Champion Iron Limited

(ACN: 119 770 142)

Consolidated Financial Statements
For the Years Ended March 31, 2023 and 2022

(Expressed in thousands of Canadian dollars)

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, the independent auditors, has been appointed by the shareholders to audit the consolidated financial statements as at March 31, 2023 and 2022 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/ Donald Tremblay
Donald Tremblay
Chief Financial Officer

May 31, 2023

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

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, 2023 and 2022, 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, 2023 and 2022, 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, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years ended March 31, 2023 and 2022 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 $1,395 million from the sale of iron ore for the year ended March 31, 2023. 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 revenue at the consideration received or expected to be received 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 agreed cash receipts to bank statements. ▸ For the sample referred to above, assessed whether the timing of recognition of revenue was appropriate. ▸ Re-performed the measurement of receivables for which final pricing remained outstanding as at March 31, 2023, including assessing the appropriateness of forecast iron ore prices used in forming the estimate. ▸ 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

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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 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 31, 2023

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

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 March 31, 2023, 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 March 31, 2023 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.

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 $1,395 million from the sale of iron ore for the year ended March 31, 2023. 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 revenue at the consideration received or expected to be received 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 agreed cash receipts to bank statements. ▸ For the sample referred to above, assessed whether the timing of recognition of revenue was appropriate. ▸ Re-performed the measurement of receivables for which final pricing remained outstanding as at March 31, 2023, including assessing the appropriateness of forecast iron ore prices used in forming the estimate. ▸ Considered the adequacy of the disclosures included within the financial report.

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 2023 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, 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

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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.

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 March 31, 2023.

In our opinion, the Remuneration Report of Champion Iron Limited for the year ended March 31, 2023, 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
May 31, 2023

Champion Iron Limited

Consolidated Statements of Financial Position

(Expressed in thousands of Canadian dollars - audited)

	Notes	As at March 31, 2023	As at March 31, 2022
Assets			
Current			
Cash and cash equivalents	**3**	**326,806**	321,892
Short-term investments	**4**	**312**	30,777
Receivables	**5**	**162,268**	124,137
Income and mining taxes receivable	**24**	**37,912**	—
Prepaid expenses and advances	**6**	**43,051**	20,272
Inventories	**7**	**167,670**	98,861
		738,019	595,939
Non-current			
Restricted cash	**14**	**—**	43,736
Non-current investments	**8**	**14,751**	14,158
Advance payments	**9**	**166,943**	149,012
Intangible assets	**10**	**7,866**	8,545
Property, plant and equipment	**11**	**1,261,968**	1,070,030
Exploration and evaluation assets	**12**	**117,127**	107,810
Other non-current assets	**14**	**8,595**	—
Total assets		**2,315,269**	1,989,230
Liabilities			
Current			
Accounts payable and other	**13**	**178,578**	192,151
Income and mining taxes payable	**24**	**—**	22,744
Current portion of long-term debt	**14**	**27,080**	71,995
		205,658	286,890
Non-current			
Long-term debt	**14**	**448,201**	251,365
Deferred grant	**14**	**10,614**	8,727
Lease liabilities	**15**	**73,430**	51,689
Rehabilitation obligation	**16**	**85,508**	86,021
Other long-term liabilities	**17**	**13,427**	17,848
Deferred tax liabilities	**24**	**215,727**	124,992
Total liabilities		**1,052,565**	827,532
Shareholders' equity			
Share capital	**17**	**401,282**	398,635
Contributed surplus		**22,796**	21,339
Warrants	**17**	**22,288**	22,473
Foreign currency translation reserve		**430**	539
Retained earnings		**815,908**	718,712
Total equity		**1,262,704**	1,161,698
Total liabilities and equity		**2,315,269**	1,989,230
Commitments and contingencies	**29**		
Subsequent event	**34**		

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

Approved on May 31, 2023 on behalf of the Directors

/s/ Michael O'Keeffe
Executive Chairman

/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	**2023**	2022
Revenues	**18**	**1,395,088**	1,460,806
Cost of sales	**19**	**(822,762)**	(458,678)
Depreciation	**32**	**(121,044)**	(43,929)
Gross profit		**451,282**	958,199
Other expenses			
Share-based payments	**17**	**(8,662)**	(12,818)
General and administrative expenses	**20**	**(41,514)**	(31,769)
Sustainability and other community expenses	**21**	**(17,933)**	(16,983)
Innovation and growth initiative expenses[1]		**(11,863)**	(5,549)
Bloom Lake Phase II start-up costs		**—**	(17,752)
Operating income		**371,310**	873,328
Net finance costs	**22**	**(25,587)**	(11,045)
Other income	**23**	**822**	8,560
Income before income and mining taxes		**346,545**	870,843
Current income and mining taxes	**24**	**(55,103)**	(306,480)
Deferred income and mining taxes	**24**	**(90,735)**	(41,778)
Net income		**200,707**	522,585
Earnings per share			
Basic	**25**	**0.39**	1.03
Diluted	**25**	**0.38**	1.00
Weighted average number of ordinary shares outstanding			
Basic		**517,046,000**	507,591,000
Diluted		**527,666,000**	524,108,000

Should be read in conjunction with the notes to the 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

Consolidated Statements of Comprehensive Income

(Expressed in thousands of Canadian dollars - audited)

	Year Ended March 31,	
	2023	2022
Net income	**200,707**	522,585
Other comprehensive income (loss)		
Item that may be reclassified subsequently to the consolidated statements of income:		
Net movement in foreign currency translation reserve	**(109)**	9
Total other comprehensive income (loss)	**(109)**	9
Total comprehensive income	**200,598**	522,594

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						
	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		**—**	**—**	**—**	**—**	**—**	**—**	**—**	**200,707**	**200,707**
Other comprehensive loss		**—**	**—**	**—**	**—**	**—**	**—**	**(109)**	**—**	**(109)**
Total comprehensive income (loss)		**—**	**—**	**—**	**—**	**—**	**—**	**(109)**	**200,707**	**200,598**
Exercise of warrants	**17**	**281,000**	**502**	**—**	**—**	**—**	**(185)**	**—**	**—**	**317**
Exercise of stock options	**17**	**300,000**	**2,145**	**—**	**—**	**(645)**	**—**	**—**	**—**	**1,500**
Dividends on ordinary shares	**17**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(103,344)**	**(103,344)**
Dividend equivalents	**17**	**—**	**—**	**—**	**—**	**167**	**—**	**—**	**(167)**	**—**
Share-based payments	**17**	**—**	**—**	**—**	**—**	**1,935**	**—**	**—**	**—**	**1,935**
Balance - March 31, 2023		**517,193,000**	**401,282**	**—**	**—**	**22,796**	**22,288**	**430**	**815,908**	**1,262,704**
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		—	—	—	—	—	—	—	522,585	522,585
Other comprehensive income		—	—	—	—	—	—	9	—	9
Total comprehensive income		—	—	—	—	—	—	9	522,585	522,594
Exercise of warrants	**17**	10,000,000	18,750	—	—	—	(7,500)	—	—	11,250
Exercise of stock options	**17**	220,000	1,205	—	—	(402)	—	—	—	803
Release of restricted share units	**17**	76,000	167	—	—	(358)	—	—	(252)	(443)
Issuance of ordinary shares for the acquisition of the Kami Project[2]	**17**	4,200,000	22,050	—	—	—	—	—	—	22,050
Redemption of preferred shares	**17**	—	—	(185,000,000)	(159,507)	—	—	—	(25,493)	(185,000)
Dividends	**17**	—	—	—	—	—	—	—	(57,093)	(57,093)
Dividends equivalents	**17**	—	—	—	—	77	—	—	(77)	—
Share-based payments, net of tax of $1,319	**17**	—	—	—	—	(287)	—	—	(5,193)	(5,480)
Balance - March 31, 2022		516,612,000	398,635	—	—	21,339	22,473	539	718,712	1,161,698

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.
2 Kamistiatusset iron ore project (the "Kami Project").

Champion Iron Limited

Consolidated Statements of Cash Flows

(Expressed in thousands of Canadian dollars - audited)

		Year Ended March 31,	
	Notes	**2023**	2022
Cash provided by (used in)			
Operating Activities			
Net income		**200,707**	522,585
Adjustments for non-cash items			
Depreciation	**32**	**121,044**	43,929
Share-based payments	**17**	**8,662**	12,818
Unrealized (gain) loss on derivative liabilities	**23, 26**	**(176)**	176
Change in fair value of non-current investments and related gain on disposal	**26**	**(593)**	(9,488)
Unrealized foreign exchange loss		**7,867**	524
Deferred income and mining taxes	**24**	**90,735**	41,778
Other		**5,527**	2,355
		433,773	614,677
Changes in non-cash operating working capital	**32**	**(197,789)**	(144,242)
Net cash flow from operating activities		**235,984**	470,435
Investing Activities			
Purchase of property, plant and equipment	**11, 32**	**(282,892)**	(519,322)
Increase in non-current advance payments	**9**	**(30,001)**	(97,067)
Purchase of intangible assets	**10**	**(2,455)**	(1,357)
Decrease of restricted cash	**14**	**43,736**	—
Decrease (increase) of short-term investments	**4**	**31,070**	(3,598)
Acquisition of the Kami Project	**17**	**—**	(15,444)
Acquisition of non-current investments	**8**	**—**	(4,434)
Disposal of non-current investments	**8**	**—**	9,468
Investment in exploration and evaluation assets	**12**	**(9,317)**	(3,711)
Net cash flow used in investing activities		**(249,859)**	(635,465)
Financing Activities			
Issuance of long-term debt	**14**	**219,167**	120,874
Repayment of long-term debt	**14**	**(100,126)**	(2,116)
Transaction costs on long-term debt	**14**	**(4,606)**	(4,373)
Exercise of warrants	**17**	**317**	11,250
Exercise of stock options	**17**	**1,500**	803
Withholding taxes paid pursuant to the settlement of RSUs	**17**	**—**	(443)
Redemption of preferred shares	**17**	**—**	(185,000)
Dividends paid on preferred and ordinary shares	**17**	**(103,344)**	(57,093)
Payment of lease liabilities	**15**	**(6,004)**	(2,043)
Net cash flow from (used in) financing activities		**6,904**	(118,141)
Net decrease in cash and cash equivalents		**(6,971)**	(283,171)
Cash and cash equivalents, beginning of the year		**321,892**	609,316
Effects of exchange rate changes on cash and cash equivalents		**11,885**	(4,253)
Cash and cash equivalents, end of the year		**326,806**	321,892
Interest paid		**26,138**	12,248
Interest received		**6,291**	1,711
Net income and mining taxes paid		**115,759**	475,278

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

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

1. Description of Business

Champion Iron Limited ("Champion" or the "Company") was incorporated under the laws of Australia in 2006 and is listed on the Toronto Stock Exchange (TSX: CIA) and the Australian Securities Exchange (ASX: CIA) and trades on the OTCQX Best Market (OTCQX: CIAFF). The Company is domiciled in Australia and its principle administrative office is located on 1155 René-Lévesque Blvd. West, Suite 3300, Montreal, QC, H3B 3X7, Canada.

Champion, through its wholly-owned subsidiary Quebec Iron Ore Inc. ("QIO"), owns and operates the Bloom Lake Mining Complex ("Bloom Lake" or "Bloom Lake Mine"), located on the south end of the Labrador Trough, approximately 13 km north of Fermont, Québec. Bloom Lake is an open-pit operation with two concentrators that primarily source energy from renewable hydroelectric power. The two concentrators have a combined nameplate capacity of 15 million tonnes per annum and produce 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. In January 2023, the Company announced the positive findings of a feasibility study evaluating upgrading half of the Bloom Lake mine capacity to a direct reduction quality pellet feed iron ore and approved an initial budget to advance the project. Bloom Lake's high-grade and low contaminant iron ore products have attracted a premium to the Platts IODEX 62% Fe iron ore benchmark. The Company ships iron ore concentrate from Bloom Lake by rail, to a ship loading port in Sept-Îles, Québec, and has sold its iron ore concentrate to customers globally, including in China, Japan, the Middle East, Europe, South Korea, India and Canada. In addition to Bloom Lake, Champion owns a portfolio of exploration and development projects in the Labrador Trough, including the Kamistiatusset Project located a few kilometres south-east of Bloom Lake, and the Consolidated Fire Lake North iron ore project, located approximately 40 km south of Bloom Lake.

2. Summary of Significant Accounting Policies and Future Accounting Changes

A. Basis of preparation

The Company's 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 ("AAS") and other authoritative pronouncements of the Australian Accounting Standards Board ("AASB").

These consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial assets and liabilities as well as derivatives 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, 2023.

B. Statement of compliance

These audited consolidated financial statements have been prepared in accordance with 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 31, 2023.

C. Significant accounting policies

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
12364042 Canada Inc.	100.0%	Canada	Canadian dollars
Lac Bloom Railcars Corporation Inc.	100.0%	Canada	United States ("U.S.") dollars

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

C. Significant accounting policies (continued)

Consolidation

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.

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.

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.

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 1 to 15 years or units-of-production basis over the recoverable reserves
Locomotives, railcars and rails	Straight-line over 24 years
Tailings dykes	Straight-line over 7 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 10 to 24 years or units-of-production basis over the recoverable reserves
Right-of-use assets	Straight-line over 1 to 23 years

Acquisition of a group of assets

The Company determines whether it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. If the set of activities do not constitute a business, the Company accounts for the acquisition of a group of assets including intangible assets and liabilities assumed based on their relative fair values at the date of acquisition. The cost of acquisition, including directly attributable acquisition-related costs, is measured as the aggregate of the consideration transferred measured at the acquisition date fair value.

If the acquisition of a group of assets comprises a variable contingent consideration that varies according to future activities such as future production, then the contingent consideration is expensed when incurred. Contingent considerations related to the initial value of the assets are capitalized when the contingency is crystallized.

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

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

C. Significant accounting policies (continued)

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:

Port access	Straight-line over 20 years
Software	Straight-line over 3 years

Innovation and growth initiative expenses

Innovation and growth initiative 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.

Bloom Lake Phase II start-up costs

During the year ended March 31, 2023, the Bloom Lake Phase II facility was commissioned and, as a result, all start-up costs incurred beginning April 1, 2022, were recorded as cost of sales. 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 incurred in the period from September 30, 2021 to March 31, 2022 were presented on a separate line as operating expenses on the consolidated statements of income in the comparative year, and included mainly costs related to staff mobilization and training.

Production 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 production stripping asset, 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 on the stage of the mine life. All costs related to a stripping ratio higher than 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 recalculated on a monthly basis. Stripping costs incurred in the pre-production period have also been capitalized using the same methodology. The life of mine stripping ratio for Bloom Lake Phase I was initially estimated at 0.5 based on the National Instrument 43-101 Technical report on the Bloom Lake mine re-start feasibility study (the "Feasibility Study"). As part of the mineral reserves review of Phase II, on December 15, 2021, the Company revised the stripping ratio at a weighted average of 0.99 for two separate open-pits concurrent with the commencement of Phase II operations. Refer to the Significant accounting judgements, estimates and assumptions section below.

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

C. Significant accounting policies (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 used. In December 2022, the Company declared commercial production at the Bloom Lake Phase II plant. Consequently, Phase II assets were reclassified from assets under construction to other categories under property, plant and equipment. Those assets also started to be depreciated in December 2022.

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 are capitalized. 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.

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.

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 consolidated 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, intangible assets 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.

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

C. Significant accounting policies (continued)

Impairment of non-financial assets (continued)

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.

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 debt are initially measured at fair value, net of transaction 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, using a discount rate that reflects current market assessments of the time value and risks at the reporting period. The unwinding of the discount is recognized as finance cost.

Share capital and issuance costs

Share capital is classified as equity. Incremental costs directly attributable to the issue of ordinary 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.

Dividend

The Company recognizes a liability to pay a dividend when the distribution is authorized by the Board, and the distribution is no longer at the discretion of the Company. A corresponding amount is recognized directly in equity.

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).

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

C. Significant accounting policies (continued)

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 (IFRS 9) Financial Instruments.

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 payments 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 payments associated with the unvested portion of the stock options forfeited is reversed.

ii) Other awards

As part of the remuneration plan, the Company offers performance share unit ("PSU") awards, restricted share unit ("RSU") awards and deferred share unit ("DSU") awards. Recipient of these share-based awards are entitled to receive a dividend equivalent.

For equity-settled share-based awards, share-based payments 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 equity-settled share-based awards is determined using the share price of the Company on the TSX at the grant date. At a dividend record date, if any, the dividend equivalent is recognized directly as an increase in contributed surplus with a corresponding amount in retained earnings based on the vesting period, measured at the grant date fair value of the dividend equivalent.

Cash-settled share-based payments are measured at fair value at the grant date with a corresponding liability. Until the liability is settled, the fair value of the liability is remeasured at the end of each reporting period and at the date of settlement, with any changes in fair value recognized in net income. The grant date fair value of the compensation is measured based on the closing share price of the Company on the TSX adjusted to take into account the terms and conditions upon which the shares were granted, if any, and the awards that are expected to vest. At a dividend record date, if any, the dividend equivalent is recognized as a liability for cash-settled awards with a corresponding amount as share-based payments in profit or loss.

When terms of an equity-settled share-based award are modified to be being cash-settled award, at the date of modification, a liability is recognized based on the fair value of the cash–settled award as at that date and the extent to which the vesting period has expired with a corresponding decrease in contributed surplus. Subsequently, the fair value of the liability is remeasured at the end of each reporting period with any changes in fair value recognized in net income.

iii) Share-based payment transactions

The fair value of share-based payment transactions to non-employees and other share-based payments 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.

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

C. Significant accounting policies (continued)

Government grants

Government grants are recognized at fair value when there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recorded as a deferred credit and recognized as income or recorded against the expenditure, as the related costs for which it is intended to compensate are expensed. When the grant relates to an asset, it is deducted from the cost of the related asset. The Company presents grants received related to an expense item within operating activities whereas grants received related to an asset within the investing activities against the purchase of property, plant and equipment in the consolidated statements of cash flows.

Interest-bearing loans from government at a below-market interest rate are treated as government grants and are recognized at fair value measured at the present value of all future cash flows discounted using the prevailing market rate of interest for similar instruments. The difference between the fair value of the loan and the consideration received is recognized as a government grant. After initial recognition, the interest-bearing loan is subsequently measured at amortized cost using the effective interest rate method. The government grant is amortized over the estimated useful life of the assets financed by the interest-bearing loan.

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.

Derivative financial instruments

Derivative financial instruments are classified as fair value through profit and loss ("FVTPL"), unless they are designated as hedging instruments for which hedge accounting is applied. The Company has no hedging instrument. Changes in the fair value of derivative financial instruments not designated in a hedging relationship are recognized in other income (expense), based on the nature of the exposure.

Derivative financial instruments include forward foreign exchange contracts used to manage the Company's exposure to foreign exchange.

Derivative financial instruments also include derivatives that are embedded in financial or non-financial contracts that are not closely related to the host contracts. Embedded derivatives of the Corporation include prepayment options and subscription right to purchase equity instruments. Prepayment options that are not closely related to the host contract are measured at fair value, with the initial value recognized as an increase of the related long-term debt and amortized to income using the effective interest method. Subscription right to purchase equity instruments are recorded as a derivative asset when the market value of the underlying equity instrument becomes higher than the Company's subscription price. Subsequent changes in fair value of embedded derivatives are recorded either in net finance costs or other income (expense), depending on the nature of the derivative.

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

C. Significant accounting policies (continued)

Derivative financial instruments (continued)
Embedded derivatives for which economic characteristics and risks are closely related to the host contracts are not accounted as a separate derivative. 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.

Financial assets
i) Initial recognition
Financial assets are either classified and measured at amortized cost, FVTPL or fair value through other comprehensive income ("FVOCI").

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

ii) Financial assets at FVTPL
Financial assets at FVTPL include financial assets held for trading, e.g., derivative instruments, financial assets designated upon initial recognition at FVTPL, 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 at FVTPL include the Company's trade receivables, convertible loans, equity investments and derivative assets.

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 FVTPL, irrespective of the business model. Financial assets at FVTPL are carried in the consolidated statements of financial position at fair value with net changes in fair value recognized in profit or loss.

The Company's trade receivables subject to provisional pricing 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. The embedded derivative related to 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 FVTPL in its entirety from the date of recognition of the corresponding sale, with subsequent movements being recognized as provisional pricing adjustments within revenues in the consolidated statements of income.

The Company's convertible loans and equity investments are also measured at FVTPL based on the underlying entity's fair value with subsequent movements being recognized in the consolidated statements of income .

iii) Financial assets at amortized cost
Financial assets at amortized cost include the Company's cash and cash equivalents, short-term investments, other receivables and restricted cash which are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Interest received is recognized within net finance cost in the statements of income. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

iv) Impairment of financial assets
The Company recognizes an allowance for expected credit loss ("ECL") for all debt instruments not held at FVTPL. 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).

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

C. Significant accounting policies (continued)

Financial assets (continued)

iv) Impairment of financial assets (continued)

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.

Financial liabilities

i) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL or as amortized cost. All financial liabilities are recognized initially at fair value and, in the case of loans and payables, net of directly attributable transaction costs.

ii) Loans and accounts payable and other at amortized cost

After initial recognition, interest-bearing loans and borrowings as well as accounts payable and other 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) Cash-settled share-based payment liability at FVTPL

After grant date, changes in fair value of cash-settled share-based payment arrangements are recognized in the consolidated statements of income based on the Company's share price at each reporting date.

iv) 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.

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

C. Significant accounting policies (continued)

Leases (continued)
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 on a straight-line basis over the lease term, taking into account any extensions that are likely to be exercised (or longer if a purchase option is reasonably certain to be exercised) 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.

At a full lease termination, the Company derecognizes the right-of-asset and lease liability. A gain or loss for any difference between the carrying amounts of the right-of-use asset and lease liability as of the date of termination is recognized under other income (expense) in the consolidated statements of income.

D. Significant accounting judgements, 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 assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

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.

Judgement on production start date
The Company assessed the stage of its mining asset construction project to determine when it has reached the commercial production phase. Commercial production is achieved when the project is substantially completed and ready for its intended use. The Company considers various relevant criteria to assess when the commercial production phase is considered to have commenced including, but not limited to:

- Level of capital expenditure incurred compared to original budget;
- Majority of the assets making up the mining project are substantially complete and ready for use;
- Completion of a reasonable period of testing of the mine plant and equipment; and
- Ability to produce concentrate in saleable form (within specifications) and to sustain ongoing production of iron ore concentrate.

When a mine development project moves into the production phase, the capitalization of certain mine development costs ceases and costs are either regarded as forming part of the cost of inventory or expensed, except for costs that qualify for capitalization relating to mining asset additions or improvements, underground mine development or mineral reserve development. It is also at this point that depreciation commences.

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

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

Judgement on production start date (continued)

In December 2022, the Company declared commercial production at the Bloom Lake Phase II plant. Consequently, Phase II assets were reclassified from assets under construction to other categories under property, plant and equipment. Those assets also started to be depreciated in December 2022.

Estimates of mineral reserves and resources

Ore reserves and mineral resource estimates are estimates of the amount of ore that can be economically and legally extracted from the Company's mining properties. The Company estimates its ore reserves and mineral resources based on information compiled by qualified persons relating to geological and technical data, on the size, depth, shape and grade of the ore body and suitable production techniques and recovery rates. Recovery of reserves is based on factors such as estimated future prices, expected future production and production costs and the timing of future capital expenditures, all of which are subject to many uncertainties and interpretations. Such an analysis requires complex geological judgements and estimates. Estimates of mineral reserves and resources have an impact on the following items:

- Capitalized stripping costs recognized as inventory or charged as cost of sales in profit or loss as it may change due to changes in stripping ratios. Refer to note 11 — Property, Plant and Equipment;
- Depreciation charge as changes in estimates of mineral reserves and resources may affect the useful life or units-of-production method calculation for depreciation;
- Rehabilitation obligation as changes in estimates may affect the expected date to settle the obligation; and
- Carrying value of non-financial assets as changes in estimates may affect estimated future cash flows and therefore impact impairment analysis.

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.

Judgement on what defines separate open-pits

Where a mine operates several open pits that are regarded as separate operations for the purpose of mine planning, initial stripping costs are accounted for separately by reference to the ore from each separate pit. If, however, the pits are highly integrated for the purpose of mine planning, the second and subsequent pits are regarded as extensions of the first pit in accounting for stripping costs. In such cases, the initial stripping of the second and subsequent pits is considered to be production phase stripping. There is judgment as to whether multiple pit mines are considered separate or integrated operations depends on each mine's specific circumstances.

The following factors would point towards the initial stripping costs for the individual pits being accounted for separately:
- If mining of the second and subsequent pits is conducted consecutively following that of the first pit, rather than concurrently;
- If separate investment decisions are made to develop each pit, rather than a single investment decision being made at the outset;
- If the pits are operated as separate units in terms of mine planning and the sequencing of overburden removal and ore mining, rather than as an integrated unit; and
- If the pits extract ore from separate and distinct ore bodies, rather than from a single ore body.

If the designs of the second and subsequent pits are significantly influenced by opportunities to optimize output from several pits combined, including the co-treatment or blending of the output from the pits, then this would point to treatment as an integrated operation for the purposes of accounting for initial stripping costs. The relative importance of each of the above factors is considered in each case. The Company operates three open-pits at the Bloom Lake Mine. The Company assessed that two open-pits are integrated. As such, the Company uses two stripping ratios.

Judgements and estimates on depreciation of non-current assets

Property, plant and equipment is depreciated over its useful life, or over the remaining life of the mine if that is shorter and there is no reasonable alternative use for the asset by the Company. The useful lives of the major assets of a CGU are often dependent on the life of the mine to which they relate. Where this is the case, the lives of mining properties, plant, concentrators and other long-lived processing equipment are generally limited to the expected life of mine, which is estimated on the basis of the mining plan. Where the major assets of a CGU are not dependent on the life of mine, management applies judgment in estimating the remaining service potential of long-lived assets.

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

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

Judgements and estimates on recovery 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 or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves, significant negative industry or economic trends, CGUs, 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 12 — 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, including but not limited to dismantling and removing infrastructure and operating facilities as well as restoring water pond and vegetating affected areas. The 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 best 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 at each reporting period to take into account any material changes to the assumptions, including regulatory changes and cost increases associated with site areas used for tailings and waste. 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 Bloom Lake ceases to produce at economically viable rates. This, in turn, will depend upon future iron ore prices, which are inherently uncertain. A rehabilitation obligations study was completed in the year ended March 31, 2022. Refer to note 16 — Rehabilitation Obligation.

Estimates on revenue recognition

The Company recognizes revenue from sales of concentrate when control of the concentrate passes to the customer, which occurs upon loading. Incoterm used by the Company is Free On Board, where the Company has no responsibility for freight or insurance once control of the concentrate has passed at the loading port. Thus, the performance obligation is satisfied at a point in time. At the time the concentrate is loaded, the Company has transferred the significant risks and rewards to the customer, including 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 sales contracts structured on a provisional pricing basis, the sales price is determined provisionally at the date of sale, with the final pricing generally 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 test 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 and identified as provisional pricing adjustments.

Price changes for shipments awaiting final pricing at year-end could have a material effect on future revenues. As at March 31, 2023, there was US$224,807,000 (March 31, 2022: US$106,708,000) in revenues that were awaiting final pricing.

Estimates 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, assessing purchase option 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. Lease payments include the exercise price of a purchase option if the Company is reasonably certain to exercise that option. 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 11 — Property, Plant and Equipment and 15 — Lease Liabilities.

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 Phase II project.

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 14 — 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".

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.

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

3. Cash and Cash Equivalents

As at March 31, 2023, cash and cash equivalents totalling $326,806,000 (March 31, 2022: $321,892,000) consisted of cash in bank and short-term deposits. As at March 31, 2023, the Company's cash balance is comprised of $162,905,000 U.S. dollars ($220,460,000), $106,274,000 Canadian dollars and $79,000 Australian dollars ($72,000).

4. Short-Term Investments

During the year ended March 31, 2023, various term deposits used as security deposits were released. As at March 31, 2023, the short-term investments amounted to $312,000 (March 31, 2022: $30,777,000).

5. Receivables

	Note	**As at March 31, 2023**	As at March 31, 2022
Trade receivables		**131,786**	93,527
Sales tax		**21,290**	23,981
Grant receivable	**11**	**7,075**	3,298
Other receivables		**2,117**	3,331
		162,268	124,137

As at March 31, 2023, the trade receivables, associated with revenues subject to provisional pricing, amounted to a total balance of $76,984,000 (March 31, 2022: $26,504,000).

For information about the Company's exposure to credit risk, refer to note 26 — Financial Instruments.

6. Prepaid Expenses and Advances

	Note	**As at March 31, 2023**	As at March 31, 2022
Rail transportation	**9**	**35,665**	10,331
Port advance payments	**9**	**3,685**	3,206
Insurance		**1,794**	2,167
Other		**1,907**	4,568
		43,051	20,272

The rail transportation prepaid amount of $35,665,000 as at March 31, 2023, included the current portion of railway and port facilities agreements of $14,469,000 and credits on monthly payments based on estimated costs and projected quantities of material transported exceeding actual costs and tonnage.

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

7. Inventories

	As at March 31, 2023	As at March 31, 2022
Stockpiled ore	**37,955**	28,523
Concentrate inventories	**51,704**	26,386
Supplies and spare parts	**78,011**	43,952
	167,670	98,861

For the year ended March 31, 2023, the amount of inventories recognized as an expense totalled $904,647,000 (year ended March 31, 2022: $502,607,000). For the year ended March 31, 2023, no specific write-down was recorded on any of the Company's inventories (year ended March 31, 2022: nil).

8. Non-Current Investments

	As at March 31, 2023	As at March 31, 2022
Convertible loans - at FVTPL	**2,799**	7,960
Equity investments in private entity - at FVTPL	**8,972**	3,445
Derivative asset - at FVTPL	**2,971**	2,744
Equity investments in publicly listed entities - at FVTPL	**9**	9
	14,751	14,158

	As at March 31, 2023 (twelve-month period)	As at March 31, 2022 (twelve-month period)
Opening balance	**14,158**	9,704
Change in fair value during the period	**593**	9,488
Acquisition	**—**	4,434
Disposal	**—**	(9,468)
Ending balance	**14,751**	14,158

For the year ended March 31, 2022, the Company acquired equity instruments in an European-based private entity for an amount of $4,434,000 (US$3,500,000) and sold the majority of its shares of publicly listed equity investments for proceeds of $9,468,000 and a net gain of $176,000. During the year ended March 31, 2023, the Company converted one of its convertible loans to equity instruments.

An unrealized gain in fair value on non-current investments of $593,000 has been recorded for the year ended March 31, 2023 (year ended March 31, 2022: An unrealized gain of $5,005,000 and a realized gain of $4,483,000). Refer to notes 26 — Financial Instruments and 23 — Other Income.

9. Advance Payments

	As at March 31, 2023	As at March 31, 2022
Railway and port facilities	**122,704**	111,102
Port	**18,541**	21,365
Other long-term advance	**25,698**	16,545
	166,943	149,012

9. Advance Payments (continued)

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. As at March 31, 2023, the related advance payments amounted to $11,268,000 (March 31, 2022: $9,359,000). In addition, the Company entered into a construction agreement with SFPPN and made advances to increase the transshipment capacity and support the Company's plans to increase production with the Phase II project, which totalled $83,464,000 as at March 31, 2023 (March 31, 2022: $62,278,000). These advance payments will be reclassified to property, plant and equipment as a right-of-use asset once the work is completed and the related additional transshipment capacity is available.

On April 16, 2021, the Company also entered into an agreement to expand an existing long-term rail contract to accommodate the anticipated increased Phase II production volumes. In connection with this agreement, remaining advance payments totalled $27,972,000 as at March 31, 2023 (March 31, 2022: $39,465,000).

In addition, the current portion of the railway and port facilities advances related to these agreements totalled $14,469,000 and is included under Prepaid expenses and advances in the consolidated statements of financial position as at March 31, 2023 (March 31, 2022: $10,331,000).

Port

Pursuant to the agreement which the Company entered with the Sept-Îles Port Authority ("Port"), the Company made an advance payment on its future shipping, wharfage and equipment fees. As at March 31, 2023, the remaining advance payment amounted to $18,541,000 (March 31, 2022: $21,365,000).

The current portion of the port advances totalled $3,685,000 and is included under Prepaid expenses and advances in the consolidated statements of financial position as at March 31, 2023 (March 31, 2022: $3,206,000).

Other long-term advance

The other long-term advance relates mainly to amounts paid to SFPPN annually and are recoverable from SFPPN under the guarantee access agreement if certain conditions are met as well as amounts prepaid for capital maintenance expenditures on SFPPN's assets.

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

10. Intangible Assets

	Port Access	Software	Total
Cost			
March 31, 2022	**3,513**	**10,767**	**14,280**
Additions	**—**	**2,455**	**2,455**
March 31, 2023	**3,513**	**13,222**	**16,735**
Accumulated depreciation			
March 31, 2022	**—**	**5,735**	**5,735**
Depreciation	**61**	**3,073**	**3,134**
March 31, 2023	**61**	**8,808**	**8,869**
Net book value - March 31, 2023	**3,452**	**4,414**	**7,866**

	Port Access	Software	Total
Cost			
March 31, 2021	—	9,410	9,410
Additions	3,513	1,357	4,870
March 31, 2022	3,513	10,767	14,280
Accumulated depreciation			
March 31, 2021	—	3,153	3,153
Depreciation	—	2,582	2,582
March 31, 2022	—	5,735	5,735
Net book value - March 31, 2022	3,513	5,032	8,545

Additions for the year ended March 31, 2022, were comprised of rights and entitlements to reserve annual loading capacity related to a port agreement acquired of $3,513,000 in connection with the acquisition of the Kami Project.

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

11. Property, Plant and Equipment

	Mining and Processing Equipment	Locomotives, Railcars and Rails	Tailings Dikes	Assets under Construction (i)(ii)(iii)	Mining Development and Stripping Asset (iv)	Asset Rehabilitation Obligation and Other	Subtotal	Right-of-use Assets	Total
Cost									
March 31, 2022	**222,915**	**54,476**	**143,932**	**531,785**	**111,965**	**73,139**	**1,138,212**	**66,368**	**1,204,580**
Additions	**94,316**	**—**	**—**	**162,203**	**20,390**	**12,613**	**289,522**	**34,819**	**324,341**
Transfers, disposals and lease termination	**508,652**	**6,725**	**58,210**	**(664,724)**	**—**	**48,627**	**(42,510)**	**(3,225)**	**(45,735)**
Foreign exchange and other	**—**	**3,538**	**—**	**—**	**—**	**(10,016)**	**(6,478)**	**—**	**(6,478)**
March 31, 2023	**825,883**	**64,739**	**202,142**	**29,264**	**132,355**	**124,363**	**1,378,746**	**97,962**	**1,476,708**
Accumulated depreciation									
March 31, 2022	**89,760**	**8,891**	**13,637**	**—**	**10,780**	**6,436**	**129,504**	**5,046**	**134,550**
Depreciation	**51,793**	**2,524**	**8,153**	**—**	**49,560**	**4,002**	**116,032**	**8,073**	**124,105**
Transfers, disposals and lease termination	**(41,468)**	**—**	**—**	**—**	**—**	**(218)**	**(41,686)**	**(2,989)**	**(44,675)**
Foreign exchange and other	**—**	**760**	**—**	**—**	**—**	**—**	**760**	**—**	**760**
March 31, 2023	**100,085**	**12,175**	**21,790**	**—**	**60,340**	**10,220**	**204,610**	**10,130**	**214,740**
Net book value - March 31, 2023	**725,798**	**52,564**	**180,352**	**29,264**	**72,015**	**114,143**	**1,174,136**	**87,832**	**1,261,968**

	Mining and Processing Equipment	Locomotives, Railcars and Rails	Tailings Dikes	Assets under Construction (ii)	Mining Development and Stripping Asset (iv)	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, disposals and lease termination	25,797	4,123	62,383	(93,522)	—	—	(1,219)	(1,105)	(2,324)
Foreign exchange and other	—	(269)	—	—	—	(3,758)	(4,027)	—	(4,027)
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, disposals and lease termination	(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) In December 2022, the Company declared commercial production at the Bloom Lake Phase II plant. Consequently, Phase II assets were reclassified from assets under construction to other categories under property, plant and equipment. Those assets also started to be depreciated in December 2022.

(ii) During the development period of the Bloom Lake Phase II project, the amount of borrowing costs capitalized for the year ended March 31, 2023, was $14,367,000 (year ended March 31, 2022: $15,040,000). Borrowing costs consisted of interest expense and the amortization of transaction costs on the long-term debt. Refer to note 14 — Long-Term Debt. The capitalization rate used to determine the amount of borrowing costs eligible for capitalization for the year ended March 31, 2023 was 5.0% (year ended March 31, 2022: 5.4%).

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

11. Property, Plant and Equipment (continued)

(iii) 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 grant was recognized as a reduction of property, plant and equipment. The additions of property, plant and equipment for the year ended March 31, 2023 are net of government grants of $8,972,000, of which $7,075,000 was receivable as at March 31, 2023 (year ended March 31, 2022: $9,532,000, of which $3,298,000 was receivable as at March 31, 2022). Refer to note 5 — Receivables.

(iv) For the year ended March 31, 2023, the addition to the stripping asset includes: i) production expenses capitalized amounting to $6,873,000 (year ended March 31, 2022: $29,353,000) and ii) allocated depreciation of property, plant and equipment amounting to $1,089,000 (year ended March 31, 2022: $5,845,000).

Right-of-use assets consist of the following:

	Building	**Mining and Processing Equipment**	**Locomotives, Railcars and Rails**	**Total**
March 31, 2022	**93**	**2,506**	**58,723**	**61,322**
Additions	**8,860**	**17,220**	**8,739**	**34,819**
Lease termination	**—**	**(236)**	**—**	**(236)**
Depreciation	**(257)**	**(4,809)**	**(3,007)**	**(8,073)**
March 31, 2023	**8,696**	**14,681**	**64,455**	**87,832**

	Building	**Mining and Processing Equipment**	**Locomotives, Railcars and Rails**	**Total**
March 31, 2021	1,419	298	5,978	7,695
Additions	—	3,557	53,581	57,138
Lease termination	(1,105)	—	—	(1,105)
Depreciation	(221)	(1,349)	(836)	(2,406)
March 31, 2022	93	2,506	58,723	61,322

Refer to note 15 — Lease Liabilities for more details.

12. Exploration and Evaluation Assets

	Labrador Trough	**Newfoundland**	**Total**
March 31, 2022	**104,636**	**3,174**	**107,810**
Additions	**8,366**	**951**	**9,317**
March 31, 2023	**113,002**	**4,125**	**117,127**

	Labrador Trough	**Newfoundland**	**Total**
March 31, 2021	73,423	2,683	76,106
Additions	31,213	491	31,704
March 31, 2022	104,636	3,174	107,810

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.

Additions for the year ended March 31, 2022, were comprised of mining property rights acquired for $27,993,000 in connection with the acquisition of the Kami Project.

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

13. Accounts Payable and Other

	Notes	As at March 31, 2023	As at March 31, 2022
Trade payable and accrued liabilities		**135,318**	160,097
Wages and benefits		**20,711**	22,275
Cash-settled share-based payment liability	**17**	**9,138**	7,313
Derivative liabilities	**26**	**—**	176
Current portion of lease liabilities	**15**	**13,411**	2,290
		178,578	192,151

14. Long-Term Debt

	As at March 31, 2023	As at March 31, 2022
Revolving Facility	**243,593**	217,336
IQ Loan	**55,369**	51,432
FTQ Loan	**73,537**	28,257
CAT Financing	**102,782**	26,335
	475,281	323,360
Less current portion	**(27,080)**	(71,995)
	448,201	251,365

	As at March 31, 2023	As at March 31, 2022
Face value of long-term debt	**487,654**	343,178
Unamortized transaction costs and other	**(12,373)**	(19,818)
Long-term debt, net of transaction costs	**475,281**	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.

Given that the Senior Debt was replaced by the Revolving Facility with substantially the same terms, the Company treated the refinancing as a non-substantial modification. The Company reclassified its unamortized transaction costs on the Senior Debt at the modification date to Other non-current assets in the consolidated statements of financial position. Unamortized transaction costs totalled $8,595,000 as at March 31, 2023 and are amortized on a straight-line basis over the term of the Revolving Facility.

During the year ended March 31, 2023, the Company drew $77,604,000 (US$60,000,000) and then repaid $81,399,000 (US$60,000,000).

The Revolving Facility is based on Secured Overnight Financing Rate ("SOFR"), plus a credit spread adjustment and a financial margin that fluctuates from 2.0% to 3.0% depending on whether the net debt to EBIDTA ratio is below 0.5 or greater than 2.5. As at March 31, 2023, the undrawn portion of the Revolving Facility totalled US$220,000,000. The Revolving Facility is payable anytime at the discretion of the Company or at maturity. Collaterals are comprised of all of the present and future undertakings, properties and assets of QIO and Lac Bloom Railcars Corporation Inc. The Company guaranteed all the obligations of QIO and Lac Bloom Railcars Corporation Inc. and pledged all of the shares it holds in QIO and Lac Bloom Railcars Corporation Inc.

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

14. 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 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 $70,000,000 was estimated at $59,386,000 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 $10,614,000 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 year ended March 31, 2023, the Company drew $10,000,000 of the IQ Loan and repaid $6,000,000. The remaining balance was $64,000,000 as at March 31, 2023 (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. During the year ended March 31, 2023, the Company drew the remaining $45,000,000, resulting in a balance of $75,000,000 as at March 31, 2023 (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 on the prepayment date.

CAT Financing

On April 1, 2021, the Company signed an agreement with Caterpillar Financial Services Limited ("CAT Financing") to finance Phase II mining equipment for a facility of up to US$75,000,000 and available until March 31, 2023. In January 2023, the undrawn portion of the facility was increased by US$50,000,000 with the availability period extended to March 31, 2024. Transaction costs of $703,000 were incurred for this increase. During the year ended March 31, 2023, the Company drew $86,563,000 (US$64,617,000) and repaid $12,727,000 (US$9,591,000), resulting in a balance of US$77,633,000 as at March 31, 2023 (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 carrying value of the financed equipment is $101,650,000 as at March 31, 2023 (March 31, 2022: $31,518,000)

During the year ended March 31, 2023, the weighted average interest rate for all long-term debt was 5.5% (year ended March 31, 2022: 4.5%).

The Revolving Facility, FTQ Loan and the CAT Financing are subject to operational and financial covenants, all of which have been met as at March 31, 2023. The undrawn portion of the Revolving Facility, FTQ Loan and the CAT Financing is subject to standby commitment fees varying from 0.35% to 1.38% before commercial production date and 0.35% to 0.50% thereafter.

15. Lease Liabilities

	Note	**As at March 31, 2023** (twelve-month period)	As at March 31, 2022 (twelve-month period)
Opening balance		**53,979**	1,902
New lease liabilities		**34,493**	56,159
Payments		**(6,004)**	(2,043)
Lease termination		**(236)**	(1,285)
Foreign exchange loss (gain)		**4,609**	(754)
		86,841	53,979
Less current portion classified in "Accounts payable and other"	13	**(13,411)**	(2,290)
Ending balance		**73,430**	51,689

During the year ended March 31, 2023, 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 year ended March 31, 2023 were mainly comprised of these railcars and additional equipment.

15. Lease Liabilities (continued)

For the year ended March 31, 2023, new lease liabilities were discounted using an average incremental borrowing rate of 5.1% (year ended March 31, 2022: 5.0%).

The expenses related to short-term leases, low-value leases and variable leases were $792,000, $609,000 and $5,565,000, respectively, for the year ended March 31, 2023 (March 31, 2022: $2,514,000, $571,000 and $2,128,000, respectively). These expenses were included in cost of sales. The total cash outflow for leases was $16,576,000 for the year ended March 31, 2023 (March 31, 2022: $8,168,000).

16. Rehabilitation Obligation

	As at March 31, 2023 (twelve-month period)	As at March 31, 2022 (twelve-month period)
Opening balance	**86,021**	45,074
Increase due to reassessment of the rehabilitation obligation	**8,649**	44,605
Accretion expense	**854**	100
Effect of change in discount rate	**(10,016)**	(3,758)
Ending balance	**85,508**	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 1.34% as at March 31, 2023 (March 31, 2022: 0.54%). The undiscounted amount related to the rehabilitation obligation is estimated at $104,358,000 as at March 31, 2023 (March 31, 2022: $93,706,000).

17. 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,	
	2023 (in thousands)	2022 (in thousands)
Shares		
Opening balance	**516,612**	502,116
Shares issued for exercise of warrants	**281**	10,000
Shares issued for exercise of options - incentive plan	**300**	220
Shares issued for release of restricted share units - incentive plan	**—**	76
Shares issued for the acquisition of the Kami Project	**—**	4,200
Ending balance	**517,193**	516,612

On April 1, 2021, the Company issued 4,200,000 ordinary shares and paid $15,000,000 in cash in addition to $444,000 in transaction costs 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.

17. Share Capital and Reserves (continued)

b) Ordinary share issuances (continued)

In June 2022, the Company paid a dividend of $0.10 per ordinary share of the Company in respect to the annual results for the period ended March 31, 2022 to registered shareholders for a total amount of $51,658,000. In November 2022, the Company paid a dividend of $0.10 per ordinary share of the Company in respect to the semi-annual results for the period ended September 30, 2022 to registered shareholders for a total amount of $51,686,000. During the year ended March 31, 2022, the Company declared and paid a dividend of $0.10 per ordinary share of the Company in respect to the semi-annual results for the period ended September 30, 2021 to registered shareholders for a total amount of $50,623,000.

c) Preferred share issuances

	Year Ended March 31,	
	2023	2022
	(in thousands)	(in thousands)
Shares		
Opening balance	**—**	185,000
Redemption of preferred shares	**—**	(185,000)
Ending balance	**—**	—

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 year ended March 31, 2022, the Company declared and paid dividends on the preferred shares amounting to $6,470,000 or $0.03 per preferred share which represented the accumulated dividends for the April 1, 2021 to August 16, 2021 period, inclusively. QIO also redeemed 185,000,000 of its preferred shares. The redemption was settled for $185,000,000 and the excess of the repurchase price over the book value of $25,493,000 was recorded in retained earnings for the year ended March 31, 2022.

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, RSU awards, PSU awards and DSU awards. If and when cash dividends are paid, the holders of RSUs, PSUs and DSUs are entitled to receive a dividend equivalent.

Stock option and RSU awards vest annually in three equal tranches from the date of grant. PSU awards vest i) at the end of three years from the date of grant or ii) over a 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.

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

	Year Ended March 31,	
	2023	2022
Stock option	**403**	1,263
RSU	**1,675**	2,988
PSU	**6,236**	7,873
DSU	**348**	694
	8,662	12,818

17. Share Capital and Reserves (continued)

d) Share-based payments (continued)

For the year ended March 31, 2023, the amount recognized as share-based payment expense related to equity-settled awards was $1,935,000 (year ended March 31, 2022: $4,008,000). For the year ended March 31, 2023, the amount recognized as share-based payment related to cash-settled awards was $6,727,000 (year ended March 31, 2022: $8,810,000). 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, which resulted in a decrease in contributed surplus of $4,295,000 and retained earnings of $6,512,000 ($5,193,000 net of tax of $1,319,000).

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 March 31, 2023	As at March 31, 2022
Accounts payable and other	**9,138**	7,313
Other long-term liabilities	**8,234**	12,304
	17,372	19,617

e) Stock options

As at March 31, 2023, the Company is authorized to issue 51,719,000 stock options and share rights (March 31, 2022: 51,661,000) equal to 10% (March 31, 2022: 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,			
	2023		2022	
	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**	(220)	3.65
Forfeited	**—**	**—**	(200)	5.00
Ending balance	**1,200**	**5.00**	1,500	5.00
Options exercisable - end of the year	**1,200**	**5.00**	1,000	5.00

During the year ended March 31, 2023, no new stock options were granted to executive officers of the Company (year ended March 31, 2022: nil). During the year ended March 31, 2023, a total of 300,000 stock options were exercised and the weighted average share price at the exercise date was $6.84. During the year ended March 31, 2022, a total of 220,000 stock options were exercised and the weighted average share price at the exercise date was $5.81.

A summary of the Company's outstanding and exercisable stock options as at March 31, 2023 is presented below:

		Number of Stock Options	
Exercise Price	**Weighted Average Remaining Life (Years)**	**Outstanding**	**Exercisable**
		(in thousands)	(in thousands)
$5.00	1.85	1,200	1,200
		1,200	**1,200**

17. 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,			
		2023		2022
	Number of RSUs	**Weighted Average Share Price**	**Number of RSUs**	**Weighted Average Share Price**
	(in thousands)		(in thousands)	
Opening balance	**1,142**	**3.37**	1,010	2.24
Granted	**488**	**6.31**	316	6.16
Dividend equivalents	**39**	**5.33**	18	6.13
Settled through cash payment	**(535)**	**2.50**	—	—
Forfeited	**(19)**	**6.71**	(40)	2.87
Released through the issuance of ordinary shares	**—**	**—**	(76)	2.21
Withheld as payment of withholding taxes	**—**	**—**	(86)	2.21
Ending balance	**1,115**	**5.08**	1,142	3.37
Vested - end of the year	**326**	**3.58**	435	2.28

During the year ended March 31, 2023, 488,000 RSUs were granted to key management personnel (year ended March 31, 2022: 316,000). They will vest annually in three equal tranches from the date of grant.

During the year ended March 31, 2023, 535,000 RSUs were settled in exchange for cash consideration based on a share price of $6.88. The cash consideration is included under the changes in non-cash operating working capital in the consolidated statements of cash flows.

During the year ended March 31, 2022, the Company issued 76,000 ordinary shares to an executive at a weighted average share price of $2.21. Withholding taxes of $443,000 were paid pursuant to the issuance of these aforementioned ordinary shares resulting in the Company not issuing an additional 86,000 RSUs.

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:

	Year Ended March 31,			
		2023		2022
	Number of PSUs	**Weighted Average Share Price**	**Number of PSUs**	**Weighted Average Share Price**
	(in thousands)		(in thousands)	
Opening balance	**2,842**	**4.55**	1,272	2.25
Granted	**610**	**6.89**	1,635	6.16
Dividend equivalents	**100**	**5.39**	45	6.13
Settled through cash payment	**(769)**	**2.51**	—	—
Forfeited	**(202)**	**7.02**	(110)	2.60
Ending balance	**2,581**	**5.59**	2,842	4.55
Vested - end of the year	**—**	**—**	—	—

During the year ended March 31, 2023, 610,000 PSUs were granted to key management personnel (year ended March 31, 2022: 1,635,000).

During the year ended March 31, 2023, 769,000 PSUs were settled in exchange for cash consideration based on a share price of $6.88. The cash consideration is included under the changes in non-cash operating working capital in the consolidated statements of cash flows.

17. Share Capital and Reserves (continued)

h) Warrants

	Year Ended March 31,			
	2023		2022	
	Number of Warrants	**Weighted Average Exercise Price**	Number of Warrants	Weighted Average Exercise Price
	(in thousands)		(in thousands)	
Opening balance	**15,281**	**2.43**	25,281	1.91
Exercised	**(281)**	**1.13**	(10,000)	1.13
Ending balance	**15,000**	**2.45**	15,281	2.43

A summary of the Company's outstanding and exercisable warrants as at March 31, 2023 and 2022 is presented below:

		Outstanding and Exercisable	
Exercise Price	**Expiry Date**	**As at March 31,**	As at March 31,
		2023	2022
		(in thousands)	(in thousands)
$1.125	October 16, 2022	**—**	281
$2.45	August 16, 2026	**15,000**	15,000
		15,000	15,281

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

Long-term debt with Sprott Private Resource Lending ("Sprott") and CDPI
In connection with a previous debt with Sprott and CDPI, on October 16, 2017, the Company issued 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. During the year ended March 31, 2023, the remaining 281,000 warrants were exercised for total proceeds of $317,000 (year ended March 31, 2022: 10,000,000 warrants issued to CDPI were exercised for total proceeds of $11,250,000).

Preferred share offering with CDPI
On August 16, 2019, in connection with a 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. All warrants were outstanding as at March 31, 2023 and 2022. Refer to note 17 c).

18. Revenues

	Year Ended March 31,	
	2023	2022
Iron ore revenue	**1,422,567**	1,389,837
Provisional pricing adjustments	**(27,479)**	70,969
	1,395,088	1,460,806

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, 2023, 2.0 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, 2022: 0.7 million tonnes).

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

19. Cost of Sales

	Year Ended March 31,	
	2023	2022
Mining and processing costs	**532,117**	291,534
Land transportation and port handling	**250,341**	159,301
Incremental costs related to COVID-19	**1,145**	7,843
Bloom Lake Phase II start-up costs	**39,159**	—
	822,762	458,678

For the year ended March 31, 2023, the amount recognized as an expense for defined contribution plans was $10,010,000 (year ended March 31, 2022: $6,928,000) and is included in mining and processing costs.

20. General and Administrative Expenses

	Year Ended March 31,	
	2023	2022
Salaries, benefits and other employee expenses	**20,484**	13,880
Public company and administrative expenses	**12,931**	10,975
Professional fees	**5,865**	5,576
Travel expenses	**2,234**	1,338
	41,514	31,769

21. Sustainability and Other Community Expenses

	Year Ended March 31,	
	2023	2022
Property and school taxes	**7,116**	5,842
Impact and benefits agreement	**6,726**	5,241
Salaries, benefits and other employee expenses	**633**	2,348
Other expenses	**3,458**	3,552
	17,933	16,983

22. Net Finance Costs

	Year Ended March 31,	
	2023	2022
Standby commitment fees on long-term debt	**2,177**	5,031
Interest on long-term debt	**10,482**	623
Amortization of transaction costs	**4,677**	1,503
Realized and unrealized foreign exchange loss	**7,220**	359
Interest expense on lease liabilities	**3,606**	912
Other	**(2,575)**	2,617
	25,587	11,045

During the development period of the Bloom Lake Phase II expansion project, the amount of borrowing costs capitalized for the year ended March 31, 2023 was $14,367,000 (year ended March 31, 2022: $15,040,000). 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 - audited)

23. Other Income

	Note	Year Ended March 31, 2023	2022
Unrealized gain on non-current investments	**26**	**593**	5,005
Realized gain of non-current investments	**26**	**—**	4,483
Unrealized gain (loss) on derivative liabilities	**26**	**176**	(176)
Net gain (loss) on non-financial assets		**53**	(752)
		822	8,560

24. Income and Mining Taxes

a) Deferred tax assets and liabilities

	As at March 31, 2023	As at March 31, 2022
Deferred tax assets	**54,904**	49,376
Deferred income tax liability	**(199,152)**	(126,011)
Deferred mining tax liability	**(71,479)**	(48,357)
	(270,631)	(174,368)
Net deferred tax liabilities	**(215,727)**	(124,992)

The movement in deferred 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, 2021	9,005	1,079	11,944	670	9,419	32,117
Credited to statements of equity	—	—	—	—	1,319	1,319
Credited (charged) to statements of income	(430)	873	10,851	(527)	5,173	15,940
As at March 31, 2022	**8,575**	**1,952**	**22,795**	**143**	**15,911**	**49,376**
Credited (charged) to statements of income	877	(1,952)	(136)	(143)	6,882	5,528
As at March 31, 2023	**9,452**	**—**	**22,659**	**—**	**22,793**	**54,904**

The movement in deferred 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, 2021	73,472	33,836	7,175	2,167	116,650
Charged to statements of income	38,370	14,519	559	4,270	57,718
As at March 31, 2022	**111,842**	**48,355**	**7,734**	**6,437**	**174,368**
Charged (credited) to statements of income	74,511	23,124	262	(1,634)	96,263
As at March 31, 2023	**186,353**	**71,479**	**7,996**	**4,803**	**270,631**

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

24. Income and Mining Taxes (continued)

a) Deferred tax assets and liabilities (continued)

As at March 31, 2023, the Company had $8,648,000 (March 31, 2022: $9,013,000) 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, 2023, the Company had $18,230,000 (March 31, 2022: $13,008,000) of operating losses carried forward that were not recognized and that can be carried forward indefinitely against future taxable income. As at March 31, 2023, the Company also had $47,559,000 (March 31, 2022: $44,607,000) of operating losses that can be carried forward against future taxable income and that will expire from 2030 to 2042. Out of those losses, $11,786,000 (March 31, 2022: $12,160,000) were not recognized.

As at March 31, 2023, the Company had $21,752,000 (March 31, 2022: $17,957,000) of net capital losses that can be carried forward indefinitely against future capital gains. Out of those capital losses, $21,752,000 (March 31, 2022: $3,229,000) 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, 2023, the Company had cumulative Canadian exploration expenses of $35,339,000 (March 31, 2022: $35,225,000) and cumulative Canadian development expenses of $16,342,000 (March 31, 2022: $14,175,000) which may be carried forward indefinitely to reduce taxable income in future years.

As at March 31, 2023, the Company had $1,778,000 (March 31, 2022: $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, 2023, the Company had $1,058,744,000 (March 31, 2022: $957,003,000) of taxable temporary differences related to investments in subsidiaries for which a deferred tax liabilities were partially recorded for an amount of $2,750,000 (March 31, 2022: $2,800,000). The deferred tax liabilities related to the remaining balance were not recognized as the Company controls the decisions affecting the realization of such liabilities and does not expect this temporary differences to be reverse in the foreseeable future. Upon distribution of these earnings in the form of dividends or otherwise, the Corporation may be subject to income taxes and/or withholding taxes.

b) Tax expense

The tax expense is applicable as follows:

	Year Ended March 31,	
	2023	2022
Current income and mining taxes		
Current income tax on profits for the year	**24,146**	170,873
Current mining tax on profits for the year	**30,957**	135,607
Total current income and mining taxes	**55,103**	306,480
Deferred income and mining taxes		
Deferred income tax for the year	**67,613**	27,256
Deferred mining tax for the year	**23,122**	14,522
Total deferred income and mining taxes	**90,735**	41,778
Income and mining taxes expense	**145,838**	348,258

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

24. Income and Mining Taxes (continued)

b) Tax expense (continued)

The tax on the Company's income before income and mining taxes 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,			
		2023		2022
	Amount	**%**	**Amount**	**%**
Income before income and mining taxes	**346,545**		870,843	
Canadian combined income tax rate for Champion		**26.50 %**		26.50 %
Expected income tax calculated at Canadian combined tax rate	**91,834**		230,773	
Increase (decrease) resulting from the tax effects of:				
Mining tax, net of tax benefit	**38,661**	**11.16 %**	110,330	12.67 %
Other taxes included in income tax expense, net of tax benefits	**5,728**	**1.65 %**	5,947	0.68 %
(Income) expenses not (taxable) deductible for tax purposes	**2,830**	**0.82 %**	689	0.08 %
Unrecorded tax benefits	**4,923**	**1.42 %**	1,613	0.19 %
Non-deductible capital losses	**503**	**0.15 %**	408	0.05 %
Difference in tax rate	**(222)**	**(0.06)%**	(608)	(0.07)%
Adjustment in respect of prior years	**1,677**	**0.48 %**	(17)	— %
Other	**(96)**	**(0.03)%**	(877)	(0.10)%
Income and mining taxes expense at effective tax rate	**145,838**	**42.08 %**	**348,258**	**39.99 %**

c) Income and mining taxes payable (receivable)

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

	Mining Tax	**Income Tax**	**Total**
As at April 1, 2021	86,607	104,935	191,542
Current tax on profit for the year	135,607	170,873	306,480
Tax paid during the year	(217,256)	(258,022)	(475,278)
As at March 31, 2022	**4,958**	**17,786**	**22,744**
Current tax on profit for the year	30,957	24,146	55,103
Tax paid during the year	(49,500)	(68,316)	(117,816)
Reimbursement received during the year	—	2,057	2,057
As at March 31, 2023	**(13,585)**	**(24,327)**	**(37,912)**

25. Earnings per Share

Earnings per share amounts are calculated by dividing the net income attributable to Champion shareholders for the years ended March 31, 2023 and March 31, 2022 by the weighted average number of shares outstanding during the period.

	Year Ended March 31,	
	2023	2022
Net income	**200,707**	522,585
Weighted average number of common shares outstanding - Basic	**517,046,000**	507,591,000
Dilutive share options, warrants and equity settled awards	**10,620,000**	16,517,000
Weighted average number of outstanding shares - Diluted	**527,666,000**	524,108,000
Basic earnings per share	**0.39**	1.03
Diluted earnings per share	**0.38**	1.00

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

26. 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 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 March 31, 2023 and March 31, 2022:

As at March 31, 2023		**Financial instruments at FVTPL**	**Financial Assets at Amortized Cost**	**Financial Liabilities at Amortized Cost**	**Total Carrying Amount and Fair Value**
Assets					
Current					
Cash and cash equivalents	Level 1	**—**	**326,806**	—	**326,806**
Short-term investments	Level 1	**—**	**312**	—	**312**
Trade receivables	Level 2	**131,786**	**—**	—	**131,786**
Other receivables (excluding sales tax and grant)	Level 2	**—**	**2,117**	**—**	**2,117**
Non-current					
Equity investment in publicly listed entity (included in non-current investments)	Level 1	**9**	**—**	—	**9**
Convertible loan, derivative and equity investment in private entity (included in non-current investments)	Level 3	**14,742**	**—**	—	**14,742**
		146,537	**329,235**	**—**	**475,772**
Liabilities					
Current					
Accounts payable and other (excluding current portion of lease liabilities and cash-settled share-based payment liability)	Level 2	**—**	**—**	**156,029**	**156,029**
Cash-settled share-based payment liability (included in accounts payable and other)	Level 1	**9,138**	**—**	**—**	**9,138**
Current portion of long-term debt	Level 2	**—**	**—**	**27,080**	**27,080**
		9,138	**—**	**183,109**	**192,247**
Non-current					
Long-term debt	Level 2	**—**	**—**	**448,201**	**448,201**
Cash-settled share-based payment liability (included in other long-term liabilities)	Level 1	**8,234**	**—**	**—**	**8,234**
		17,372	**—**	**631,310**	**648,682**

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

26. 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

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 approximated 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 year ended March 31, 2023 (year ended March 31, 2022: nil).

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

26. Financial Instruments (continued)

a) Market (continued)

i. Fair Value (continued)

Financial Instruments Measured at FVTPL

Trade Receivables

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

Equity Instruments Publicly Listed

Equity instruments publicly listed are classified as a Level 1 in the fair value hierarchy. Their fair values are a recurring measurement and are estimated using the closing share price observed on the relevant stock exchange. No adjustment in the fair value was recorded in the consolidated statements of income in the year ended March 31, 2023 (year ended March 31, 2022: a gain of $474,000). During the year ended March 31, 2022, the Company sold the majority of its shares of its publicly listed equity investments for proceeds of $9,468,000 and a net gain of $176,000.

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. During the year ended March 31, 2023, the Company converted one of its convertible loans to equity instruments. 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 March 31, 2023, the Company had a derivative asset of $2,971,000 (March 31, 2022: $2,744,000). As at March 31, 2023, convertible loans and equity instruments totalled $11,771,000 (March 31, 2022: $11,405,000).

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.

The change in fair value on the convertible loan, equity instruments and derivative asset for the year ended March 31, 2023 amounted to a gain of $593,000 and was attributable to the changes in exchange rates (year ended March 31, 2022: a gain of $8,838,000 attributable to changes in exchange rates and changes in enterprise values of the invested entities). During the year ended March 31, 2022, the Company acquired its equity instruments in this European-based private entity for an amount of $4,434,000.

The following table shows a breakdown of the changes in fair value recognized on non-current investments per fair value hierarchy.

		Year Ended March 31,	
		2023	2022
Change in fair value included in Other Income			
Unrealized (loss) gain on public equity investments	Level 1	**—**	(3,833)
Unrealized gain on private equity investments	Level 3	**287**	2,196
Unrealized gain on convertible loans	Level 3	**79**	3,898
Unrealized gain on derivative asset	Level 3	**227**	2,744
Total change in fair value		**593**	5,005
Realized gain on disposal of public equity investments	Level 1	**—**	4,483

26. Financial Instruments (continued)

a) Market (continued)

i. Fair Value (continued)

Financial Instruments Measured at FVTPL (continued)

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 year ended March 31, 2023, the last forward exchange contract of the Company of US$5,000,000 matured and as such, as at March 31, 2023, 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 year ended March 31, 2023 in the other income of the consolidated statements of income (year ended March 31, 2022: a loss of $176,000).

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.

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 bearing interest at variable rates 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.

Regulators announced that the USD London Interbank Offered Rate ("LIBOR") rate will cease on June 30, 2023. The Company already agreed with the relevant lenders to replace LIBOR with SOFR where applicable. The interest rate benchmark reform did not have any financial impact for the year ended March 31, 2023.

The long-term debt bearing interest at variable rates is subject to interest based on SOFR (March 31, 2022: LIBOR). The following table illustrates a financing rate sensitivity analysis calculating the impact on net income and equity over a 12-month horizon:

	Year Ended March 31,	
(in thousands of U.S. dollars)	**2023**	2022
Increase in net income and equity with a 1% decrease in the SOFR rate	**2,576**	2,026
Decrease in net income and equity with a 1% increase in the SOFR rate	**(2,576)**	(2,026)

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 revenue.

26. Financial Instruments (continued)

a) Market (continued)

iii. Commodity Price Risk (continued)

The following table sets out the Company's exposure, as at March 31, 2023 and 2022, in relation to the impact of movements in the iron ore price for the provisionally invoiced sales volume:

	Year Ended March 31,	
(in thousands of U.S. dollars)	**2023**	2022
Dry metric tonnes subject to provisional pricing adjustments	**1,987,800**	691,100
10% increase in iron ore prices	**28,047**	12,831
10% decrease in iron ore prices	**(28,047)**	(12,831)

The sensitivities demonstrate the monetary impact on gross revenues in U.S. dollars, net income and equity resulting from a 10% increase and 10% decrease in gross realized selling prices at each reporting date, while holding all other variables constant, including foreign exchange rates. The relationship between iron ore prices and exchange rates is complex, and movements in exchange rates can impact net realized FOB selling price in Canadian dollars. 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 costs, Revolving Facility and CAT Financing are denominated in U.S. dollars. The Company also has lease liabilities financed in U.S. dollars. As such, the Company benefits from a natural hedge between its revenues and its sea freight, long-term debt and some of its lease liabilities. Despite this natural hedge, the Company is exposed to foreign currency fluctuations as its mining operating expenses and other expenses are mainly incurred in Canadian dollars.

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, 2023 and 2022:

	As at March 31,	As at March 31,
(in thousands of U.S. dollars)	**2023**	2022
Current assets		
Cash and cash equivalents	**162,905**	129,840
Short-term investments	**—**	9,856
Receivables (excluding sales tax)	**97,381**	74,846
Non-current assets		
Restricted cash	**—**	35,000
Current liabilities		
Accounts payable and other	**(11,217)**	(4,593)
Current portion of long-term debt	**(15,281)**	(52,813)
Non-current liabilities		
Lease liabilities	**(46,018)**	(40,624)
Long-term debt	**(242,351)**	(149,794)
Total foreign currency net liabilities in U.S. dollars	**(54,581)**	1,718
Canadian dollar equivalents	**(73,864)**	2,147

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

26. Financial Instruments (continued)

a) Market (continued)

iv. Foreign Exchange Risk (continued)

The following table is a currency risk sensitivity analysis calculating the impact on net income and equity for the years ended March 31, 2023 and 2022, based on the Company's net assets denominated in U.S. dollars at the end of the reporting period:

	As at March 31 2023	As at March 31 2022
Increase (decrease) in net income and equity with a 10% depreciation in the U.S. dollar	**7,386**	(215)
Increase (decrease) in net income and equity with a 10% appreciation in the U.S. dollar	**(7,386)**	215

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

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, trade receivables and restricted cash.

Cash and cash equivalents, short-term investments and restricted cash
With respect to credit risk arising from cash and cash equivalents, short-term investments and restricted cash, 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, 2023 (March 31, 2022: nil). For the year ended March 31, 2023, no provision was recorded on any of the Company's receivables (year ended March 31, 2022: nil).

The Company holds no collateral for any receivable amounts outstanding as at March 31, 2023 (March 31, 2022: 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.

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, 2023:

	Less than a year	**1 to 5 years**	**More than 5 years**	**Total**
Accounts payable and other (excluding current portion of lease liabilities and cash-settled share-based payment liability)	**156,029**	**—**	**—**	**156,029**
Long-term debt, including interest	**60,061**	**426,258**	**117,561**	**603,880**
Cash-settled share-based payment liability	**9,138**	**8,234**	**—**	**17,372**
Lease liabilities, including interest	**17,263**	**29,083**	**82,998**	**129,344**
	242,491	**463,575**	**200,559**	**906,625**

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

27. Capital Risk Management

The Company's main objective when managing its capital is to maintain an adequate balance between having sufficient capital to invest in growth opportunities including exploring and developing mineral resource properties and investing in new product development as well as maintaining a satisfactory return on equity to ordinary shareholders.

The Company defines its capital as long-term debt, lease liabilities and share capital. The Company manages its capital structure and makes adjustments based on the funds available to the Company in light of changes in economic conditions. Dividend payments are discretionary and depends on financial circumstances. The Company is not subject to externally imposed capital requirements other than certain restrictions under the terms of its lending agreements for which the Company complied as at March 31, 2023. 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.

The Company's capital for the years ended March 31, 2023 and 2022 was as follows:

	As at March 31, 2023	As at March 31, 2022
Long-term debt	**475,281**	323,360
Lease liabilities	**86,841**	53,979
Share capital	**401,282**	398,635
	963,404	775,974

28. 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,	
	2023	2022
Short-term benefits		
Salaries	**4,115**	4,068
Bonus	**2,154**	3,284
	6,269	7,352
Termination benefits	**3,015**	—
Share-based payments	**7,126**	11,136
All other remuneration	**633**	478
	17,043	18,966

The Company has employment agreements with five executive officers, which include termination remuneration and benefits varying according to different scenarios. Had all these officers been terminated on March 31, 2023, the Company would have paid an amount of approximately $14,048,000, in addition to amounts in the table above.

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

29. Commitments and Contingencies

The Company's future minimum payments of commitments as at March 31, 2023 are as follows:

	Less than a year	1 to 5 years	More than 5 years	Total
Impact and Benefits Agreement with the Innu community	**7,115**	**30,661**	**125,884**	**163,660**
Take-or-pay fees related to the Port agreement	**7,486**	**32,257**	**108,055**	**147,798**
Capital expenditure obligations	**22,803**	**—**	**—**	**22,803**
Service commitment	**12,195**	**36,990**	**—**	**49,185**
Spare parts purchase commitment	**48,332**	**—**	**—**	**48,332**
	97,931	**99,908**	**233,939**	**431,778**

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

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 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.

30. Parent Entity Information

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

	As at March 31, 2023	As at March 31, 2022
Current assets	**9,875**	42,119
Non-current assets	**169,833**	143,063
Total assets	**179,708**	185,182
Current liabilities	**9,515**	8,045
Non-current liabilities	**5,603**	11,455
Total liabilities	**15,118**	19,500
Net assets	**164,590**	165,682
Share capital	**271,889**	269,242
Warrants	**22,288**	22,473
Contributed surplus	**13,811**	12,354
Accumulated deficit	**(143,398)**	(138,387)
Total equity	**164,590**	165,682
Net loss of the parent entity	**10,282**	20,827
Comprehensive loss of the parent entity	**10,282**	20,827

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

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,	
	2023	2022
E&Y Canada		
Audit fees	**667**	688
Audit-related fees	**8**	—
Tax fees	**97**	86
All other non-audit fees	**—**	2
	772	776
E&Y Australia		
Audit fees	**79**	73
Tax fees	**2**	—
	81	73
	853	849

Other non-audit fees are mainly comprised of consulting services.

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

a) Changes in non-cash operating working capital

	Year Ended March 31,	
	2023	2022
Receivables	**(34,123)**	(18,773)
Prepaid expenses and advances	**(22,779)**	(14,818)
Inventories	**(63,703)**	(23,056)
Advance payments	**12,070**	1,352
Accounts payable and other	**(19,275)**	78,470
Income and mining taxes receivable or payable	**(60,656)**	(168,798)
Other long-term liabilities	**(9,323)**	1,381
	(197,789)	(144,242)

(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 (continued)

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

	Year Ended March 31,	
	2023	2022
Additions of property, plant and equipment as per note 11	**324,341**	626,791
Right-of-use assets	**(34,819)**	(57,138)
Depreciation of property, plant and equipment allocated to stripping activity asset	**(1,089)**	(5,845)
Non-cash increase of the asset rehabilitation obligation	**(8,649)**	(44,605)
Government grant recognized	**8,969**	9,532
Government grant received	**(5,195)**	(6,234)
Capitalized amortization of transaction costs	**(666)**	(3,179)
Net cash flow used in investing activities - purchase of property, plant and equipment	**282,892**	519,322

The additions of property, plant and equipment for the year ended March 31, 2023 are net of government grants of $8,969,000, of which $7,075,000 was receivable as at March 31, 2023. The net cash flow from purchase of property, plant and equipment as presented in the statements of cash flows is net of government grants totalling $5,195,000 for the year ended March 31, 2023 (year ended March 31, 2022: $6,234,000).

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

	Year Ended March 31,	
	2023	2022
Depreciation of property, plant and equipment as per note 11	**124,105**	56,183
Depreciation of property, plant and equipment allocated to stripping activity asset	**(1,089)**	(5,845)
Depreciation of intangible assets	**3,134**	2,582
Net effect of depreciation of property, plant and equipment allocated to inventory	**(5,106)**	(8,991)
Depreciation as per consolidated statements of income	**121,044**	43,929

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

33. Segmented Information

The Company is conducting mining operations and exploration and evaluation activities in Canada. The business segments presented reflect the management structure of the Company and the way in which the Company's chief operating decision maker reviews business performance. The Company evaluates the performance of its operating segments primarily based on segment operating income, as defined below. The Bloom Lake mine site, which is comprised of two facilities in operation, was identified as a segment, namely Iron Ore Concentrate. Exploration and Evaluation and Corporate were identified as separate segments due to their specific nature.

Year Ended March 31, 2023	Iron Ore Concentrate	Exploration and Evaluation	Corporate	Total
Revenues	**1,395,088**	**—**	**—**	**1,395,088**
Cost of sales	**(822,762)**	**—**	**—**	**(822,762)**
Depreciation	**(120,759)**	**—**	**(285)**	**(121,044)**
Gross profit (loss)	**451,567**	**—**	**(285)**	**451,282**
Share-based payments	**—**	**—**	**(8,662)**	**(8,662)**
General and administrative expenses	**—**	**—**	**(41,514)**	**(41,514)**
Sustainability and other community expenses	**(7,113)**	**—**	**(10,820)**	**(17,933)**
Innovation and growth initiative expenses	**—**	**—**	**(11,863)**	**(11,863)**
Operating income (loss)	**444,454**	**—**	**(73,144)**	**371,310**
Net finance costs, other income and taxes expenses				**(170,603)**
Net income				**200,707**
Segmented total assets	**2,165,413**	**117,127**	**32,729**	**2,315,269**
Segmented total liabilities	**(1,026,116)**	**—**	**(26,449)**	**(1,052,565)**
Segmented property, plant and equipment	**1,253,622**	**—**	**8,346**	**1,261,968**

Year Ended March 31, 2022	Iron Ore Concentrate	Exploration and Evaluation	Corporate	Total
Revenues	1,460,806	—	—	1,460,806
Cost of sales	(458,678)	—	—	(458,678)
Depreciation	(43,671)	—	(258)	(43,929)
Gross profit (loss)	958,457	—	(258)	958,199
Share-based payments	—	—	(12,818)	(12,818)
General and administrative expenses	—	—	(31,769)	(31,769)
Sustainability and other community expenses	(5,840)	—	(11,143)	(16,983)
Innovation and growth initiative expenses	—	—	(5,549)	(5,549)
Bloom Lake Phase II start-up costs	(17,752)	—	—	(17,752)
Operating income (loss)	934,865	—	(61,537)	873,328
Net finance costs, other expense and taxes expenses				(350,743)
Net income				522,585
Segmented total assets	1,827,085	107,810	54,335	1,989,230
Segmented total liabilities	(800,206)	—	(27,326)	(827,532)
Segmented property, plant and equipment	1,069,580	—	450	1,070,030

34. Subsequent Event

On May 30, 2023 (Montréal time) / May 31, 2023 (Sydney time), the Board declared a dividend of $0.10 per ordinary share of the Company in connection with the semi-annual results for the period ended March 31, 2023, payable on July 5, 2023, to registered shareholders at the close of business in Australia and Canada on June 14, 2023 (Montréal time).