the cost of sales. This presentation results from the commissioning of the Bloom Lake Phase II facility in the three-month period ended June 30, 2022. Start-up costs are pre-commercial expenses and mainly include abnormal operational costs attributable to the facility not having reached the normalized level of output. Bloom Lake Phase II start-up costs were incurred starting in the three-month period ended September 30, 2021 and were presented on a separate line into operating expenses in the consolidated statements of income in the comparative year.

For the three-month period ended June 30, 2022, the amount recognized as an expense for defined contribution plans was $2,272,000 (three-month period ended June 30, 2021: $1,240,000) and is included in salaries, benefits and other employee expenses.

13. Net Finance Costs

	Three Months Ended June 30,	
	2022	2021
Standby commitment fees on long-term debt	**931**	1,272
Interest on long-term debt	**—**	508
Amortization of transaction costs	**818**	338
Realized and unrealized foreign exchange loss	**1,396**	2,027
Interest expense on lease liabilities	**850**	22
Other	**195**	220
	4,190	4,387

During the development period of the Bloom Lake Phase II expansion project, the amount of borrowing costs capitalized for the three-month period ended June 30, 2022 was $4,421,000 (three-month period ended June 30, 2021: $2,713,000). Borrowing costs consisted of interest expense and transaction costs on the long-term debt.

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

14. Other Income (Expense)

		Three Months Ended June 30,	
	Note	**2022**	2021
Unrealized gain (loss) on non-current investments	**16**	**442**	(5,396)
Realized gain of non-current investments	**16**	**—**	6,350
Unrealized gain (loss) on derivative liabilities	**16**	**176**	(5,217)
Net gain on non-financial assets		**3**	—
		621	(4,263)

15. Earnings per Share

Earnings per share amounts are calculated by dividing the net income attributable to Champion shareholders for the three-month periods ended June 30, 2022 and 2021 by the weighted average number of shares outstanding during the period.

	Three Months Ended June 30,	
	2022	2021
Net income	**41,554**	224,339
Weighted average number of common shares outstanding - Basic	**516,691,000**	506,271,000
Dilutive share options, warrants and equity settled awards	**11,186,000**	18,419,000
Weighted average number of outstanding shares - Diluted	**527,877,000**	524,690,000
Basic earnings per share	**0.08**	0.44
Diluted earnings per share	**0.08**	0.43

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

16. Financial Instruments

Measurement Categories

Financial assets and financial liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value, whether changes in fair value are recognized in the profit or loss or in other comprehensive income. These categories are financial assets and financial liabilities at fair value through profit of loss ("FVTPL"), financial assets at amortized cost, and financial liabilities at amortized cost. The following tables show the carrying values and the fair value of assets and liabilities for each of these categories as at June 30, 2022 and March 31, 2022:

As at June 30, 2022		Financial instruments at FVTPL	Financial Assets at Amortized Cost	Financial Liabilities at Amortized Cost	Total Carrying Amount and Fair Value
Assets					
Current					
Cash and cash equivalents	Level 1	—	155,924	—	155,924
Short-term investments	Level 1	—	31,161	—	31,161
Trade receivables	Level 2	72,019	—	—	72,019
Other receivables (excluding sales tax and grant)	Level 2	—	10,173	—	10,173
Non-current					
Equity investment in publicly listed entity (included in non-current investments)	Level 1	9	—	—	9
Convertible loans, derivative and equity investment in private entity (included in non-current investments)	Level 3	14,591	—	—	14,591
		86,619	197,258	—	283,877
Liabilities					
Current					
Accounts payable and other (excluding current portion of lease liabilities and cash-settled share-based payment liability)	Level 2	—	—	198,831	198,831
Cash-settled share-based payment liability (included in accounts payable and other)	Level 1	3,492	—	—	3,492
Current portion of long-term debt	Level 2	—	—	16,096	16,096
		3,492	—	214,927	218,419
Non-current					
Long-term debt	Level 2	—	—	335,392	335,392
Cash-settled share-based payment liability (included in other long-term liabilities)	Level 1	3,673	—	—	3,673
		7,165	—	550,319	557,484

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

16. Financial Instruments (continued)

Measurement Categories (continued)

As at March 31, 2022		Financial instruments at FVTPL	Financial Assets at Amortized Cost	Financial Liabilities at Amortized Cost	Total Carrying Amount and Fair Value
Assets					
Current					
Cash and cash equivalents	Level 1	—	321,892	—	321,892
Short-term investments	Level 1	—	30,777	—	30,777
Trade receivables	Level 2	93,527	—	—	93,527
Other receivables (excluding sales tax and grant)	Level 2	—	3,331	—	3,331
Non-current					
Restricted cash	Level 1	—	43,736	—	43,736
Equity investment in publicly listed entity (included in non-current investments)	Level 1	9	—	—	9
Convertible loans, derivative and equity investment in private entity (included in non-current investments)	Level 3	14,149	—	—	14,149
		107,685	399,736	—	507,421
Liabilities					
Current					
Accounts payable and other (excluding the current portion of lease liabilities and cash-settled share-based payment liability)	Level 2	176	—	182,372	182,548
Cash-settled share-based payment liability (included in accounts payable and other)	Level 1	7,313	—	—	7,313
Current portion of long-term debt	Level 2	—	—	71,995	71,995
		7,489	—	254,367	261,856
Non-current					
Long-term debt	Level 2	—	—	251,365	251,365
Cash-settled share-based payment liability (included in other long-term liabilities)	Level 1	12,304	—	—	12,304
		19,793	—	505,732	525,525

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

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

There were no transfers between Level 1, Level 2 and Level 3 during the three-month period ended June 30, 2022 (three-month period ended June 30, 2021: nil).

16. Financial Instruments (continued)

Financial Instruments Measured at Fair Value through Profit and Loss

Trade Receivables

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

Equity Instruments Publicly Listed

Equity instruments publicly listed are classified as a Level 1 in the fair value hierarchy. Their fair values are a recurring measurement and are estimated using the closing share price observed on the relevant stock exchange. No adjustment in the fair value was recorded in the consolidated statements of income in the three-month period ended June 30, 2022 (three-month period ended June 30, 2021: $546,000). During the three-month period ended June 30, 2021, the Company sold the majority of its shares of its publicly listed equity investments for proceeds of $7,060,000 and a net gain of $408,000.

Convertible Loans and Equity Instruments in Private Entity and Derivative Asset

The Company holds convertible loans and equity instruments in an European-based private entity which collaborates with the Company in industrial trials related to cold pelletizing technologies. Loans are convertible at the discretion of the Company and automatically convertible at maturity, varying from October 25, 2025 and December 16, 2026. The fair value of the convertible loans and equity instruments is a recurring measurement and it is classified as Level 3. The determination of fair value is conducted on a quarterly basis and it is based on the entity's financial performance from latest financial statements as well as enterprise values used in financing, if any. The change in fair value also reflects the foreign exchange gains or losses.

As at June 30, 2022, convertibles loans and equity instruments totalled $11,761,000 (March 31, 2022: $11,405,000). The Company also has the right to subscribe equity instruments of this European-based private entity at any time prior to June 2023 at a subscription price below the current market value. As such, as at June 30, 2022, the Company had a derivative asset of $2,830,000 (March 31, 2022: $2,744,000).

During the three-month period ended June 30, 2021, the Company acquired its equity instruments in this European-based private entity for an amount of $1,239,000. The change in fair value on convertible loans, equity instruments and derivative asset for the three-month period ended June 30, 2022 amounted to a gain of $442,000 and was only attributable to the changes in exchange rates (three-month period ended June 30, 2021: nil).

Derivative Liabilities

From the time, the Company had forward foreign exchange contracts to sell U.S. dollars to reduce the risk of variability of future cash flows resulting from forecasted sales. The fair value of forward exchange contracts is categorized as Level 2 in the fair value hierarchy and were presented under Accounts payable and other in the consolidated statements of financial position as at March 31, 2022. Fair value of derivative financial instruments generally reflects the estimated amounts that the Corporation would receive or pay taking into consideration the counterparty credit risk or the Corporation's credit risk, at the reporting dates. The Corporation uses market data such as credit spreads and foreign exchange spot rates to estimate the fair value of forward agreements. The Company did not apply hedge accounting on these contracts.

During the three-month period ended June 30, 2022, the last forward exchange contract of the Company of US$5,000,000 matured and as such, as at June 30, 2022, there were no remaining forward exchange contracts (March 31, 2022: forward exchange contract of US$5,000,000 with a fair value of $1.25 resulting in a derivative liability of $176,000). The change in fair value of these contracts amounted to a gain of $176,000 for the three-month period ended June 30, 2022 in the net finance costs of the consolidated statements of income (three-month period ended June 30, 2021: loss of $5,217,000).

Cash-Settled Share-Based Payment Liability

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

17. Commitments and Contingencies

Commitments

The Company's future minimum payments of commitments as at June 30, 2022 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	5,808	25,027	90,860	121,695
Take-or-pay fees related to the Port agreement	6,976	29,693	103,643	140,312
Capital expenditure obligations	119,827	—	—	119,827
Service commitment	16,092	44,179	—	60,271
Spare parts purchase commitment	29,324	—	—	29,324
Committed leases not yet commenced	417	2,999	7,140	10,556
	178,444	101,898	201,643	481,985

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

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

- A gross sales royalty to Altius on iron ore concentrate, refined copper, fine gold bullion, silver bullion, and other refined products;
- Finite production payments to the Receiver on future production;
- Education and training fund for the local communities; and
- Special tax payment to the Minister of Finance of Newfoundland and Labrador.

The Company is also subject to a limited production payment on its Consolidated Fire Lake North, Lac Lamêlée, Moiré Lake, O'Keefe-Purdy and Harvey-Tuttle properties.

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

a) Changes in non-cash operating working capital

	Three Months Ended June 30,	
	2022	2021
Receivables	8,498	(183,883)
Prepaid expenses and advances	(23,949)	(5,723)
Inventories	(21,376)	(3,074)
Advance payments	4,842	(5,631)
Accounts payable and other	9,322	38,272
Income and mining taxes receivable or payable	(86,949)	(100,979)
Other long-term liabilities	(1,748)	(59)
	(111,360)	(261,077)

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

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

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

	Three Months Ended June 30,	
	2022	2021
Additions of property, plant and equipment as per note 6	**135,945**	113,011
Right-of-use assets	**(14,906)**	—
Depreciation of property, plant and equipment allocated to stripping activity asset	**(952)**	(1,136)
Non-cash increase of the asset rehabilitation obligation	**(490)**	(1,301)
Government grant receivable	**3,613**	—
Capitalized amortization of transaction costs	**(596)**	(635)
Net cash flow used in investing activities - purchase of property, plant and equipment	**122,614**	109,939

The additions of property, plant and equipment for the three-month period ended June 30, 2022 are net of government grants of $3,613,000 which was receivable as at June 30, 2022.

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

	Three Months Ended June 30,	
	2022	2021
Depreciation of property, plant and equipment as per note 6	**22,914**	10,224
Depreciation of property, plant and equipment allocated to stripping activity asset	**(952)**	(1,136)
Depreciation of intangible assets	**778**	633
Net effect of depreciation of property, plant and equipment allocated to inventory	**(2,948)**	238
Depreciation as per statements of income	**19,792**	9,959

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

19. 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. The Bloom Lake mine site, which is comprised of two facilities in operation, was identified as a segment. Exploration and evaluation and corporate were identified as separate segments due to their specific nature.

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

Three Months Ended June 30, 2021	Mine Site	Exploration and Evaluation	Corporate	Total
Revenues	545,408	—	—	545,408
Cost of sales	(120,846)	—	—	(120,846)
Depreciation	(9,895)	—	(64)	(9,959)
Gross profit (loss)	414,667	—	(64)	414,603
Share-based payments	—	—	(1,289)	(1,289)
General and administrative expenses	—	—	(7,804)	(7,804)
Sustainability and other community expenses	(1,455)	—	(2,659)	(4,114)
Innovation and growth initiative expenses	—	—	(1,353)	(1,353)
Operating income (loss)	413,212	—	(13,169)	400,043
Net finance costs, other expense and taxes expenses				(175,704)
Net income				224,339
Segmented total assets	1,513,640	104,842	39,164	1,657,646
Segmented total liabilities	(611,168)	—	(9,599)	(620,767)
Segmented property, plant and equipment	605,487	—	1,761	607,248