

APPENDIX 4E

For the year ended March 31, 2021

This Appendix should be read in conjunction with the Company's Annual Report for the year ended March 31, 2021.

1. Name of Entity

Champion Iron Limited

ACN 119 770 142

2. Reporting Period

Reporting period: For the year ended March 31, 2021

Previous corresponding period: For the year ended March 31, 2020

3. Results for Announcement to the Market

	Year Ended March 31,		Up/(Down)	% Movement
	2021	2020		
	(in thousands of CA\$)	(in thousands of CA\$)	(in thousands of CA\$)	
Revenue from ordinary activities	1,281,815	785,086	496,729	63%
Profit from ordinary activities after tax attributable to members	464,425	89,426	374,999	419%
Net profit attributable to members	464,425	89,426	374,999	419%

4. Dividends

No interim or final dividend has been declared for the year ended March 31, 2021 (year ended March 31, 2020: nil). Dividends paid by subsidiaries are not included.

5. Net Tangible Assets per Security

	As at March 31,	
	2021	2020
	(CA\$ per share)	(CA\$ per share)
Net tangible assets per security	1.70	0.81

6. Associates and Joint Venture Entities

Associates are not considered to be material to the Company. The Company does not have joint venture entities.

7. Commentary on the Results for the Period

A commentary on the results for the period is contained within the Annual Report, including the Directors' Report and the Financial Statements that accompany this Appendix.

8. Status of Audit

This report is based on Financial Statements for the year ended March 31, 2021, which have been audited by Ernst & Young.

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ANNUAL REPORT 2021

FOR THE YEAR ENDED
MARCH 31, 2021

CONTENTS

01

OVERVIEW

02

SUSTAINABILITY

03

CORPORATE
GOVERNANCE

04

DIRECTORS'
REPORT

05

MINERAL RESOURCES AND
ORE RESERVES STATEMENT

06

FINANCIAL
REPORT

07

ADDITIONAL STOCK
EXCHANGE INFORMATION

08

RISK
FACTORS

09

FORWARD-LOOKING
STATEMENTS

10

COMPANY
DIRECTORY

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This Annual Report contains forward-looking statements. Particular attention should be given to the risk factors described in the “Risk Factors” section and to the “Forward-Looking Statements” section of the Annual Report. Unless otherwise specified, all dollar figures stated herein are expressed in Canadian dollars.

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01

OVERVIEW



ABOUT CHAMPION

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



**PROVEN
MANAGEMENT**



**SKILLED
WORKFORCE**



**INNOVATIVE
TECHNOLOGIES**



**MAJOR INVESTMENTS
IN STATE-OF-THE-ART
EQUIPMENT**



**AN EXEMPLARY
ENVIRONMENTAL
APPROACH**

CHAMPION'S VALUES



PRIDE

Develop a collective sense of belonging in all spheres of iron ore mining



INGENUITY

Leverage employee creativity and expertise to achieve and maintain efficient practices aimed at operational excellence



RESPECT

Respect for people, resources, the environment, safety standards, partnerships and equipment



TRANSPARENCY

Promote transparent communications through active listening and open dialogue

HIGHLIGHTS

7,684,500 dmt

Concentrate Sold

US\$139.1

Gross Realized Price

\$1,281.8M

Revenues

8,001,200 wmt

**Record Concentrate
Produced**

\$819.5M

Record EBITDA¹

\$0.97

EPS

83.5%

Ore Recovery Rate

\$636.5M

Cash on Hand¹

\$54.2 /dmt sold

Total Cash Cost¹

66.4%

Iron Ore Concentrate

2.45

**Recordable Injury
Frequency Rate**

¹ This is a non-IFRS financial performance measure with no standard definition under IFRS. See the "Non-IFRS Financial Performance Measures" section of the Directors' Report.

OTHER HIGHLIGHTS

PHASE II

RECEIVED

final Board of Directors' approval, on November 12, 2020, to complete the Phase II project and subsequently advanced work programs required to maintain the project's timeline, scheduled for completion in mid-2022

INCREASED

the senior secured Credit Facility from US\$200.0M to US\$400.0M, providing additional financing to support and fund the Phase II expansion

AGREED

to expand the existing long-term rail contract with Quebec North Shore and Labrador Railway to accommodate anticipated increased Phase II production volumes

CARRIED OUT

the planned construction work with more than 200 individuals actively working on the Phase II project

PURCHASED

major mining equipment and ordered long lead time items, including the stacker reclaimer by Société Ferroviaire et Portuaire de Pointe-Noire

GROWTH & DEVELOPMENTS

CLOSED

the Kami Project acquisition and its related mining properties, on April 1, 2021, and initiated work related to revising the Kami Project's scope and feasibility study

INCREASED

its exploration mineral rights adjacent to Bloom Lake mining lease by over 175% with the acquisition of 152 claims (38 km²) and staking of 127 claims (32 km²)

PRODUCED & SHIPPED

575,700 wmt of Direct Reduction ("DR") quality iron ore concentrate at 67.7% Fe with a combined silica and alumina content of 2.8%

ADVANCED

Laboratory testing for the production of iron ore concentrate, grading more than 69% Fe

PROGRESSED

Laboratory testing and development of cold pelletizing technologies

INCLUDED

in the S&P/ASX 200 Index, Australia's preeminent benchmark index, which measures the performance of the 200 largest index-eligible stocks listed on the ASX

QUALIFIED

to trade on the OTCQX Best Market, the highest market tier of OTC Market Groups, under the symbol CIAFF

A WORD FROM THE EXECUTIVE CHAIRMAN



MICHAEL O'KEEFFE
EXECUTIVE CHAIRMAN

Opportunities arise in challenging times. In light of the unprecedented year that was globally marked by the COVID-19 pandemic, I would first and foremost like to thank our workers, partners, local communities and shareholders for their continuous support and commitment. I am grateful for the considerable efforts made by our employees and their flexibility to rapidly adapt to the new reality imposed by the pandemic. Such a commitment allows our Company to maintain its positive impact on the region and to continue its journey to build a sustainable mining company. Together with our exemplary teams and various partners, Champion achieved record financial and operational results for its 2021 fiscal year, positioning our Company to deploy its growth initiatives.

Focus on Growth

The 2021 fiscal year marked several milestones as our Company set the foundation for additional growth. In addition to adapting operations in response to the pandemic, we announced the approval and decision to complete the Phase II expansion project, intended to double Bloom Lakes' production capacity to 15 Mtpa. In April 2021, we also completed the acquisition of the Kami Project, a high-grade iron ore project located a few kilometers southeast of Bloom Lake. Responsible growth requires us to adapt our operations to reduce our environmental footprint, continue to build our partnerships with local communities and improve our health and safety measures. I am excited by the prospect of our Company which continues to participate in the fight against climate change as we adapt our product to further reduce emissions in the steelmaking process. In addition to our high-quality iron ore concentrate already contributing to emissions reduction in the steel industry, we have now proven our ability to produce a DR quality iron ore concentrate, which can ultimately be used and converted by Direct Reduced Iron producers and consumed by electric arc furnaces, which is a cleaner steelmaking process. Our successful commercial production and sales of DR iron ore concentrate further positions our Company as part of the solution in the fight against climate change.

A Word from the Executive Chairman (continued)

Focus on Local economic Revival and Local Communities

Over the past three years, local communities have supported and trusted us in our daring vision to restart Bloom Lake. For that reason, Champion takes pride in being a key partner in the economic revival of the northern region. Through the Plan Nord program and in connection with the ongoing Phase II project, Champion committed to a joint investment of \$135M with Société du Plan Nord in the upcoming years. As the Phase II project progresses towards its planned commissioning in mid-2022, we expect to create nearly 400 additional full-time and quality jobs, positioning Champion as an important contributor to the Québec economy.

I am grateful for our host communities and Indigenous peoples, for supporting our activities and allowing us to contribute to the economic stability of the region. It is through their confidence in our vision that we can today hold the honour of being the largest employer of First Nations in the region.

New Appointments to our Management Team and Board of Directors

Our success lies in our ability to attract and promote top talent for positions in our executive team and Board of Directors. In July 2020, we appointed Alexandre Belleau as Chief Operating Officer, following his remarkable contributions in commissioning Bloom Lake in 2018 and his proven leadership capabilities to build on our values while continuing to grow our team and operations. In August 2020, we welcomed Louise Grondin as a member of the Board of Directors. Her distinguished career and extensive leadership experience in multiple facets of the mining industry, including environment, health and safety, community and human resources will be invaluable to our organization. In April 2021, we appointed François Lafrenière as Chief People and Sustainability Officer. His passion for sustainability, innovations and human capital has been instrumental since he joined the Quebec Iron Ore team in 2016.

Our focus on the Future

With our ability to rely on our partners and with our proven operational track record, our Company is well positioned to continue its growth trajectory. Our Phase II expansion project, currently under construction, the recently acquired Kami Project and our product development securely position Champion with an organic growth strategy for the foreseeable future.

In closing, it is not commonplace that a company can boast of beating its own operational and financial performance records year after year. On behalf of the Board of Directors, I want to express our sincere appreciation to our investors and partners, who shared our vision to restart the Bloom Lake Mine. It is with their support over the past five years, as well as our dedicated employees, that Champion can capitalize on its current operations and unlock the value of its future potential.

MICHAEL O'KEEFFE
EXECUTIVE CHAIRMAN

A WORD FROM THE CHIEF EXECUTIVE OFFICER



DAVID CATAFORD
CHIEF EXECUTIVE OFFICER

Looking Back on a Year Like No Other

Despite the severe impacts of the COVID-19 pandemic on the local and global economy, our Company can be proud of several accomplishments in our 2021 fiscal year. Even while adapting to the challenges imposed by the pandemic, our resilient workforce and partners delivered remarkable progress for our Company. Our operational successes include improvements in our occupational health and safety systems, the ongoing optimization of our industry-leading environmental practices, our focus on reducing greenhouse gas emissions in the steelmaking process, the acquisition of the Kami Project, the commencement of work programs for our Phase II growth project and its related ongoing hiring campaign, expected to contribute to the post-pandemic economic recovery of Québec.

Health and Safety at the Core of All our Decisions and Actions

Against the backdrop of the challenges created by the pandemic, we established a COVID-19 screening laboratory directly at our mine site during the 2021 fiscal year, to better protect the physical and psychological welfare of our employees, partners and host communities. This laboratory allowed us to mitigate the risks of the pandemic and largely contributed to the stability of our operations, allowing our Company to deliver record production results for the 2021 fiscal year.

We are extremely proud that our values are deeply rooted in our workforce's daily tasks, allowing our Company to live up to its ambitions and meet the high health and safety standards that our human capital deserves – Our people are our most valuable asset.

A Word from the Chief Executive Officer (continued)

Continuous Improvement of our Environmental Performance

In addition to our diligent local environmental management practices, we are proud that our products contribute in the fight against global climate change. Given its exceptional purity and quality, Bloom Lake's 66.2% Fe iron ore concentrate significantly contributes to the reduction of greenhouse gas emissions in the steelmaking industry.

Our commitment to innovate led us to develop a DR concentrate during 2020 fiscal year, enabling our Company to engage with different customers and further contribute to emissions reduction in the steel industry. This innovation creates opportunities to ultimately contribute to the supply chain utilized by electric arc furnaces, which are seen by many experts as the ultimate solution to help decarbonize the steel industry, and this positions our Company to play an active role in the "green" transition of the iron ore industry.

An Employer of Choice for the Québec Economy

We are proud of our relationship with First Nations, highlighted by our position as the largest First Nations employer in the region. As our Phase II project continues to progress, our Company is preparing to recruit, over the coming months, 400 additional talented team members to help us reach our operational production objectives. This represents a significant increase of our human capital over a one-year period, solidifying our Company as a key employer in the Québec North Shore region, where we have continuously strived to create permanent local employment.

Conclusion

Despite unprecedented challenges, I would like to highlight the courage and strength displayed and demonstrated by our people during the past year. I am excited for our Company's growth prospects as we rapidly advance our Phase II project and continue to work on our product development initiatives, further positioning us to capitalize from the global rising demand for high-grade iron ore. We look forward to completing the Phase II expansion with the same diligent approach and values that have contributed to our success since recommissioning the Bloom Lake Mine.

DAVID CATAFORD
CHIEF EXECUTIVE OFFICER

MANAGEMENT TEAM

CHAMPION IRON EXPERTS
SHARE A SINGLE MISSION:
RESPONSIBLE AND
CAREFULLY PLANNED
PROFITABILITY



**MICHAEL
O'KEEFFE**, B AppSc (Metallurgy)

Executive
Chairman



**STEVE
BOUCRATIE**

Vice-President,
General Counsel and
Corporate Secretary



**DAVID
CATAFORD**, ENG

Chief Executive
Officer and
Director



**MICHAEL
MARCOTTE**, CFA

Vice-President,
Investor
Relations



**NATACHA
GAROUTE**, CPA, CA

Chief
Financial
Officer



**FRANÇOIS
LAFRENIÈRE**

Chief People and
Sustainability
Officer



**ALEXANDRE
BELLEAU**, ENG

Chief
Operating
Officer



**PRADIP
DEVALIA**

Company
Secretary -
Australia

MANAGEMENT TEAM

Michael O’Keeffe, B AppSc (Metallurgy)

Executive Chairman and Former Chief Executive Officer

Mr. O’Keeffe was appointed executive Chairman of Champion Iron Limited on August 13, 2013. On April 1, 2019, Mr. O’Keeffe stepped down as CEO and remains Executive Chairman of the Board. Mr. O’Keeffe commenced work with MIM Holdings in 1975. He held a series of senior operating positions, rising to Executive Management level in commercial activities. In 1995, he became Managing Director of Glencore Australia (Pty) Limited and held the position until July 2004. Mr. O’Keeffe was the founder and Executive Chairman of Riversdale Mining Limited. Mr. O’Keeffe is presently a member of the Board of Directors of Burgundy Diamond Mines Ltd. and Mount Royal Resources.

David Cataford, Eng

Chief Executive Officer and Director

Mr. Cataford was appointed to the position of President and Chief Executive Officer on April 1, 2019. Mr. Cataford had been Chief Operating Officer of the Company since March 20, 2017. Prior to joining Champion in 2014, Mr. Cataford held several management positions within Cliffs Natural Resources Inc., including key positions in their main iron ore deposit at Bloom Lake Mine in Fermont, Québec. At Bloom Lake, Mr. Cataford played an important role in the management team, which increased drilling capacity by 80%, and helped in the Phase I expansion of the plant. His experience in iron ore mining includes mineral characterization projects at Bloom Lake and for ArcelorMittal at Mont Wright, as well as adapting the recovery circuit to meet new customer demands. Mr. Cataford is cofounder of the North Shore and Labrador Mineral Processing Society.

Natacha Garoute, CPA, CA

Chief Financial Officer

With more than 20 years of finance experience as a CPA, Natacha has developed a strong focus in mining and publicly-listed corporations with extensive international exposure. Thanks to her legal background, Natacha optimized tax structures and financed development and production stage companies through project debt and equity financing. Prior to joining Champion, Natacha was Chief Financial Officer of Roxgold Inc. and Corporate Controller at Semafo Inc. and held senior positions at Canadian National Railway Inc. and PwC. Natacha also sits on the Board of Directors, Audit Committee and Special Governance Committee of Corem.

Alexandre Belleau, Eng

Chief Operating Officer

M. Belleau joined the team in 2016, following the Company's decision to acquire and recommission the sidelined Bloom Lake Mine. With his career as entrepreneur in various lines of business, Alexandre's versatility allowed him to successfully head the Bloom Lake restart. Recently promoted to his current role as Chief Operating Officer, M. Belleau is closely involved in many aspects of the Company where logistics, operations, human resources and financing, all benefit from his expertise in business development and project management. Alexandre is also an executive member of the Québec Mining Association.

MANAGEMENT TEAM

Steve Boucratie

Vice-President, General Counsel and Corporate Secretary

Steve Boucratie joined Champion Iron in May 2019 as Vice-President, General Counsel and Corporate Secretary. Steve brings more than 13 years of legal and transaction experience. Prior to joining Champion, Steve was serving as Director, Legal Affairs and Assistant Corporate Secretary for Osisko Gold Royalties Ltd. Before Osisko, Steve was a partner of the law firm Fasken Martineau Dumoulin LLP where he practiced corporate law.

Michael Marcotte, CFA

Vice-President Investor Relations

Michael joined Champion Iron in 2018 as Vice-President Investor Relations. Prior to joining Champion Iron Limited, Michael worked as Vice-President and Partner at Orion Financial Inc. from 2004 to 2007, which was then acquired by Macquarie Capital Markets Canada Ltd., where he worked as Associate Director, engaging institutional investors across North America and Europe from 2007 to 2018. His previous experience included equity research focused on resource equities at various institutional asset managers. Michael was recognized as a leading institutional sales professional in 2017 and 2018, when he was awarded the 'TopGun' award by Brendan Wood International. Michael also sits on the Board of Directors of Ruelle de l'Avenir, a nonprofit organization contributing to the learning and academic success of young people in greater Montréal.

François Lafrenière

Chief People and Sustainability Officer

After joining the Quebec Iron Ore team in 2016, François Lafrenière was recently appointed Chief People and Sustainability Officer in April 2021, a role where he is responsible for talent deployment and the implementation of sustainability principles throughout the Company. In his past positions during the previous fifteen years, Mr. Lafrenière held a variety of senior management roles with consulting firms and in the mining industry. Today, his passion for people and sustainability inspires him to develop innovative, socially and environmentally responsible approaches to mining production.

Pradip Devalia

Company Secretary – Australia

Mr. Devalia joined Champion Iron Limited as Company Secretary in June 2014. Prior to joining Champion Iron Limited, Mr. Devalia was a senior tax partner of PwC in Sydney and has expertise in the resources sector reporting to the Executive team and the Board of Directors of major multinational companies. Since leaving PwC, Mr. Devalia has worked as a consultant to various companies, including Riversdale Mining Limited and Rio Tinto. Mr. Devalia is a member of the Institute of Chartered Accountants in England & Wales and a Fellow of Chartered Accountants Australia New Zealand.



02

SUSTAINABILITY

"As a mining company, we recognize our duty to contribute to maintaining the integrity of the environment in order to ensure the health and safety of communities and preserve the ecosystems that sustain life."

Michael O'Keeffe

SUSTAINABLE DEVELOPMENT INSPIRED BY OUR VALUES

Sustainable development is anchored deep in the DNA of Champion Iron. We believe that making it part of our organization is essential to success.

Our values guide every aspect of our success, and we always refer to them when making decisions related to sustainable development.

PRIDE



In addition to the positive local impact of our sustainable development practices, we are proud to be a leader in the high-grade iron ore industry, which enables our Company to contribute in reducing emissions globally. Our integrated sustainable development structure is a testament to the involvement of each department in this shared energy of pride.

INGENUITY



Our quest to keep improving our practices continues unabated. We are always on the lookout for new developments and use creativity to find innovative sustainable development solutions. Our rigorous policies are part of our visionary practices.

RESPECT



For us, respect means creating value in a way that meets the company's long-term needs, while respecting stakeholders, the environment and society.

TRANSPARENCY



We develop and maintain transparent relationships with our stakeholders. This allows us to make the right decisions and focus our efforts on implementing actions that meet their real needs, expectations and concerns.



SUSTAINABILITY POLICIES & PRACTICES

Champion diligently assumes its responsibilities with regard to environmental, societal and ethical issues. As part of our ongoing commitment to implement a sustainable development approach and ethical practices across all our activities, we have adopted policies and documented practices, which include, amongst others, a Modern Slavery Statement, a Responsible Procurement Corporate Policy and a Sustainable Report. The latest versions available on our website at www.championiron.com.

Modern Slavery Statement

As part of its long-term vision to create a sustainable and innovative business that aims to minimize social inequities and impacts on the natural environment, Champion is committed to protecting human rights wherever they operate. Champion's accountability in its rejection of modern slavery falls within its overall approach to protect human rights.

Champion recognizes that its activities can have an impact on human rights either through its operations or through its relationships with subcontractors and suppliers. This is why the Company is committed to implementing the means to ensure respect for human rights in its assets and to ensure that its employees and business partners understand and respect this commitment. Respect for human rights is one of the fundamental elements of Champion's overall strategy aimed at integrating the principles of sustainable development throughout the organization.

Champion has zero tolerance for any form of modern slavery, including forced, compulsory or child labour, and is committed to operating in a transparent and responsible manner to prevent modern slavery and human trafficking in all of its activities. The Company also seeks to avoid being complicit in or facilitating human rights violations or modern slavery throughout its supply chain.

Responsible Procurement Corporate Policy

The adoption by Champion of a responsible procurement policy is part of its continuous approach aimed at applying the principles of sustainable development within its organization.

The implementation of such a policy helps support Champion's procurement process in a way that ensures it receives the best value for its money when purchasing goods and services, while helping to stimulate the economy of local communities and Indigenous groups. This policy is also part of a global perspective aimed at enabling Champion to diligently fulfill its responsibilities in the face of environmental, societal and ethical issues inherent to the Company's procurement processes.

In the course of its activities, Champion will seek to diligently implement the principles and commitments set out in this policy.

Sustainability Report

We envision the success of our business by creating value in a way that meets long-term business needs while considering our stakeholders and the environmental, social and economic context in which we operate. Integrating sustainable practices while conducting our business is an essential element since this allows for risk reduction, lower costs, better access to opportunities, and above all the creation of long-term value for stakeholders.

The management team sets the strategic direction for sustainable development and ensures the development and implementation of strategic sustainability programs. Through its sustainable development policies, Champion seeks to obtain the best value for its money from the goods and services it procures, while stimulating the economy of local communities and Indigenous groups.

03

CORPORATE GOVERNANCE



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PRODUCE IRON
CONCENTRATE
W I T H
INTEGRITY

"Each of the policies of Champion Iron is developed with specific objectives in mind. They include, to:

- Provide a safe and inclusive working environment, avoid social inequities and respect human rights;*
- Respect and follow our corporate values in all of our actions; and*
- Protect the environment and biodiversity."*

David Cataford

BOARD OF DIRECTORS

A GROUP OF SEASONED PROFESSIONALS TO ENSURE THE PROSPERITY OF CHAMPION IRON



MICHAEL O'KEEFE, B AppSc (Metallurgy)

Executive Chairman



GARY LAWLER, LLB, LLM

Director



DAVID CATAFORD, ENG

Chief Executive Officer and Director



THE HONOURABLE WAYNE WOUTERS, P.C., O.C.

Director



ANDREW J. LOVE, FCA

Lead Director



JYOTHISH GEORGE

Director



MICHELLE CORMIER, CPA, CA, ASC

Director



LOUISE GRONDIN

Director

BOARD OF DIRECTORS

Michael O’Keeffe, B AppSc (Metallurgy)

Executive Chairman Former Chief Executive Officer (non-independent)

Mr. O’Keeffe was appointed executive Chairman of Champion Iron Limited on August 13, 2013. On April 1, 2019, Mr. O’Keeffe stepped down as CEO and remains Executive Chairman of the Board. Mr. O’Keeffe commenced work with MIM Holdings in 1975. He held a series of senior operating positions, rising to Executive Management level in commercial activities. In 1995, he became Managing Director of Glencore Australia (Pty) Limited and held the position until July 2004. Mr. O’Keeffe was the founder and Executive Chairman of Riversdale Mining Limited. Mr. O’Keeffe is presently a member of the Board of Directors of Burgundy Diamond Mines Ltd. and Mount Royal Resources.

Andrew J. Love, FCA

Lead Director (independent)

Mr. Love was appointed as a Non-Executive Director on April 9, 2014. He has more than 35 years of experience in corporate recovery and reconstruction in Australia. He was initially a member and then on retirement a senior partner of Australian accounting firm Ferrier Hodgson in the period 1976 to 2013. He then acted as a consultant to the firm until 2019. He has advised major local and overseas companies and financial institutions in a broad variety of restructuring and formal insolvency assignments and specialized in the resources industry. Mr. Love has been an independent director of a number of listed companies over a 30-year period in the resources, financial services and property industries. This has involved corporate experience in Asia, Africa, Canada, the United Kingdom and the United States. Mr. Love’s previous board positions have included Chairman of ROC Oil Ltd., Deputy Chairman of Riversdale Mining Limited, Director of Charter Hall Office Trust, Chairman of Museum of Contemporary Art, Chairman of Gateway Lifestyle Operations Ltd. and Director of Scottish Pacific Group Ltd.

David Cataford, Eng

Chief Executive Officer and Director (non-independent)

Mr. Cataford was appointed to the position of President and Chief Executive Officer on April 1, 2019. Mr. Cataford had been Chief Operating Officer of the Company since March 20, 2017. Prior to joining Champion in 2014, Mr. Cataford held several management positions within Cliffs Natural Resources Inc., including key positions in their main iron ore deposit at Bloom Lake Mine in Fermont, Québec. At Bloom Lake, Mr. Cataford played an important role in the management team, which increased drilling capacity by 80%, and helped in the Phase I expansion of the plant. His experience in iron ore mining includes mineral characterization projects at Bloom Lake and for ArcelorMittal at Mont Wright, as well as adapting the recovery circuit to meet new customer demands. Mr. Cataford is cofounder of the North Shore and Labrador Mineral Processing Society.

Michelle Cormier, CPA, CA, ASC

Non-Executive Director (independent)

Mrs. Cormier is a senior-level executive with experience in management, including financial management, corporate finance, turnaround and strategic advisory situations and human resources. She has a strong capital markets background, with significant experience in public companies listed in the United States and Canada. Mrs. Cormier has been Operating Partner at Wynnchurh Capital Canada, Ltd. since 2014. Mrs. Cormier spent 13 years in senior management and as Chief Financial Officer of a large North American forest products company, and eight years in various senior management positions at Alcan Aluminum Limited (Rio Tinto). Mrs. Cormier articulated with Ernst & Young. She serves on the Board of Directors of Cascades Inc. and Uni-Select Inc.

BOARD OF DIRECTORS

Jyothish George

Non-Executive Director (independent)

Mr. George is currently Head of Glencore's Iron Ore Division. He serves as Vice Chairman of the Board of Directors of the El Aouj Mining Company SA in Mauritania and a member of the Board of Directors of Jumelles Limited, the holding company of the Zanaga iron ore mine in the Republic of Congo. Immediately prior to his current role, Mr. George served as the Chief Risk Officer of Glencore. He earlier held a number of roles at Glencore's head office in Baar, Switzerland from 2009 onwards focused on iron ore, nickel and ferroalloys physical and derivatives trading, and has been involved with iron ore marketing since its inception at Glencore. Mr. George joined Glencore in 2006 in London. He was previously a Principal at Admiral Capital Management in Greenwich, Connecticut, a Vice President in equity derivatives trading at Morgan Stanley in New York, and started his career at Wachovia Securities in New York as a Vice President in convertible bonds trading. Mr. George received a Bachelor's in Technology from IIT Madras, India and a PhD in Mechanical Engineering from Cornell University.

Louise Grondin

Non-Executive Director (independent)

Ms. Grondin has been, since January 2021, working as an independent consultant after retiring from Agnico Eagle Mines Ltd, a Canadian-based international gold producer. Over her almost twenty years with Agnico Eagle, she held various leadership positions as Senior Vice President, People and Culture, Senior Vice President Environment, Sustainable Development and People, Regional Director Environment and Environmental Superintendent. Prior to working with Agnico Eagle, Ms. Grondin was Director of Environment, Human Resources and Safety for Billiton Canada Ltd.

Gary Lawler BA, LLB, LLM (Hons), ASIA, Master of Laws (Applied Laws) (Wills and Estates)

Non-Executive Director (independent)

Mr. Lawler was appointed as a Non-Executive Director on April 9, 2014. He is a leading Australian corporate lawyer who has specialized as a mergers and acquisitions lawyer for over 35 years. Mr. Lawler has been a partner of a number of leading Australian law firms and is currently a Senior Advisor at Ashurst Australia. Mr. Lawler is also the Chairman of Mont Royal Resources Limited. Mr. Lawler has previously held board positions with Dominion Mining Limited, Riversdale Mining Limited, Riversdale Resources Limited and Cartier Iron Corporation and brings a wealth of experience to the Board.

The Honourable Wayne G. Wouters, P.C., O.C.

Non-Executive Director (independent)

The Honourable Wayne G. Wouters is a Strategic and Policy Advisor with McCarthy Tétrault LLP. Before joining the private sector, Mr. Wouters had a long and illustrious career in the Public Service of Canada. His last assignment was the Clerk of the Privy Council, Secretary to the Cabinet, and Head of the Public Service. Appointed by Prime Minister Harper, Mr. Wouters served from July 1, 2009 until October 3, 2014, at which time he retired from the Public Service of Canada. Prior to this, Mr. Wouters was a Deputy Minister in several departments, including the Deputy Minister of Human Resources and Skills Development Canada and Secretary of the Treasury Board. In 2014, Mr. Wouters was inducted as a Member of the Privy Council by the Prime Minister and in 2017, he was made an Officer of the Order of Canada.

CORPORATE GOVERNANCE STATEMENT

Corporate Governance Statement

The Company's Board is committed to protecting and enhancing shareholder value and conducting the Company's business ethically and in accordance with the highest standards of corporate governance. In determining those standards, Champion supports the intent of the 4th Edition ASX Corporate Governance Principles and Recommendations ("Principles and Recommendations") and meets the specific requirements of the Principles and Recommendations, unless otherwise disclosed.

Champion believes that its practices are substantially consistent with the ASX Recommendations and will continue to adapt its governance practices to be consistent with them and make changes as appropriate, having regard to the nature and scale of the Company's business.

A full copy of the Corporate Governance Statement is available on the Company's website at www.championiron.com. The corporate governance section of Champion's website also provides further information in relation to Champion's corporate governance policies and whistleblower policy.

Diversity Policy

The Company has adopted a Diversity Policy within Champion Iron Limited Corporate Governance Policies, which can be accessed at the Company's website at www.championiron.com.

The Board aims to achieve gender diversity as Director and Senior Management positions become vacant and appropriately qualified candidates become available. At the date of this report, 17% of the Company's Senior Executive team and 25% of the Board are women. As at December 31, 2020, 11% of the whole organization are women.

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04

DIRECTORS' REPORT



DIRECTORS' REPORT

The following Champion Iron Limited ("Champion" or the "Company") Directors' Report has been prepared as of May 27, 2021. This Directors' Report is intended to supplement the audited consolidated financial statements for the year ended March 31, 2021 and related notes thereto ("Financial Statements"), which have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB), including Australian Interpretations and the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Financial Statements and other information pertaining to the Company are available on SEDAR at www.sedar.com, the ASX at www.asx.com.au and the Company's website at www.championiron.com.

Champion's management team ("Management") is responsible for the preparation and integrity of the Financial Statements, including the maintenance of appropriate information systems, procedures and internal controls. Management is also responsible for ensuring that information disclosed externally, including the Financial Statements and Directors' Report, is complete and reliable.

Unless otherwise specified, all dollar figures stated herein are expressed in Canadian dollars, except for: (i) tabular amounts which are in thousands of Canadian dollars; and (ii) per share or per tonne amounts. The following abbreviations are used throughout this Directors' Report: US\$ (United States dollar), CA\$ (Canadian dollar), t (tonnes), wmt (wet metric tonnes), dmt (dry metric tonnes), Mtpa (million tonnes per annum), M (million), km (kilometers), m (meters) and EPS (earnings per share). The utilization of "Champion" or the "Company" refers to Champion Iron Limited and/or one, or more, or all of its subsidiaries, as applicable.

Non-IFRS Financial Performance Measures

Certain financial performance measures with no standard meaning under IFRS are included in this Directors' Report. Champion believes that these measures, in addition to conventional measures prepared in accordance with IFRS, provide investors with an improved ability to evaluate the underlying performance of the Company. These measures are intended to provide additional information and should not be considered in isolation, or as a substitute for, measures of performance prepared in accordance with IFRS. These measures do not have any standardized meaning prescribed under IFRS and therefore may not be comparable to other issuers. The non-IFRS financial performance measures included in this Directors' Report are: total cash cost or C1 cash cost, incremental costs related to COVID-19 per dmt sold, all-in sustaining costs ("AISC"), net average realized selling price, cash operating margin and cash profit margin, earnings before interest, tax, depreciation and amortization ("EBITDA"), EBITDA margin, adjusted net income, adjusted net income attributable to Champion shareholders, adjusted EPS, operating cash flow per share and cash on hand. For a detailed description of each of the non-IFRS measures used in this Directors' Report and a detailed reconciliation to the most directly comparable measure under IFRS, please refer to the "Non-IFRS Financial Performance Measures" section of this Directors' Report.



I. OPERATING AND FINANCIAL REVIEW

II. REMUNERATION REPORT

III. SPECIFIC AND GENERAL INFORMATION

I. OPERATING AND FINANCIAL REVIEW



YEAR-ON-YEAR STRONG FINANCIAL PERFORMANCE

"Our Company reports another strong year of operating results. The commitment and agility of our workforce, partners and communities enabled us to mitigate the impacts of the pandemic, allowing our Company to deliver a new annual production record and capitalize on the rising global demand for high-grade iron ore."

David Cataford

Champion Iron Limited

Directors' Report

(Expressed in Canadian dollars, except where otherwise indicated)

1. Financial and Operating Highlights

	Three Months Ended March 31,		Year Ended March 31,		
	2021	2020	2021	2020	2019
Iron ore concentrate produced (wmt)	2,011,400	1,891,800	8,001,200	7,903,700	6,994,500
Iron ore concentrate sold (dmt)	1,971,100	1,888,200	7,684,500	7,577,400	7,127,600
Financial Data (in thousands of dollars, except per share amounts)					
Revenues	396,702	175,702	1,281,815	785,086	655,129
Gross profit	277,116	64,918	817,756	363,717	288,632
EBITDA ¹	275,764	60,655	819,477	347,433	276,575
EBITDA margin ¹	70 %	35 %	64 %	44 %	42 %
Net income	155,934	18,351	464,425	121,050	147,599
Adjusted net income ¹	155,499	18,351	470,681	172,691	147,599
Net income attributable to Champion shareholders	155,934	18,351	464,425	89,426	83,046
Adjusted net income attributable to Champion shareholders ¹	155,499	18,351	470,681	141,067	83,046
Basic earnings per share	0.32	0.04	0.97	0.20	0.20
Adjusted earnings per share ¹	0.31	0.04	0.98	0.32	0.20
Net cash flow from operations	228,566	84,614	623,476	309,567	176,698
Cash and cash equivalents	609,316	281,363	609,316	281,363	135,424
Short-term investments	27,200	17,291	27,200	17,291	17,907
Total assets	1,496,906	882,598	1,496,906	882,598	672,017
Total non-current financial liabilities	214,951	275,968	214,951	275,968	262,864
Statistics (in dollars per dmt sold)					
Gross average realized selling price	220.0	130.5	182.3	142.5	120.6
Net average realized selling price ¹	201.3	93.1	166.8	103.6	91.9
Total cash cost ¹ (C1 cash cost)	54.4	53.9	54.2	52.7	49.4
All-in sustaining cost ¹	65.1	59.8	62.8	62.7	55.8
Cash operating margin ¹	136.2	33.3	104.0	40.9	36.1
Statistics (in US dollars per dmt sold)					
Gross average realized selling price	173.9	96.9	139.1	107.2	91.9
Net average realized selling price ¹	159.3	69.7	127.3	78.0	70.0
Total cash cost ¹ (C1 cash cost)	43.0	40.1	41.0	39.6	37.7
All-in sustaining cost ¹	51.4	44.5	47.5	47.1	42.5
Cash operating margin ¹	107.9	25.2	79.8	30.9	27.5

¹ This is a non-IFRS financial performance measure with no standard definition under IFRS. See the "Non-IFRS Financial Performance Measures" section of this Directors' Report included in note 20.

Champion Iron Limited

Directors' Report - Operating and Financial Review

(Expressed in Canadian dollars, except where otherwise indicated)

2. Quarterly and Year-to-Date Highlights

Health & Safety

- Expansion of Bloom Lake's COVID-19 laboratory testing capacity, allowing ongoing and uninterrupted operational activities; and
- An employee recordable injury frequency rate of 2.45, which is in line with Québec's open pit industry standards.

Financial

- Revenues of \$396.7M and \$1,281.8M for the three-month period and year ended March 31, 2021, respectively, compared to \$175.7M and \$785.1M, respectively, for the same periods in 2020;
- Record EBITDA¹ of \$275.8M for the three-month period ended March 31, 2021, compared to \$60.7M for the same period in 2020. Record EBITDA¹ of \$819.5M for the year ended March 31, 2021, compared to \$347.4M for the same period in 2020;
- Record net income of \$155.9M for the three-month period ended March 31, 2021 (EPS of \$0.32), compared to \$18.4M for the same period in 2020 (EPS of \$0.04). Record net income of \$464.4M for the year ended March 31, 2021 (EPS of \$0.97), compared to \$121.1M for the same period in 2020 (EPS of \$0.20);
- Net cash flow from operations of \$228.6M for the three-month period ended March 31, 2021, representing operating cash flow per share¹ of \$0.46, compared to \$84.6M or \$0.18 per share¹ for the same period in 2020. Net cash flow from operations of \$623.5M for the year ended March 31, 2021, representing operating cash flow per share¹ of \$1.30, compared to \$309.6M or \$0.70 per share¹ for the same period in 2020;
- Cash on hand¹ and restricted cash totaled \$680.5M as at March 31, 2021, compared to \$551.8M as at December 31, 2020 and \$298.7M as at March 31, 2020; and
- Full repayment of the US\$20.0M revolving credit facility (the "Revolving Facility") on March 30, 2021, bringing the total undrawn and available credit facilities ("Credit Facility") to US\$220.0M as at March 31, 2021.

¹ This is a non-IFRS financial performance measure with no standard definition under IFRS. See the "Non-IFRS Financial Performance Measures" section of this Directors' Report included in note 20.

Champion Iron Limited

Directors' Report - Operating and Financial Review

(Expressed in Canadian dollars, except where otherwise indicated)

2. Quarterly and Year-to-Date Highlights (continued)

Operations

- Production of 2,011,400 wmt of high-grade 66.5% iron ore ("Fe") concentrate for the three-month period ended March 31, 2021, compared to 1,891,800 wmt for the same period in 2020, contributing to a record annual production of 8,001,200 wmt of high-grade 66.4% Fe concentrate for the year ended March 31, 2021, compared to 7,903,700 wmt for the same period in 2020;
- Recovery rate of 82.6% and 83.5% for the three-month period and year ended March 31, 2021, respectively, compared to a recovery rate of 82.3% and 82.6%, respectively, for the same periods in 2020; and
- Total cash cost¹ of \$54.4/dmt (US\$43.0/dmt) (C1) and \$54.2/dmt (US\$41.0/dmt) for the three-month period and year ended March 31, 2021, respectively, compared to \$53.9/dmt (US\$40.1/dmt) and \$52.7/dmt (US\$39.6/dmt), respectively, for the same periods in 2020.

Growth and Development

- Progression of laboratory testing for the production of iron ore concentrate, grading more than 69% Fe, enabling the Company to engage with Direct Reduction ("DR") iron and steel producers, and help support decarbonization initiatives;
- Ongoing laboratory testing and development of cold pelletizing technologies;
- Quarterly and annual production of 374,400 wmt and 575,700 wmt, respectively, of DR quality iron ore concentrate, grading 67.7% Fe with a combined silica and alumina content of 2.8%;
- Inclusion in the S&P/ASX 200 Index, Australia's preeminent benchmark index, which measures the performance of the 200 largest index-eligible stocks listed on the ASX; and
- Acquisition of the Kami Project and its related mining properties on April 1, 2021, and initiation of work related to revising the Kami Project's feasibility study, as the Company evaluates its growth alternatives within its portfolio.

Phase II Milestones

- Construction work is progressing as planned with more than 200 individuals actively working on the Phase II project, which is expected to be completed by mid-2022;
- Agreement to expand the existing long-term rail contract with Quebec North Shore and Labrador Railway ("QNS&L") to accommodate the anticipated increased Phase II production volumes;
- Receipt and installation of most of the spirals required for the Phase II plant; and
- Ordering of long lead time items, including the stacker reclaimer by Société Ferroviaire et Portuaire de Pointe-Noire ("SFPPN").

¹ This is a non-IFRS financial performance measure with no standard definition under IFRS. See the "Non-IFRS Financial Performance Measures" section of this Directors' Report included in note 20.

Champion Iron Limited

Directors' Report - Operating and Financial Review

(Expressed in Canadian dollars, except where otherwise indicated)

3. Response to the COVID-19 Pandemic

The COVID-19 pandemic continues to impact the global economy, creating significant economic uncertainty.

Health and Safety of the Company's Employees, Partners and Local Communities

Since the beginning of the pandemic, the Company has consistently and proactively deployed several measures in its efforts to mitigate risks related to COVID-19, in line with or exceeding the Government of Québec's (the "Government") guidelines. Despite the acceleration of COVID-19 vaccination efforts in the Province of Québec, the Company continues to enforce all of its measures, including the following:

- Established an executive committee to monitor and adapt to the ongoing challenges created by COVID-19;
- Adapted work environments and implementation of safety rules and protocols;
 - Establishment and expansion of a rapid-testing COVID-19 laboratory using technology approved and certified by Health Canada at the mine site, allowing the Company to screen all employees and contractors in order to prevent outbreaks;
 - Establishment of a contingency plan for each sector of activity in the event of multiple COVID-19 detections;
 - Temperature monitoring and control prior to traveling and entering the Bloom Lake Mine site;
 - Disinfection stations across the mine site and adoption of social distancing protocols;
 - Adoption of isolation measures from the nearby communities and self-isolation for workforce who exhibit symptoms;
 - Additional transportation capacity to allow for adequate social distancing; and
 - Employees' contact register to trace potential infections and to launch disease protocol for suspected cases.
- Mandatory information session for new contractors and employees and communication of updated measures;
- Monitoring of COVID-19 related measures adopted by contractors; and
- Monthly and daily audit to review the effectiveness of the Company's adopted measures.

In addition, the Company is participating to the establishment of the Côte-Nord Industry Vaccination Center (the "Vaccination Center"), in collaboration with Rio Tinto IOC, ArcelorMittal Mines and Infrastructure Canada and Aluminerie Alouette. Located in Sept-Îles, the Vaccination Center's operations began on May 13, 2021 when vaccination was available to the adult population. The collective effort to establish the Vaccination Center supports the Government's initiative to increase immunization capacity in the region by providing greater vaccination access for local communities.

The Company's full COVID-19 plan is available on its website at www.championiron.com.

Financial and Operational Impacts

To date, the Company's risk-mitigating actions have proven successful in minimizing the pandemic's impact, with Bloom Lake operating at full capacity. During the three-month period ended March 31, 2021, there were no significant operational disruptions caused by COVID-19.

The Company implemented best practices in managing its response to the COVID-19 pandemic resulting in direct and incremental operating costs during the three-month period and year ended March 31, 2021, which totaled \$3.2 million or \$1.6/dmt¹ and \$12.6 million or \$1.6/dmt¹, respectively. Additional indirect operational costs were incurred since the beginning of the pandemic, including inefficiency-related costs across several areas of the Company's operations.

Uncertainties due to COVID-19

Although the Company is managing its operations and liquidity to mitigate risks related to COVID-19, given the significant uncertainty regarding the ultimate impact that the COVID-19 pandemic will have on the overall economy and the demand for iron ore concentrate, the extent to which the pandemic could impact operations and cash flows in the future remains uncertain and will depend on future developments, such as the duration of the pandemic, the emergence of virus variants, the efficacy and availability of vaccines and regulatory actions to contain the virus.

¹ This is a non-IFRS financial performance measure with no standard definition under IFRS. See the "Non-IFRS Financial Performance Measures" section of this Directors' Report included in note 20.

Champion Iron Limited

Directors' Report - Operating and Financial Review

(Expressed in Canadian dollars, except where otherwise indicated)

4. Bloom Lake Phase II Update

Bloom Lake Feasibility Study (the "Feasibility Study")

On June 20, 2019, the Company announced the findings of the Feasibility Study, prepared pursuant to National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("NI 43-101") and the Joint Ore Reserves Committee ("JORC") Code (2012 edition) [see press release dated June 20, 2019 available under the Company's filings on SEDAR at www.sedar.com, the ASX at www.asx.com.au and the Company's website at www.championiron.com], including proven and probable mineral reserve estimates of 807.0 Mt (346.0 Mt proven reserves and 461.0 Mt probable reserves) at an average grade of 29.0% Fe. The Phase II project, as detailed in the Feasibility Study, aims to double Bloom Lake's nameplate capacity to 15 Mtpa of 66.2% Fe iron ore concentrate by completing the construction of the second plant which was partially completed by the mine's former owner. Based on the new optimized mine plan, the Bloom Lake mining rate would also be increased to accelerate the supply of ore to the expanded facilities, while maintaining a life of mine ("LoM") of 20 years.

Financing

Subsequent to the Board of Directors' (the "Board") final approval (on November 12, 2020) to complete the Phase II project, the Company increased its Credit Facility on December 23, 2020 by US\$200.0 million (to US\$400.0 million). Given the Company's robust financial position, including its reported total cash on hand¹ and restricted cash of \$680.5M as at March 31, 2021, it did not draw on its available US\$200.0M Credit Facility and was able to repay the US\$20.0M Revolving Facility. As at March 31, 2021, the Company had a total undrawn Credit Facility of US\$220.0M, which together with available liquidity and ongoing cash flows from operations, are expected to fully fund the project, scheduled for completion by mid-2022.

Milestones

During the three-month period ended March 31, 2021, \$45,971,000 in capital expenditures and \$9,200,000 in advance payments were incurred for the project, for a total of \$170,317,000 invested to date, which included \$15,211,000 in advance payments to SFPPN. There are currently more than 200 employees, consultants and subcontractors actively working on-site to meet the Bloom Lake Phase II completion objectives and consequently, construction work is progressing as planned. The following work was undertaken and the following milestones were achieved during the three-month period ended March 31, 2021:

- Agreement to expand the existing long-term rail contract with QNS&L to support the expected Phase II production volumes;
- Stacker reclaimer ordered by SFPPN;
- Receipt and installation of most of the Phase II plant spirals;
- Purchase of major mining equipment;
- Modifications made to the loading tower to accommodate Phase II operations; and
- Award of contracts for summer works in the tailings facility.

The Company intends to deliver the project by mid-2022 with the construction work to reach its peak between May and October 2021.

Bloom Lake Phase II reserves are based on the technical report entitled "Bloom Lake Mine – Feasibility Study Phase II", prepared pursuant to NI 43-101 and JORC Code (2012 edition) by BBA Inc., Soutex and WSP Canada Inc., having an effective date of June 20, 2019 and filed on August 2, 2019 (the "Feasibility Study"). Bloom Lake Phase II mineral reserves include Bloom Lake Phase I mineral reserves as of the effective date of the mineral reserve estimate reported in the Feasibility Study. The Company is not aware of any new information or data that materially affects the information included in the Feasibility Study and confirms that all material assumptions and technical parameters underpinning the estimates in the Feasibility Study continue to apply and have not materially changed. The Feasibility Study is available under the Company's filings at www.sedar.com, on the ASX at www.asx.com.au or the Company's website at www.championiron.com.

¹ This is a non-IFRS financial performance measure with no standard definition under IFRS. See the "Non-IFRS Financial Performance Measures" section of this Directors' Report included in note 20.

Champion Iron Limited

Directors' Report - Operating and Financial Review

(Expressed in Canadian dollars, except where otherwise indicated)

5. Acquisition of the Kami Project

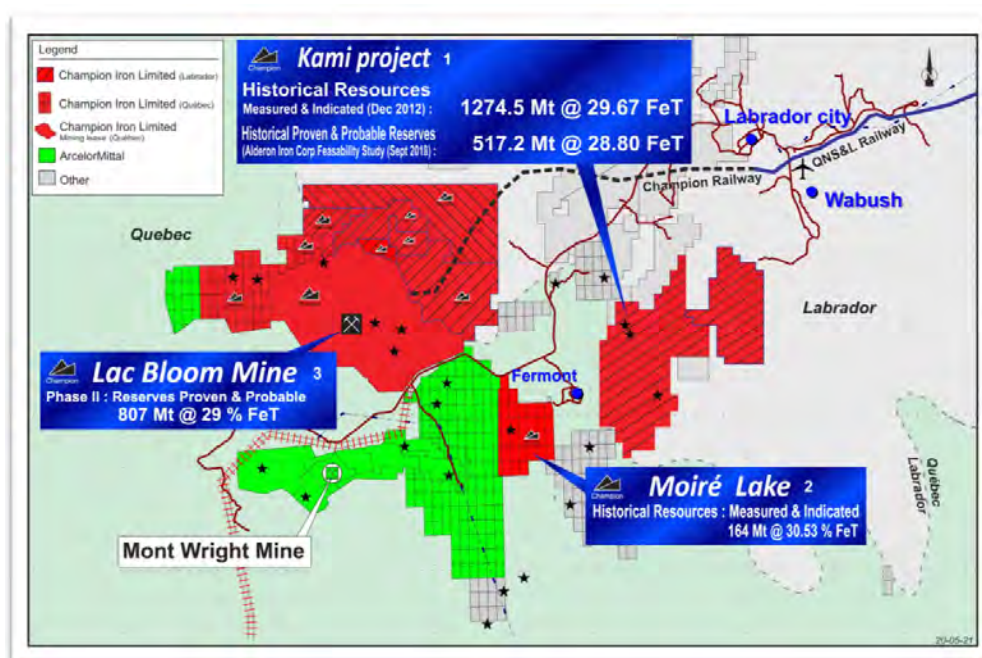
On April 1, 2021, the Company completed the acquisition of the Kami Project and certain related contracts (the "Acquisition") pursuant to an asset purchase agreement among certain affiliates of the Company and Deloitte Restructuring Inc. (the "Receiver"), as receiver for Alderon Iron Ore Corp. and certain of its affiliates (collectively, "Alderon"). The Kami Project and the related mining properties are located in the Labrador Trough geological belt in southwestern Newfoundland, near the Québec border.

The consideration for the Acquisition consisted of \$15.0M in cash, the extinguishment of approximately \$19.4M of Alderon's secured debt (the "Secured Debt") and an undertaking in favour of the Receiver to make a finite production payment on a fixed amount of future iron ore concentrate production from the Kami Project. In connection with the Acquisition, Champion purchased the Secured Debt from Sprott Private Resource Lending (Collector), LP ("Sprott"). The Secured Debt was purchased for an aggregate consideration of 4,200,000 Champion's ordinary shares issued to Sprott and Altius Resources Inc., who held a participation in the Secured Debt.

The Kami Project is a high-grade iron ore project near available infrastructure, situated only a few kilometers south-east of the Company's operating Bloom Lake Mine. Alderon previously disclosed historical resources estimated at 1,274.5 Mt of measured and indicated resources (536.9 Mt measured and 737.6 Mt indicated) and proven and probable reserves of 517.2 Mt (392.7 Mt proven and 124.5 Mt probable). The historical mineral resources and reserves mentioned are strictly historical in nature, are non-compliant with NI 43-101 and the JORC Code (2012 edition) and should therefore not be relied upon. A qualified person or competent person has not done sufficient work to upgrade or classify the historical estimates as current "mineral resources" or "mineral reserves" or "ore reserves", as such terms are defined in NI 43-101 and the JORC Code (2012 edition), and it is uncertain whether, following evaluation and/or further exploration work, the historical estimates will be able to be reported as mineral resources, mineral reserves or ore reserves in accordance with NI 43-101 or the JORC Code (2012 edition). Champion is not treating the historical estimates as current mineral resources, mineral reserves or ore reserves. Refer to the notes accompanying the figure below.

Alderon completed an updated feasibility study on the Kami Project in September 2018. The Company has initiated work to revise the Kami Project's scope and update the feasibility study, as it evaluates its growth alternatives within its property portfolio. As part of the Acquisition, Champion secured an additional 8 Mtpa of port capacity, including a pre-payment of port-related fees, at the multi-user berth at the port of Sept-Îles, currently being used by the Company to export Bloom Lake's iron ore concentrate.

5. Acquisition of the Kami Project (continued)



- Notes
1. The historical Kami Project resource estimates are based on the NI 43-101 technical report entitled "Feasibility Study of the Rose Deposit and Resource Estimate for the Mills Lake Deposit of the Kamistiatussat (Kami) Iron Ore Property, Labrador" prepared for Alderon Iron Ore Corp. by BBA Inc., Stantec and Watts, Griffis and McQuat Ltd. dated January 9, 2013 and having an effective date of December 17, 2012. The historical Kami Project reserve estimates are based on the NI 43-101 technical report entitled "Updated Feasibility Study of the Kamistiatussat (Kami) Iron Ore Property, Labrador" prepared for Alderon Iron Ore Corp. by BBA Inc., Gemtec Ltd., Watts, Griffis and McQuat Ltd. and Golder Associates Ltd. dated October 31, 2018 and having an effective date of September 26, 2018. Kami Project mineral resources include Kami Project mineral reserves. The historical mineral resources and reserves mentioned are strictly historical in nature, are non-compliant with NI 43-101 and the JORC Code (2012 edition) and should therefore not be relied upon. A qualified person or competent person has not done sufficient work to upgrade or classify the historical estimates as current "mineral resources", "mineral reserves" or "ore reserves", as such terms are defined in NI 43-101 and the JORC Code (2012 edition), and it is uncertain whether, following evaluation and/or further exploration work, the historical estimates will be able to be reported as mineral resources, mineral reserves or ore reserves in accordance with NI 43-101 or the JORC Code (2012 edition). Champion is not treating the historical estimates as current mineral resources, mineral reserves or ore reserves. These reserves and resources are not material mining projects and are for properties adjacent to or near the Company's existing mining tenements and therefore the reports on these mineralisations have not been prepared in accordance with the JORC Code (2012 edition) and the ASX Listing Rules. As stated above, the Company has initiated work to revise the Kami Project's scope and update the feasibility study.
 2. The historical Moiré Lake resource estimates are based on the NI 43-101 technical report entitled "Technical Report and Mineral Resource Estimate on the Moire Lake Property" by P&E Mining Consultants Inc. dated May 11, 2012 and having an effective date of March 28, 2012. The historical mineral resources mentioned are strictly historical in nature, are non-compliant with NI 43-101 and the JORC Code (2012 edition) and should therefore not be relied upon. A qualified person or competent person has not done sufficient work to upgrade or classify the historical estimates as current "mineral resources", "mineral reserves" or "ore reserves", as such terms are defined in NI 43-101 and the JORC Code (2012 edition), and it is uncertain whether, following evaluation and/or further exploration work, the historical estimates will be able to be reported as mineral resources, mineral reserves or ore reserves in accordance with NI 43-101 or the JORC Code (2012 edition). Champion is not treating the historical estimates as current mineral resources, mineral reserves or ore reserves. These reserves and resources are not material mining projects and are for properties adjacent to or near the Company's existing mining tenements and therefore the reports on these mineralisations have not been prepared in accordance with the JORC Code (2012 edition) and the ASX Listing Rules.
 3. Bloom Lake Phase II reserves are based on the technical report entitled "Bloom Lake Mine – Feasibility Study Phase II", prepared pursuant to NI 43-101 and JORC Code (2012 edition) by BBA Inc., Soutex and WSP Canada Inc., having an effective date of June 20, 2019 and filed on August 2, 2019 (the "Feasibility Study"). Bloom Lake Phase II mineral reserves include Bloom Lake Phase I mineral reserves as of the effective date of the mineral reserve estimate reported in the Feasibility Study. The Company is not aware of any new information or data that materially affects the information included in the Feasibility Study and confirms that all material assumptions and technical parameters underpinning the estimates in the Feasibility Study continue to apply and have not materially changed. The Feasibility Study is available under the Company's filings at www.sedar.com, on the ASX at www.asx.com.au or the Company's website at www.championiron.com.
 4. Certain resources mentioned are foreign estimates from an Australian perspective.

Champion Iron Limited

Directors' Report - Operating and Financial Review

(Expressed in Canadian dollars, except where otherwise indicated)

6. Product Research and Development

The Company believes that the steel industry is undergoing a structural shift in its steelmaking methods, including an increased focus on reducing greenhouse gas emissions from the iron and steelmaking processes. This dynamic could create rising demand for higher grade raw materials and a shift towards reduction technologies used to produce liquid iron, such as the use of DR in EAF instead of the BF for liquid iron production.

Accordingly, the Company has decided to deploy a Research and Development ("R&D") program which aims to develop technologies and products to support the steelmaking transition from the BF method to the DR-EAF method, while supporting emissions reduction in the BF process.

During the three-month period and year ended March 31, 2021, the Company incurred product "R&D" expenses of \$336,000 and \$1,258,000, respectively. During the 2021 fiscal year, the program focused on three main areas:

1. Development of an iron ore pellet feed of more than 69% Fe;
2. Optimization of DR quality iron ore concentrate production of an average of 67.7% Fe; and
3. Development of a cold pelletizing technology.

Utilization of the DR process requires higher quality raw materials. Given the high-quality nature of the iron ore concentrate produced at the Bloom Lake Mining Complex, the Company believes it can become a key player in reducing greenhouse gas emissions in the steelmaking process. During the year, the Company has demonstrated, at laboratory scale, its ability to upgrade its current iron ore concentrate product to more than 69% Fe using a flotation process.

During the first half of the year ended March 31, 2021, the Company also received confirmation from DR pellet producers and DR plant operators that its initial commercial production test, completed during the fourth quarter of the 2020 fiscal year, qualified as DR iron ore concentrate. With this confirmed product specification, in the three-month period and year ended March 31, 2021, the Company produced respectively 374,400 wmt and 575,700 wmt of DR quality iron ore concentrate, at an average of 67.7% Fe, with an average combined silica and alumina content of 2.8%. This demonstrates the ability of the Company to produce and sell higher quality iron ore products. DR quality iron ore production strategically positions the Company to potentially increase its customer base and confirms that Bloom Lake is one of the few producing deposits globally that can transition its product offering in response to a potential shift in the steelmaking methods in the coming years.

Additionally, as part of its commitment to participate in the iron and steel industry decarbonization, the Company has financed and collaborated with a European-based company which holds a proprietary cold agglomeration technology. The objective of the cold pelletizing technology is to substantially reduce the emissions linked to the agglomeration of its material. Promising laboratory results demonstrated that carbon emissions related to agglomeration could be reduced by more than 95% with this technology. The Company intends to further explore the potential of cold pelletizing technologies towards industrial trials, with this European-based company.

Champion Iron Limited

Directors' Report - Operating and Financial Review

(Expressed in Canadian dollars, except where otherwise indicated)

7. Key Drivers

A. Iron Ore Concentrate Price

The price of iron ore concentrate is the most significant factor affecting the Company's financial results. As such, net cash flow from operations and the Company's development may, in the future, be significantly and adversely affected by a decline in the price of iron ore. The iron ore concentrate price fluctuates daily and is affected by several industry and macroeconomic factors beyond the Company's control.

Due to the high-quality properties of its 66.2% iron ore concentrate, the Company's iron ore sales attract a premium over the IODEX 62% Fe CFR China Index ("P62"), widely used as the reference price in the industry. As such, the Company quotes its products on the high-grade CFR China Index ("P65" or "Platts 65"). The premium captured by the P65 index is attributable to two main factors: steel mills recognizing that higher iron ore grades offer the benefit of optimizing output while also significantly decreasing CO₂ emissions in the steelmaking process.

During the three-month period ended March 31, 2021, many factors contributed to elevate the iron price as well as the higher premium for high-grade material. China's industrial activities, which usually come to a near stop during the Lunar New Year holiday, proved to be shorter than usual as most workers were restricted from traveling to their hometowns due to COVID-19 governmental restrictions. As such, China's economic recovery continued in the period. This dynamic contributed to steel profit margins rising steadily until the end of the period which, combined with high coking coal prices, supported the demand for high-grade iron ore in order to reduce dependence on coking coal in the steelmaking process. The strong economic recovery in the world ex-China, namely in India, Europe and the USA, also had direct repercussions on the global steel demand. The iron ore imports from these regions continued to rise throughout the period, leaving the global supply and demand fundamentals in deficit, contributing to the rising iron ore price.

During the three-month period ended March 31, 2021, the premium captured by the P65 index relative to the P62 index was influenced by three main factors: (i) a significant resurgence in Japanese steel production, which increased iron ore demand, (ii) a decrease in supply from lower Brazilian exports as a consequence of the rainfall season, and (iii) a shift in the product demand mix in China, composed of higher quality iron ore to reduce emissions, further to China's restrictions on its steel mills. The global economic recovery and its impact on steel demand, combined with the consequences of higher prices for coking coal used in the steelmaking process, contributed to a steel capacity deficit in several regions, which supported rising iron ore prices. Given this context, the Company has significantly reduced or cancelled discounted pricing on its sales to the P65 index, previously required to compete with the pricing of pellets at multi-year lows in previous periods.

During the three-month period ended March 31, 2021, the P65 price for high-grade iron ore fluctuated from a low of US\$174.1/dmt to a high of US\$203.0/dmt. The P65 index average price for the period was US\$191.2/dmt, an increase of 31% from the previous quarter, resulting in a premium of 14.6% over the P62 reference price of US\$166.9/dmt. The Company's gross average realized selling price for the quarter was US\$173.9/dmt, before adjustments related to provisional sales and ocean freight, resulting in a realized selling price representing a premium of 4.2% over the P62 index. Approximately 75% of Champion's iron ore sales contracts are structured on a provisional pricing basis, where the final sales price is determined using the iron ore price indices on or after the vessel's arrival to the port at discharge. Accordingly, the gross realized price upon shipment is estimated using the forward iron prices. As the timing of a majority of shipments were made at the end of the quarter ended March 31, 2021, a large portion of the sales are based on the forward iron price, which was at a significant discount to the average market prices prevailing during the quarter, as the average P62 for the period was US\$166.9/dmt while the forward P62 iron price for the second quarter of calendar 2021 was US\$156.0/dmt. In addition, the lower realized price recognized compared to the P65 Index for the three-month period ended March 31, 2021, was attributable to some of the Company's contracted volumes that are sold based on previous months' prices, when the P65 prices were significantly lower. The Company should benefit from the current period prices for its contracted volumes based on previous months' P65 prices in the upcoming fiscal period ending June 30, 2021. Taking into account sales adjustments and sea freight costs, the Company's net realized FOB price was US\$159.3/dmt (CA\$201.3/dmt). The Company remains well positioned to benefit from higher iron ore prices as it has no fixed price contracts in place, and the Bloom Lake Mine is not subject to royalties.

Champion Iron Limited

Directors' Report - Operating and Financial Review

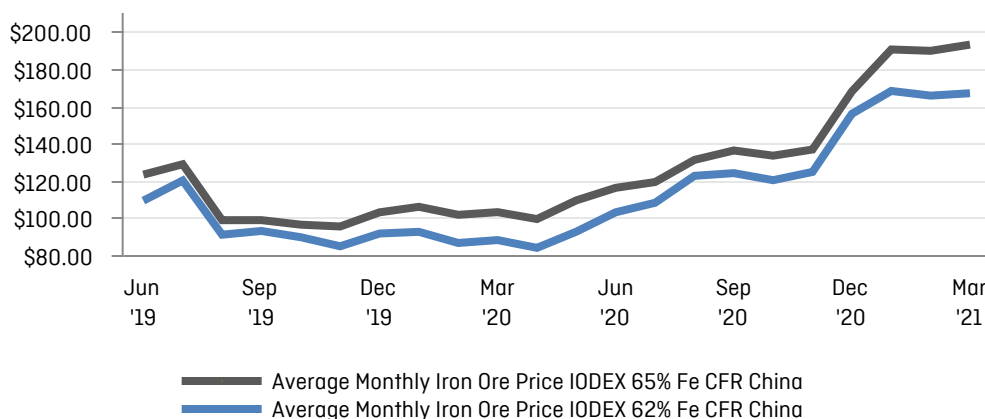
(Expressed in Canadian dollars, except where otherwise indicated)

7. Key Drivers (continued)

A. Iron Ore Concentrate Price (continued)

During the year ended March 31, 2021, the P65 index price of high-grade iron ore fluctuated from a low of US\$96.5/dmt to a high of US\$203.0/dmt. The P65 index average price for the period was US\$143.7/dmt, an increase of 35% from the same period in 2020, resulting in a premium of 12.1% over the P62 index reference price of US\$128.2/dmt. The gross average realized selling price for the year was US\$139.1/dmt, before adjustments related to provisional sales and ocean freight, resulting in a premium of 8.5%. The lower premium realized is attributable to the timing of the Company's contracted volumes, as 25% of Champion sales are determined using the iron price indices approximately three-months prior to shipment, while 75% of the sales are based on the iron ore price indices on or after the vessel's arrival to the port at discharge. The significant discount that existed as of March 31, 2021 between the forward iron price and the average iron price during the last quarter of the Company's fiscal year end contributed to a reduced premium between the P62 and the P65. The gross realized selling price was also influenced by the fact that, in the second quarter of the 2021 fiscal year, some products were sold at a discounted selling price in order to compete with the pricing of pellets, which were priced at multi-year lows. Given that current spot price of high-grade iron ore is significantly higher than the forward price utilized to estimate the sales at year end, the Company should benefit from the current period prices for its contracted volumes, based on previous months' P65 prices in the upcoming fiscal period ending June 30, 2021. Taking into account the latter, and sea freight costs, the net realized FOB price was US\$127.3/dmt (CA\$166.8/dmt), compared to US\$78.0/dmt (CA\$103.6/dmt) for the same period in 2020.

US\$ Spot Price of Iron Ore Fines per dmt (As per Platts IODEX Index)



As previously mentioned, approximately 75% of Champion's iron ore sales contracts are structured on a provisional pricing basis, where the final sales price is determined using the iron ore price indices on or after the vessel's arrival to the port at discharge. The Company recognizes revenues from iron ore sales contracts upon vessel departure. In order to estimate the final sales price as assigned by sales contracts, the Company assigns a provisional price upon vessel departure. The estimated gross consideration in relation to the provisionally priced contracts is accounted for using the average between the P65 forward iron ore price at the expected settlement date and the P62 forward iron ore price, subject to the historical P65 premium over the P62 price at the expected settlement date. Once the vessel arrives at its destination, the impact of the iron ore price fluctuations, compared to the estimated price at the time of departure, is accounted for as a provisional pricing adjustment to revenue.

As the Company's sales are subject to freight routes that take up to 55 days before reaching its customers, and since vessels subject to provisional price adjustments are already in transit at quarter end, the final price adjustments to the provisional price are structurally more exposed in the earlier months of each quarter. During the three-month period ended March 31, 2021, a final price was established for the 601,000 tonnes of iron ore that were in transit as at December 31, 2020. Accordingly, during the three-month period ended March 31, 2021, provisional pricing adjustments of \$20,449,000 were recorded as additional revenues for the 601,000 tonnes, representing a positive impact of US\$8.4/dmt (CA\$10.37/dmt). As at March 31, 2021, 1,007,000 tonnes of iron ore sales remained subject to provisional pricing adjustments, with the final price to be determined in the subsequent reporting periods (March 31, 2020: 931,000 tonnes). A provisional price of US\$182.7/dmt has been used as at March 31, 2021, to estimate the sales of the Company's iron ore that remain subject to setting a final price.

Champion Iron Limited

Directors' Report - Operating and Financial Review

(Expressed in Canadian dollars, except where otherwise indicated)

7. Key Drivers (continued)

A. Iron Ore Concentrate Price (continued)

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

(in U.S. dollars)	As at March 31, 2021
Tonnes (dmt) subject to provisional pricing adjustments	1,007,000
10% increase in iron ore prices	18,393
10% decrease in iron ore prices	(18,393)

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

B. Sea Freight

Sea freight is an important component of the Company's cost structure as it ships most of its iron ore concentrate to China, Japan, Europe and the Middle East via sea routes. The common reference route for dry bulk material from the Americas to Asia is the Tubarao (Brazil) to Qingdao (China) route which encompasses 11,000 nautical miles. The freight cost per tonne associated with this route is captured in the C3 Baltic Capesize Index ("C3") which is considered the reference ocean freight cost for iron ore shipped from Brazil to the Far East. There is no index for the route between the port of Sept-Îles, Canada and China. The route from Sept-Îles to the Far East totals approximately 14,000 nautical miles and is subject to different weather conditions during the winter season. Therefore, the freight cost per tonne associated with this voyage is generally higher than the C3 index price.

US\$ Sea Freight Cost per wmt – C3 Baltic Capesize Index (Brazil to China)



In the past decade, the industry has identified a relationship between the iron ore price and the freight cost for the Tubarao to Qingdao route captured in the C3 freight rate. Based on this observed correlation, when the price of iron ore fluctuates, the ocean freight rate usually fluctuates in tandem. As the freight cost for the ocean transport between Sept-Îles and China is largely influenced by the C3 cost, a decrease in iron ore prices should result in a lower ocean freight cost for the Company, resulting in a natural hedge for one of the Company's largest operating costs.

Champion Iron Limited

Directors' Report - Operating and Financial Review

(Expressed in Canadian dollars, except where otherwise indicated)

7. Key Drivers (continued)

B. Sea Freight (continued)

The tragic event of the Brumadinho dam rupture in Brazil in January 2019 altered the connection between iron ore prices and the C3 freight rate, as one of the largest producers of iron ore globally experienced a significant production curtailment, impacting export volumes from Brazil since the first half of 2019. In the second half of 2019, some operations affected by these events resumed production, which contributed to an increase in exports and thus contributed to the increase in the C3 route index. By the start of January 2020, world freight had stabilized until the COVID-19 pandemic negatively impacted shipments.

In early 2020, the C3 index fell and tested historically low levels due to several factors, including: the Chinese New Year holidays, which reduced demand for iron ore imports; heavy rains in Brazil, which negatively impacted exports of iron ore; ongoing supply issues related to the 2019 Brumadinho dam rupture; the temporary reduction of activities at several mining operations worldwide due to the COVID-19 pandemic; and a significant drop in bunker fuel prices, which is a main component of the operating cost for dry bulk vessel operators. The slow ramp-up of operations in 2020 contributed to maintaining lower sea freight prices, until the start of the three-month period ended March 31, 2021. A lighter than usual rainy season combined with improved shipments from Brazil likely influenced the rising prices of the C3 index, which experienced the largest price increase for the period since 2014. In addition to the above, the capesize market experienced the ripple effect from rising demand for small ship freight where the container rates reached historical highs during the period. Several shippers were said to combine parcels to ship in larger size vessels in an attempt to avoid the rising freight costs. This surge in smaller parcel freight cost was likely impacted by rising fuel prices throughout the period, as well as the global economic recovery.

Due to its distance from main shipping hubs, Champion typically books vessels and their prices prior to the desired laycan period. This creates a natural delay between the freight paid and the C3 route index price. The effects of these delays are eventually reconciled since Champion ships its high-grade iron ore concentrate evenly throughout the year. In the previous quarter, the Company entered into a freight contract for a portion of its expected volumes. This contract allowed for the shipment of one vessel per month from January 2021 to March 2021 at a fixed price of US\$17.50 per tonne plus freight commissions, resulting in important savings for the Company for the three-month period ended March 31, 2021.

C. Currency

The Canadian dollar is the Company's functional and reporting currency. Consequently, the Company's operating results and cash flows are influenced by changes in the exchange rate for the Canadian dollar against the U.S. dollar. The Company's sales, sea freight costs and long-term debt are denominated in U.S. dollars. As such, the Company benefits from a natural hedge from its revenues with its sea freight costs and long-term debt. Despite this natural hedge, the Company is exposed to foreign currency fluctuations as its mining operating expenses are mainly incurred in Canadian dollars. Subsequent to March 31, 2021, the Company entered into forward foreign exchange contracts to reduce the risk of variability of future cash flows resulting from forecasted sales. These contracts were approved by the Board to minimize its exposure to foreign exchange rate fluctuations. The Company is continuously evaluating its currency exposure and opportunities to reduce its impacts on the Company's results.

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. As the Company's long-term debt is denominated in U.S. dollars, the Company is subject to ongoing non-cash foreign exchange adjustments, which may impact its financial results. Assuming a stable selling price, a variation of CA\$0.01 against the U.S. dollar will impact gross revenues by approximately 1%. Assuming a stable long-term debt balance, a variation of CA\$0.01 against the U.S. dollar will impact the debt revaluation by approximately 1%.

Champion Iron Limited

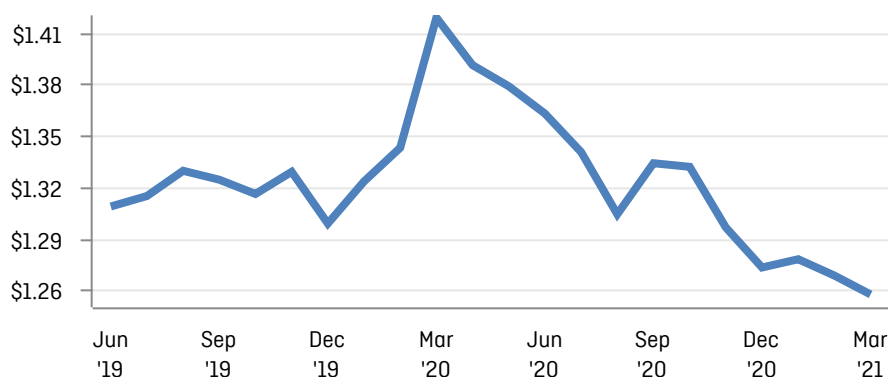
Directors' Report - Operating and Financial Review

(Expressed in Canadian dollars, except where otherwise indicated)

7. Key Drivers (continued)

C. Currency (continued)

Monthly Closing Exchange Rate – CA\$/US\$



Exchange rates are as follows:

CA\$ / US\$						
	Average			Closing		
	FY2021	FY2020	Variance	FY2021	FY2020	Variance
Q1	1.3853	1.3377	4 %	1.3628	1.3087	4 %
Q2	1.3321	1.3204	1 %	1.3339	1.3243	1 %
Q3	1.3030	1.3200	(1)%	1.2732	1.2988	(2)%
Q4	1.2660	1.3449	(6)%	1.2575	1.4187	(11)%
Year-end as at March 31	1.3219	1.3308	(1)%	1.2575	1.4187	(11)%

Apart from these key drivers, the potential impact of the COVID-19 pandemic and the risk factors described in the "Risk Factors" section of this Directors' Report, Management is not aware of any other trends, commitments, events or uncertainties that would have a material effect on the Company's business, financial condition or results of operations.

Champion Iron Limited

Directors' Report - Operating and Financial Review

(Expressed in Canadian dollars, except where otherwise indicated)

8. Bloom Lake Mine Operating Activities

	Three Months Ended March 31,			Year Ended March 31,		
	2021	2020	Variance	2021	2020	Variance
Operating Data						
Waste mined and hauled (wmt)	3,796,300	3,180,100	19%	15,481,100	13,742,400	13%
Ore mined and hauled (wmt)	5,636,100	5,413,100	4%	21,571,700	20,817,400	4%
Material mined and hauled (wmt)	9,432,400	8,593,200	10%	37,052,800	34,559,800	7%
Strip ratio	0.67	0.59	14%	0.72	0.66	9%
Ore milled (wmt)	5,237,800	4,880,000	7%	20,598,700	19,749,800	4%
Head grade Fe (%)	30.7	31.7	(3%)	30.7	32.1	(4%)
Recovery (%)	82.6	82.3	—%	83.5	82.6	1%
Product Fe (%)	66.5	66.5	—%	66.4	66.4	—%
Iron ore concentrate produced (wmt)	2,011,400	1,891,800	6%	8,001,200	7,903,700	1%
Iron ore concentrate sold (dmt)	1,971,100	1,888,200	4%	7,684,500	7,577,400	1%
Financial Data (in thousands of dollars)						
Revenues	396,702	175,702	126%	1,281,815	785,086	63%
Cost of sales	107,137	101,721	5%	416,272	399,368	4%
Cost of sales - incremental costs related to COVID-19	3,162	—	—%	12,610	—	—%
Other expenses	14,591	12,862	13%	43,693	37,178	18%
Net finance costs	5,430	4,684	16%	22,428	84,244	(73%)
Net income	155,934	18,351	750%	464,425	121,050	284%
EBITDA ¹	275,764	60,655	355%	819,477	347,433	136%
Statistics (in dollars per dmt sold)						
Gross average realized selling price	220.0	130.5	69%	182.3	142.5	28%
Net average realized selling price ¹	201.3	93.1	116%	166.8	103.6	61%
Total cash cost (C1 cash cost) ¹	54.4	53.9	1%	54.2	52.7	3%
All-in sustaining cost ¹	65.1	59.8	9%	62.8	62.7	—%
Cash operating margin ¹	136.2	33.3	309%	104.0	40.9	154%

Operational Performance

On March 24, 2020, the Company announced the ramp down of its operations following directives from the Government in response to the COVID-19 pandemic, which required mining activities to be reduced to a minimum within the province of Québec. As announced by the Company on April 23, 2020, operations gradually ramped up following the Government's announcement that mining activities were to be considered a "priority service" in Québec. Early actions implemented by the Company in response to the COVID-19 pandemic minimized impacts on the Company and its operations. Despite disruptions to operations in the first quarter of the fiscal year ended March 31, 2021, the Company was able to set a new annual record production of 8,001,200 wmt of high-grade iron ore concentrate during the fiscal year ended March 31, 2021.

i. Fourth Quarter of the 2021 Fiscal Year vs Fourth Quarter of the 2020 Fiscal Year

During the three-month period ended March 31, 2021, 9,432,400 tonnes of material was mined and hauled, compared to 8,593,200 tonnes for the same period in 2020, an increase of 10%. This increase in material mined and hauled is attributable to the Company's ongoing mining equipment rebuild program, which provided a higher equipment utilization rate and additional equipment availability. The higher volume mined is also attributable to the commissioning of an additional haul truck during the year ended March 31, 2021.

The strip ratio increased to 0.67 for the three-month period ended March 31, 2021, compared to 0.59 for the same period in 2020. Although the strip ratio is in line with the annual mine plan, it was negatively impacted by the Company's efforts to recover the waste backlog accumulated during the first quarter of the 2021 fiscal year, when Champion's operations were disrupted by the Government's imposed COVID-19 directives.

¹ This is a non-IFRS financial performance measure with no standard definition under IFRS. See the "Non-IFRS Financial Performance Measures" section of this Directors' Report included in note 20.

Champion Iron Limited

Directors' Report - Operating and Financial Review

(Expressed in Canadian dollars, except where otherwise indicated)

8. Bloom Lake Mine Operating Activities (continued)

i. Fourth Quarter of the 2021 Fiscal Year vs Fourth Quarter of the 2020 Fiscal Year (continued)

The Bloom Lake plant processed 5,237,800 tonnes of ore during the three-month period ended March 31, 2021, compared to 4,880,000 tonnes for the same period in 2020, representing an increase of 7%. The higher throughput resulted from higher mined ore availability and a higher mill utilization rate. The continuous improvements and operational innovations allowed the Company to increase throughput stability and reach a higher level of mill productivity, despite the inefficiencies created by COVID-19, enabling the Company to capitalize on elevated iron ore prices.

The iron ore head grade for the three-month period ended March 31, 2021 was 30.7%, compared to 31.7% for the same period in 2020. The decrease in head grade is attributable to the presence of some lower grade ore being sourced and blended from different pits when compared to the prior year, which is in line with the mining plan and the LoM head grade average.

During the three-month period ended March 31, 2021, the Company produced 374,400 wmt of DR quality iron ore concentrate at 67.7% Fe, with a combined silica and alumina content of 2.8%. This production has been sold during the three-month period ended March 31, 2021, demonstrating the Company's ability to adapt to meet demand for higher quality iron ore products. The Company's average recovery rate of 82.6% remained stable during the three-month period ended March 31, 2021 despite being adversely impacted by the production of low-silica concentrate, compared to a recovery rate of 82.3% for the same period in 2020.

Bloom Lake produced 2,011,400 wmt of 66.5% Fe high-grade iron ore concentrate during the three-month period ended March 31, 2021, an increase of 6%, compared to 1,891,800 wmt for the same period in 2020. The higher production is mainly a result of higher throughput, despite being partially offset by a lower head grade.

ii. 2021 Fiscal Year vs 2020 Fiscal Year

During the first quarter of the 2021 fiscal year, the COVID-19 pandemic had a negative impact on several of the Company's activities, including: reduced mining activities due to the compliance with public health directives issued by the Government; reduced equipment maintenance due to COVID-19-related resource limitations which had adverse repercussions on equipment availability; the arrival of the seasonal workforce and the operation of only one of the Company's two production lines for a period of time stemming from the Government's COVID-19-related directives. Once the Government's restrictions were lifted, the Company accelerated its mining activities and fully resumed its production capacity without subsequent interruption, demonstrating the Company's agility to maximize its operations while minimizing the overall impact of the pandemic.

The Company mined and hauled 37,052,800 tonnes of material during the year ended March 31, 2021, compared to 34,559,800 tonnes for the same period in 2020, while the plant processed 20,598,700 tonnes of ore during the year ended March 31, 2021, an increase of 4% over the same period in 2020. These increases are attributable to investments made in the mining equipment rebuild program, along with the improvements and operational innovations accomplished at the plant in the past, which enabled the Company to maximize current productivity, partially offset by the slowdown resulting from the COVID-19 pandemic during the first quarter of the 2021 fiscal year. In addition, the recovery rate improved to 83.5%, compared to 82.6% for the same period in 2020, which is in line with the Company's target.

The iron ore head grade for the year ended March 31, 2021 was 30.7%, compared to 32.1% for the same period in 2020, attributable to different sourcing pits.

During the year ended March 31, 2021, the Company produced 575,700 wmt of DR quality iron ore concentrate at an average of 67.7% Fe, with an average combined silica and alumina content of 2.8%.

Bloom Lake achieved a record production with 8,001,200 wmt of Fe 66.4% high-grade iron ore concentrate produced during the year ended March 31, 2021, compared to 7,903,700 wmt for the same period in 2020.

Champion Iron Limited

Directors' Report - Operating and Financial Review

(Expressed in Canadian dollars, except where otherwise indicated)

9. Financial Performance

A. Revenues

	Three Months Ended March 31,			Year Ended March 31,		
	2021	2020	Variance	2021	2020	Variance
(in U.S. dollars per dmt sold)						
Index P62	166.9	89.0	88%	128.2	94.9	35%
Premium over P62	7.0	7.9	(11%)	10.9	12.3	(11%)
US\$ Gross average realized selling price	173.9	96.9	79%	139.1	107.2	30%
Freight and other costs	(23.0)	(25.8)	(11%)	(20.5)	(25.7)	(20%)
Provisional pricing adjustments	8.4	(1.4)	(700%)	8.7	(3.5)	(349%)
US\$ Net average realized FOB selling price¹	159.3	69.7	129%	127.3	78.0	63%
CA\$ Net average realized FOB selling price¹	201.3	93.1	116%	166.8	103.6	61%

During the three-month period ended March 31, 2021, 1,971,100 tonnes of high-grade iron ore concentrate were sold at the CFR China gross average realized price of US\$173.9/dmt, before provisional sales adjustments and shipping costs. The gross average realized selling price of US\$173.9/dmt represents a premium of 4.2% over the benchmark P62 price, compared to a premium of 8.9% for the same period in 2020. The gross average realized selling price reflects the sales at a determined price, as well as the forward price at the expected settlement date for 1,007,000 tonnes which were in transit at the end of the period. The gross average realized selling price of US\$173.9/dmt is lower for the quarter, compared to the average P65 of US\$191.2/dmt for the same period. The difference is due to the fact that the majority of the gross realized selling price is determined using the forward price when on or after the vessel's arrival to the port at discharge, which was at a significant discount compared to the average P65 during the period.

Benefiting from rising pellet premiums and the global economic recovery during the period, the Company reduced or cancelled discounted pricing on some sales to the P65 index, previously required to compete with the pricing of pellets which experienced multi-year lows in previous periods. As such, the Company expects its iron ore concentrate pricing to continue tracking the P65 index in the long-term. In addition, the Company should continue to benefit from the current period prices for its contracted volumes, based on previous months' P65 prices in the upcoming fiscal period ending June 30, 2021. Other factors influencing the Company's realized price included the increasing demand for low silica and alumina products, due to rising coking coal prices and falling levels of iron ore inventories at Chinese ports, further tightening iron ore availability.

During the three-month period ended March 31, 2021, the global economic recovery, rising fuel prices and decreased vessel availability contributed to the rising sea freight index, when compared to the previous quarter. The Company paid lower freight costs in the three-month period ended March 31, 2021, compared to the same period in 2020, even if the C3 index was higher. The freight costs variation relative to the Baltic Exchange C3 index during the period is mainly due to the timing of the vessels' booking and the fact that the Company benefited from a freight contract at a fixed price of US\$17.50 per tonne plus freight commissions for one vessel per month through March 2021.

¹ This is a non-IFRS financial performance measure with no standard definition under IFRS. See the "Non-IFRS Financial Performance Measures" section of this Directors' Report included in note 20.

Champion Iron Limited

Directors' Report - Operating and Financial Review

(Expressed in Canadian dollars, except where otherwise indicated)

9. Financial Performance (continued)

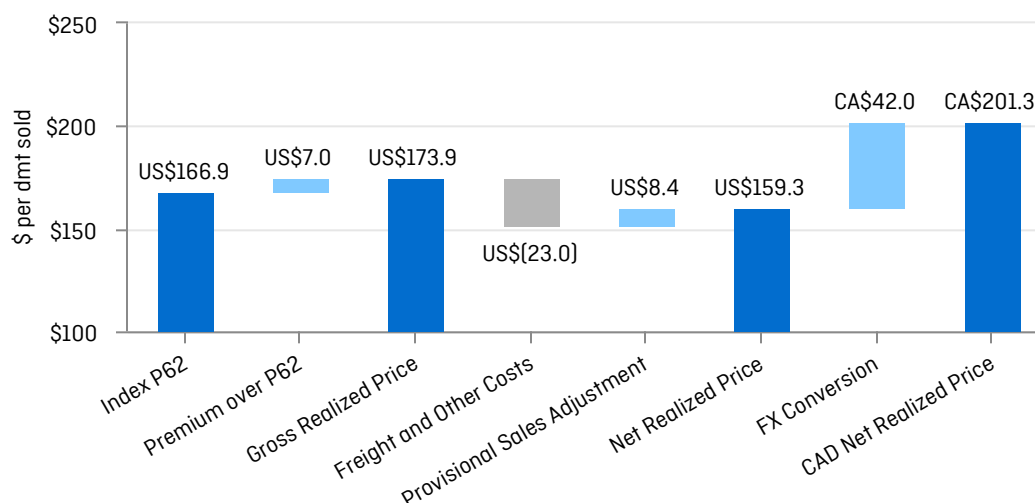
A. Revenues (continued)

During the three-month period ended March 31, 2021, the final price was established for the 601,000 tonnes of iron ore that were in transit as at December 31, 2020. Accordingly, during the three-month period ended March 31, 2021, provisional pricing adjustments of \$20,449,000 were recorded as additional revenues for the 601,000 tonnes, representing a positive impact of US\$8.4/dmt.

After taking into account sea freight costs of US\$23.0/dmt and the provisional sales adjustment of US\$8.4/dmt, the Company obtained a net average realized selling price of US\$159.3/dmt (CA\$201.3/dmt) for its high-grade iron ore delivered to the end customer. Revenues totaled \$396,702,000 for the three-month period ended March 31, 2021 compared to \$175,702,000 for the same period in 2020. The increase is attributable to a higher net average realized selling price¹.

For the year ended March 31, 2021, the Company sold 7,684,500 tonnes of iron ore concentrate shipped to 22 customers located in China, Japan, South Korea, Europe, the Middle East and Canada. While the high-grade iron ore P65 index price fluctuated between a low of US\$96.5/dmt and a high of US\$203.0/dmt during the year ended March 31, 2021, the Company sold its product at a gross average realized selling price of US\$139.1/dmt. Combining the gross average realized selling price with the provisional sales adjustment of US\$8.7/dmt, the Company sold its high-grade iron ore material at a price of US\$147.8/dmt during the year ended March 31, 2021, which continued to structurally track the P65 high-grade index average of US\$143.7/dmt. Deducting sea freight costs of US\$20.5/dmt, the Company obtained a net average realized selling price¹ of US\$127.3/dmt (CA\$166.8/dmt) for its high-grade iron ore. As a result, revenues totaled \$1,281,815,000 for the year ended March 31, 2021, compared to \$785,086,000 for the same period in 2020. Although the sales increase is mainly attributable to the net average realized selling price¹, the slight positive volume impact during the COVID-19 pandemic illustrates the benefit the Company yielded by investing in initiatives to improve production reliability and having the ability to increase its throughput capacity when the price of high-grade iron ore is elevated.

Q4 FY2021 Net Realized Selling Price from P62



Champion Iron Limited

Directors' Report - Operating and Financial Review

(Expressed in Canadian dollars, except where otherwise indicated)

9. Financial Performance (continued)

B. Cost of Sales

Cost of sales represents mining, processing, and mine site-related general and administrative ("G&A") expenses.

During the three-month period ended March 31, 2021, the total cash cost¹ or C1 cash cost¹ per tonne, excluding specific and incremental costs related to COVID-19, totaled \$54.4/dmt, compared to \$53.9/dmt for the same period in 2020. The total cash cost¹ for the period was higher mainly due to a lower head grade and the negative impact of inefficiencies related to COVID-19 preventive measures involving social distancing protocols.

For the year ended March 31, 2021, the Company produced high-grade iron ore at a total cash cost¹ of \$54.2/dmt, compared to \$52.7/dmt for the same period in 2020. The C1 cash cost¹ for the year includes the negative impact of inefficiencies related to COVID-19. In the first quarter of the 2021 fiscal year, the Company opted to keep its full workforce on its payroll, despite the reduced operating activities imposed in compliance with the Government's public health directives. The increase in total cash cost¹ was partially offset by higher iron ore concentrate sold, stemming from its operational productivity.

In general, the Company's total cash cost¹ remained relatively stable through the quarters even if the year ended March 31, 2021 was negatively impacted by the inefficiencies related to COVID-19.

C. Cost of Sales - Incremental Costs Related to COVID-19

In line with the Government's directives, the Company implemented several measures in its efforts to mitigate the risks related to the COVID-19 pandemic. The Company incurred direct, incremental and non-recurring operating costs of \$3,162,000 or \$1.6/dmt¹ and \$12,610,000 or \$1.6/dmt¹ for the three-month period and year ended March 31, 2021, respectively. These specific costs are mainly comprised of on-site COVID-19 testing and laboratory costs and incremental costs for cleaning and disinfecting facilities, premiums paid to employees from adjusted work schedules and incremental transportation costs, and do not include the inefficiency costs associated with the COVID-19 pandemic across all areas of the Company's operations. While the work schedules were adapted and related premiums to payroll were paid during the first quarter of the Company's 2021 fiscal year, the Company resumed its normal work schedules at the end of June 2020. Despite the fact that the costs associated with the revised schedules and the related premiums are not expected to be recurring, the Company will continue to deploy measures to mitigate the risks from COVID-19 on site and at the local community level.

D. Gross Profit

The gross profit for the three-month period ended March 31, 2021 totaled \$277,116,000, compared to \$64,918,000 for the same period in 2020. The increase in gross profit is mainly attributable to higher revenues, as a result of a higher net average realized selling price¹ of \$201.3/dmt for the three-month period ended March 31, 2021, compared to \$93.1/dmt for the same period in 2020.

The gross profit for the year ended March 31, 2021 totaled \$817,756,000, compared to \$363,717,000 for the same period in 2020. The increase is largely driven by the higher net average realized selling price¹ of \$166.8/dmt for the year ended March 31, 2021, compared to \$103.6/dmt for the same period in 2020. The higher revenues are partially offset by higher production costs and higher depreciation expenses attributable to previous investments which were made to increase throughput and surpass the mine's nameplate capacity, and have enabled the Company to take advantage of the elevated iron ore price.

¹ This is a non-IFRS financial performance measure with no standard definition under IFRS. See the "Non-IFRS Financial Performance Measures" section of this Directors' Report included in note 20.

Champion Iron Limited

Directors' Report - Operating and Financial Review

(Expressed in Canadian dollars, except where otherwise indicated)

9. Financial Performance (continued)

E. Other Expenses

	Three Months Ended March 31,			Year Ended March 31,		
	2021	2020	Variance	2021	2020	Variance
(in thousands of dollars)						
Share-based payments	2,439	389	527 %	3,983	2,551	56 %
General and administrative expenses	7,905	8,422	(6)%	23,594	21,087	12 %
Product research and development expenses	336	—	— %	1,258	—	— %
Sustainability and other community expenses	3,911	4,051	(3)%	14,858	13,540	10 %
	14,591	12,862	13 %	43,693	37,178	18 %

The variation in other expenses for the three-month period and year ended March 31, 2021, compared to the same periods in 2020, mainly reflects higher non-cash share-based payments associated with the timing of stock option grants and their related costs, as the Company's share price has significantly increased, compared to the prior year. Further to this grant, stock options outstanding totaled 0.4% of the total ordinary shares issued and outstanding.

During the three-month period and year ended March 31, 2021, the Company incurred R&D expenses of \$336,000 and \$1,258,000, respectively. Refer to section 6 — Product Research and Development.

The variation in other expenses for the year ended March 31, 2021, compared to the previous year, is also due to higher salaries and benefits from a higher headcount and higher administration costs. In addition, higher sustainability and other community expenses in the year ended March 31, 2021 contributed to the variation, reflecting the Company's increased focus on sustainability.

F. Net Finance Costs

	Three Months Ended March 31,			Year Ended March 31,		
	2021	2020	Variance	2021	2020	Variance
(in thousands of dollars)						
Loss on debt refinancing	—	—	— %	1,863	57,274	(97)%
Realized and unrealized foreign exchange loss	2,108	3,028	(30)%	7,782	3,199	143 %
Interest on long-term debt and Debenture	1,349	1,758	(23)%	6,624	16,920	(61)%
Other	1,973	(102)	(2034)%	6,159	6,851	(10)%
	5,430	4,684	16 %	22,428	84,244	(73)%

Fourth Quarter of the 2021 Fiscal Year vs Fourth Quarter of the 2020 Fiscal Year

Net finance costs slightly increased and totaled \$5,430,000 for the three-month period ended March 31, 2021, compared to \$4,684,000 for the same period in 2020. The standby commitment fees on the undrawn portion of the Credit Facility, included in other finance costs, contributed to increase the net finance costs for the three-month period ended March 31, 2021, compared to the same period in 2020.

Champion Iron Limited

Directors' Report - Operating and Financial Review

(Expressed in Canadian dollars, except where otherwise indicated)

9. Financial Performance (continued)

F. Net Finance Costs (continued)

2021 Fiscal Year vs 2020 Fiscal Year

Lower net finance costs for the year ended March 31, 2021, compared to the same period in 2020, are mainly due to a lower loss on debt refinancing and lower interest on long-term debt, partially offset by higher realized and unrealized foreign exchange losses.

Expenses associated to loss on debt refinancing are non-cash losses. During the year ended March 31, 2020, these expenses reflect non-cash items associated with the refinancing of the long-term debt which occurred on August 16, 2019, including the write-off of capitalized past transaction fees, the write-off of derivative financial instruments and the write-off of the unamortized book value of the previous credit facilities.

The Company benefits from a natural hedge between its revenues generated in U.S. dollars and its U.S. denominated Credit Facility. The decrease in net finance costs is partially offset by higher realized and unrealized foreign exchange losses, due to the revaluation of its net monetary assets denominated in U.S. dollars, following an appreciation of the Canadian dollar against the U.S. dollar as at March 31, 2021, compared to March 31, 2020. The appreciation of the Canadian dollar contributed to a foreign exchange gain on the Company's long-term debt and an unrealized foreign exchange loss on its accounts receivable and cash on hand¹, both of which are denominated in U.S. dollars.

Lower net finance costs are also attributable to the reduction in interest, following the refinancing transaction which closed on August 16, 2019, which reflects the lower cost of debt, in addition to the capitalization of borrowing costs on qualifying assets during the development period of the Phase II expansion project, which amounted to \$3,793,000 for the year ended March 31, 2021, compared to \$1,405,000 for the same period in 2020.

G. Other Income (Expense)

	Three Months Ended March 31,			Year Ended March 31,		
	2021	2020	Variance	2021	2020	Variance
(in thousands of dollars)						
Change in fair value of non-current investments	1,620	(464)	(449)%	7,905	(1,107)	(814)%
Gain on disposal of non-current investments	2,332	—	— %	2,332	—	— %
	3,952	(464)	(952)%	10,237	(1,107)	(1025)%

Non-current investments in listed common shares are classified as financial assets at fair value through profit or loss. During the three-month period and year ended March 31, 2021, the net increase in the fair value of non-current investments represented \$1,620,000 and \$7,905,000, respectively, and resulted from higher share price of its equity investments, while in the comparative period of 2020, the net decrease was \$464,000 and \$1,107,000, respectively, and resulted from the depreciation of share prices. During the three-month period and year ended March 31, 2021, Champion partially sold an equity investment to realize a gain on disposal of \$2,332,000.

¹ This is a non-IFRS financial performance measure with no standard definition under IFRS. See the "Non-IFRS Financial Performance Measures" section of this Directors' Report included in note 20.

Champion Iron Limited

Directors' Report - Operating and Financial Review

(Expressed in Canadian dollars, except where otherwise indicated)

9. Financial Performance (continued)

H. Income Taxes

The Company and its subsidiaries are subject to tax in Australia and Canada. As a result of accumulated losses before tax, there are no current or deferred income taxes related to the Australian activities. There is no deferred tax asset recognized in respect of the unused losses in Australia as the Company believes it is not probable that there will be a taxable profit available against which the losses can be used. QIO is subject to Québec mining taxes at a progressive tax rate ranging from 16% to 28%, for which each rate is applied to a bracket of QIO's mining profit, depending on the mining profit margin for the year. The mining profit margin represents the mining profit, as defined by the *Mining Tax Act* (Québec), divided by revenues. The progressive tax rates are based on the mining profit margins as follows:

Mining Profit Margin Range	Tax Rate
Mining profit between 0% to 35%	16 %
Incremental mining profit over 35%, up to 50%	22 %
Incremental mining profit over 50%	28 %

In addition, QIO is subject to income taxes in Canada where the combined provincial and federal statutory rate was 26.50% for the year ended March 31, 2021 (2020: 26.58%).

During the three-month period and year ended March 31, 2021, current income and mining tax expenses totaled \$100,638,000 and \$280,855,000, respectively, compared to \$19,027,000 and \$89,657,000, respectively, for the same periods in 2020. The variation is mainly due to higher taxable profit associated with higher iron ore prices.

During the three-month period and year ended March 31, 2021, deferred income and mining tax expenses totaled \$4,475,000 and \$16,592,000, respectively, compared to \$9,530,000 and \$30,481,000, respectively, for the same periods in 2020. The decrease for the three-month period and year ended March 31, 2021 is mainly due to lower accelerated depreciation, resulting from increases in the temporary difference in both years but in lower proportion in the current periods.

Combining the provincial, federal statutory tax rates and mining taxes, the Company's effective tax rates ("ETR") were 40% and 39%, respectively, for the three-month period and year ended March 31, 2021, compared to 61% and 50%, respectively, for the same periods in 2020. Higher ETR for the year ended March 31, 2020 is mainly related to the 2020 early debt repayment, which was not subject to tax recovery. The ETR of 39% was due to the Company's higher mining profit resulted in the application of a higher tax rate of 22%, as per the progressive mining tax rates schedule detailed above.

The Company benefited from the temporary tax relief programs offered by the Federal and Provincial Governments in Canada in response to the COVID-19 pandemic, which allowed the deferral of tax payments until September 30, 2020. The Company paid all of the deferred payments for the fiscal year ended March 31, 2020, as well as monthly installments for the April to September 2020 period, in the second quarter of the 2021 fiscal year.

During the year ended March 31, 2021, the Company paid \$147,074,000 in income and mining taxes. The Company also recorded income and mining taxes payable of \$191,542,000 as at March 31, 2021, which was paid in May 2021 and which has contributed to the increase in current liabilities.

Champion Iron Limited

Directors' Report - Operating and Financial Review

(Expressed in Canadian dollars, except where otherwise indicated)

9. Financial Performance (continued)

I. Net Income & EBITDA¹

Fourth Quarter of the 2021 Fiscal Year vs Fourth Quarter of the 2020 Fiscal Year

For the three-month period ended March 31, 2021, the Company generated a record net income of \$155,934,000 (EPS of \$0.32), compared to \$18,351,000 (EPS of \$0.04) for the same period in 2020. The increase in net income is mainly due to higher gross profit and higher other income, partially offset by higher income and mining taxes from increased taxable income.

For the three-month period ended March 31, 2021, the Company generated a record EBITDA¹ of \$275,764,000 including non-cash share-based payments, representing an EBITDA margin¹ of 70%, compared to \$60,655,000, representing an EBITDA margin¹ of 35% for the same period in 2020. The variation in EBITDA¹ period over period is primarily due to the higher revenue from higher net average realized selling price¹, partially offset by higher production costs and incremental costs related to COVID-19.

2021 Fiscal Year vs 2020 Fiscal Year

For the year ended March 31, 2021, the Company generated a net income of \$464,425,000 (EPS of \$0.97), compared to \$121,050,000 (EPS of \$0.20) for the same period in 2020. The increase in net income is mainly due to higher gross profit and lower net finance costs, partially offset by higher income and mining taxes from increased taxable income. Lower net finance costs are mainly attributable to the amendment to the Credit Facility and its related non-cash loss.

For the year ended March 31, 2021, excluding the incremental costs related to COVID-19, which totaled \$12,610,000 or \$1.6/dmt¹, the non-cash loss on debt refinancing of \$1,863,000, and the gain on disposal of non-current investments of \$2,332,000, and their related tax impact, the Company generated adjusted net income¹ of \$470,681,000 (adjusted EPS¹ of \$0.98). For the year ended March 31, 2020, mainly excluding the non-recurring non-cash transactions associated with the repayment of the previous credit facilities on August 16, 2019, the Company would have generated an adjusted net income¹ of \$172,691,000 (adjusted EPS¹ of \$0.32).

For the year ended March 31, 2021, the Company generated an EBITDA¹ of \$819,477,000, representing an EBITDA margin¹ of 64%, compared to \$347,433,000, representing an EBITDA margin¹ of 44% for the same period in 2020. This increase in EBITDA¹ is mainly attributable to the increase in the net average realized selling price¹, partially offset by higher production costs and incremental costs related to COVID-19.

J. All-In Sustaining Cost¹ and Cash Operating Margin¹

Fourth Quarter of the 2021 Fiscal Year vs Fourth Quarter of the 2020 Fiscal Year

During the three-month period ended March 31, 2021, the Company realized an AISC¹ of \$65.1/dmt, compared to \$59.8/dmt for the same period in 2020. The variation mainly relates to higher sustaining capital expenditures related to higher stripping and mining activities. As these activities were negatively impacted by the reduced level of operations at the onset of the COVID-19 pandemic early in the fiscal year end, the Company intensified its investment in the last quarter of the year to complete its plan for the fiscal year end.

Deducting the AISC¹ of \$65.1/dmt from the net average realized selling price¹ of \$201.3/dmt, the Company generated a cash operating margin¹ of \$136.2/dmt for each tonne of high-grade iron ore concentrate sold during the three-month period ended March 31, 2021, compared to \$33.3/dmt for the same period in 2020. The variation is essentially attributable to a higher net average realized selling price¹.

2021 Fiscal Year vs 2020 Fiscal Year

During the year ended March 31, 2021, the AISC¹ remained stable at \$62.8/dmt compared to \$62.7/dmt for the same period in 2020.

The cash operating margin¹ totaled \$104.0/dmt for the year ended March 31, 2021, compared to \$40.9/dmt for the same period in 2020. The variation is mainly due to a higher net average realized selling price¹.

K. Non-Controlling Interest

Following Champion's acquisition of Investissement Québec's 36.8% equity interest in QIO on August 16, 2019, the Non-Controlling Interest ("NCI") in QIO no longer exists. Consequently, Champion's shareholders are now benefiting from 100% of QIO's net profit.

¹ This is a non-IFRS financial performance measure with no standard definition under IFRS. See the "Non-IFRS Financial Performance Measures" section of this Directors' Report included in note 20.

Champion Iron Limited

Directors' Report - Operating and Financial Review

(Expressed in Canadian dollars, except where otherwise indicated)

10. Exploration Activities

During the year ended March 31, 2021, the Company continued to maintain all of its properties in good standing and did not enter into farm-in/farm-out arrangements. During the three-month period and year ended March 31, 2021, \$226,000 and \$581,000 were incurred, respectively, in exploration and evaluation expenditures, compared to \$189,000 and \$691,000, respectively, for the same periods in 2020. The exploration expenditures mainly consist of fees required to maintain the Company's exploration properties, minor exploration work and the acquisition of claims.

On April 1, 2021, Champion acquired and now holds a 100% interest in the Kami Project. Refer to section 5 — Acquisition of the Kami Project.

11. Cash Flows

The following table summarizes cash flow activities:

	Three Months Ended March 31,		Year Ended March 31,	
	2021	2020	2021	2020
(in thousands of dollars)				
Operating cash flows before working capital	168,693	42,247	519,097	220,452
Changes in non-cash operating working capital	59,873	42,367	104,379	89,115
Net cash flow from operating activities	228,566	84,614	623,476	309,567
Net cash flow from investing activities	(91,439)	(23,374)	(244,142)	(152,892)
Net cash flow from financing activities	(15,314)	42,754	(26,300)	(14,890)
Net increase in cash and cash equivalents	121,813	103,994	353,034	141,785
Effects of exchange rate changes on cash and cash equivalents	(2,137)	7,094	(25,081)	4,154
Cash and cash equivalents, beginning of the period	489,640	170,275	281,363	135,424
Cash and cash equivalents, end of the period	609,316	281,363	609,316	281,363
Operating cash flow per share¹	0.46	0.18	1.30	0.70

Operating

During the three-month period ended March 31, 2021, the Company generated operating cash flows of \$168,693,000 before working capital items, compared to \$42,247,000 for the same period in 2020. The variation, period over period, is mainly attributable to the higher EBITDA¹, which resulted primarily from a higher net average realized selling price¹. Changes in working capital items for the period were affected by the timing of customer receipts and supplier payments, but mainly due to the mining and income taxes payable balance in the three-month period ended March 31, 2021. Based on the foregoing, the operating cash flow per share¹ for the three-month period ended March 31, 2021 was \$0.46, compared to \$0.18 for the same period in 2020.

During the year ended March 31, 2021, the Company's operating cash flows before working capital items totaled \$519,097,000, compared to \$220,452,000 for the same period in 2020. The variation is mainly attributable to a higher EBITDA¹, largely driven by a higher net average realized selling price¹ and slightly higher volumes of iron ore concentrate sold. Changes in working capital items are due to the timing effect of receipts and payments, and also the deferred tax payment of \$57,761,000 made in the second quarter of the 2021 fiscal year. The latter represented income and mining taxes related to the fiscal year ended March 31, 2020. After working capital items, the operating cash flow per share¹ for the period totaled \$1.30, compared to \$0.70 for the same period in 2020.

As the iron ore concentrate price remained elevated during the 2021 fiscal year, it resulted in a higher taxable income in the current fiscal year. As the monthly tax installments are based on the previous fiscal year's taxable income, the amount of income and mining taxes payable for the period from April 1, 2020 to March 31, 2021, which was paid in May 2021, totaled \$191,542,000, as currently reflected in the Company's statements of financial position.

¹ This is a non-IFRS financial performance measure with no standard definition under IFRS. See the "Non-IFRS Financial Performance Measures" section of this Directors' Report included in note 20.

Champion Iron Limited

Directors' Report - Operating and Financial Review

(Expressed in Canadian dollars, except where otherwise indicated)

11. Cash Flows (continued)

Investing

Purchase of Property, Plant and Equipment

During the three-month period and the year ended March 31, 2021, the Company invested \$74,500,000 and \$174,650,000, respectively, in addition to property, plant and equipment, compared to \$19,684,000 and \$147,304,000, respectively, for the same periods in 2020. The following table summarizes the investments made:

	Three Months Ended March 31,		Year Ended March 31,	
	2021	2020	2021	2020
(in thousands of dollars)				
Tailings lifts	839	1,426	8,165	28,787
Stripping and mining activities	7,346	636	22,831	10,700
Mining equipment rebuild	5,008	2,546	11,762	17,937
Sustaining capital expenditures	13,193	4,608	42,758	57,424
Phase II	45,971	10,864	97,087	58,019
Other capital development expenditures at Bloom Lake	15,336	4,212	34,805	31,861
Purchase of property, plant and equipment as per cash flows	74,500	19,684	174,650	147,304

The decrease in tailings-related investments for the three-month period and the year ended March 31, 2021, compared to the same periods 2020, was anticipated. In 2019, the Company announced an accelerated \$30.0 million work program for the raising of the tailings containment dam to ensure safe tailings deposition, which was completed in 2020. During the fiscal year ended March 31, 2021, the expenditures were related to the construction work on the dykes project and the raising of the tailings dam associated with a new coarse tailings line.

Stripping and mining activities were reduced in the first quarter of the 2021 fiscal year, due to the ramp down of operations as mandated by the Government's COVID-19 containment directives, but resumed during the second quarter of the 2021 fiscal year. During the three-month period ended March 31, 2021, the effort to recover the waste mining activities backlog accumulated during the ramp down of the operations contributed to increasing stripping activities. Stripping activities for the three-month period and the year ended March 31, 2021 were anticipated to be higher compared to the same periods in 2020 as a result of the mine plan.

The Company's mining equipment rebuild program reflects the work planned during the three-month period ended March 31, 2021, despite a slowdown during the first quarter of the 2021 fiscal year. Higher investments in the mining equipment rebuild program in the year ended March 31, 2020 is attributable to capital expenditures to increase mining equipment fleet availability and performance, whereby the required expenditures were lower for the same period in 2021.

Following the Board's final approval on November 12, 2020, to complete the Phase II project, the Company accelerated its expenditures related to the Phase II project and expects to continue to do so over the coming quarters. For the year ended March 31, 2021, the investment in the Phase II project totaled \$112,298,000, which includes \$97,087,000 in capital expenditures and \$15,211,000 in advance payments to SFPPN as discussed below.

During the three-month period and year ended March 31, 2021, other capital development expenditures at Bloom Lake totaled \$15,336,000 and \$34,805,000, respectively. During the three-month period ended March 31, 2021, the Company invested in lodging infrastructure at the mine site to accommodate the increasing workforce. The Company also made prepayments for production equipment. During the year ended March 31, 2021, the investments consisted primarily in infrastructure upgrades at the mine, the commissioning of new equipment, the acquisition of additional used railcars and the expansion of the lodging installation. During the quarter and year ended March 31, 2020, other capital development expenditures at Bloom Lake totaled \$4,212,000 and \$31,861,000, respectively. These investments related to the completion of the Feasibility Study, some infrastructure upgrades at the mine and the commissioning of additional service equipment.

Champion Iron Limited

Directors' Report - Operating and Financial Review

(Expressed in Canadian dollars, except where otherwise indicated)

11. Cash Flows (continued)

Investing (continued)

Other Investing Activities

During the three-month period ended March 31, 2021, the Company increased its short-term investments, which are essentially collateral pledged as security for an agreement. The Company also partially disposed some of its marketable securities investment for net proceeds of \$3,022,000.

During the year ended March 31, 2021, the Company transferred funds to a restricted account as a condition to the closing of the amended and restated Credit Facility.

During the three-month period and year ended March 31, 2021, the Company invested \$349,000 and \$1,705,000, respectively, in computer software required to support the expansion of its operations, compared to \$3,501,000 and \$5,513,000, respectively, for the same periods in 2020.

Finally, the Company made advance payments which totaled \$9,200,000 and \$15,211,000, respectively, to SFPPN for infrastructure upgrades in order to accommodate the anticipated increased Phase II production volumes.

Financing

In line with its conservative cash management principles, the Company fully drew its available Revolving Facility of US\$20,000,000 to face global uncertainty associated with the COVID-19 pandemic at the end of the fiscal year ended March 31, 2020. Given its current liquidity position, during the three-month period ended March 31, 2021, the Company fully repaid the Revolving Facility of \$25,262,000 (US\$20,000,000).

During the three-month period ended March 31, 2021, 12,733,000 warrants and 110,000 stock options were exercised for proceeds totaling \$14,485,000, compared to 11,500,000 compensation options and 22,500,000 stock options exercised for proceeds totaling \$15,261,000 during the same period in 2020.

QIO declared and paid the accumulated dividends on its preferred shares, which are held by the Caisse de dépôt et placement du Québec, for the period from January 1, 2021 to March 31, 2021, inclusively, for a total disbursement of \$4,219,000, representing the current dividend rate of 9.25%.

During the year ended March 31, 2021, the Company repaid the \$25,262,000 (US\$20,000,000) Revolving Facility. The Company also incurred and paid \$7,888,000 for transaction costs related to the amendment of the Credit Facility, which was increased to fund the completion of the Phase II project. In addition, 27,733,000 warrants and 6,694,000 stock options were exercised for proceeds totaling \$36,277,000. Additionally, QIO declared and paid the accumulated dividends on its preferred shares for the period from August 17, 2019 to March 31, 2021, inclusively, for a total disbursement of \$28,439,000. The Company does not have any arrears with respect to QIO's preferred dividends and has the ability to redeem all of QIO's preferred shares on August 16, 2021.

During the year ended March 31, 2020, the Company completed the re-financing of the previous credit facilities, which consisted of two term loans with CDP Investissements Inc. ("CDPI") (US\$100,000,000) and Sprott (US\$80,000,000), both of which were fully repaid for CA\$234,464,000 on August 16, 2019. A drawdown on the original US\$200,000,000 (CA\$267,522,000) credit facilities, including the US\$20,000,000 Revolving Facility, was also completed. Transaction costs of \$8,985,000 were incurred for this transaction, where \$1,663,000 was paid during the 2019 fiscal year, resulting in a net payment of \$7,322,000 during the year ended March 31, 2020. The refinancing reduced the cost of debt from a 10%-14% range to a 3.25%-4.5% range.

In addition, during the year ended March 31, 2020, the Company completed the acquisition of Investissement Québec's 36.8% equity interest in QIO for a consideration of \$211,000,000. Investissement Québec is a successor to Ressources Québec Inc., which held the equity interest in QIO at the time of the transaction. Following the acquisition, the Company is no longer subject to an NCI in its flagship asset, the Bloom Lake Mine, enabling Champion's shareholders to fully benefit from the EBITDA margin generated by the Bloom Lake Mining Complex. Concurrently, the Company issued QIO's preferred shares to CDPI for proceeds of \$181,795,000, net of transaction costs, and reimbursed the unsecured subordinated convertible debenture ("Debenture") with Glencore International AG ("Glencore") for a total cost of \$31,980,000.

Additionally, during the year ended March 31, 2020, 21,000,000 compensation options, 13,719,000 warrants and 25,000,000 stock options were exercised, for proceeds totaling \$21,181,000.

Champion Iron Limited

Directors' Report - Operating and Financial Review

(Expressed in Canadian dollars, except where otherwise indicated)

12. Financial Position

As at March 31, 2021, the Company held \$680,528,000 in cash on hand¹ and restricted cash. The Company is well positioned to fund all its cash requirements for the next 12 months with its existing cash balance, its forecasted cash flows from operations, its available portion of the undrawn long-term debt of US\$220,000,000, its master lease agreement with SMBC Rail Services Canada ULC to finance Phase II mining equipment and railcars of approximately US\$30,000,000 and its master lease agreement with Caterpillar Financial Services Limited of US\$75,000,000 signed in April 2021. Moreover, Investissement Québec, a member of the senior debt syndicate, and the Fonds du développement économique have committed to partially fund (up to \$70.0M) QIO's \$85.0M investment required to upgrade SFPPN's existing infrastructure.

The Company's cash requirements for the next 12 months relate primarily to the following activities:

- Mine operating costs;
- Remaining expenditures in relation to the Phase II expansion project;
- Sustaining capital expenditures;
- Payment of mining and income taxes, including a payment of \$191,542,000 completed in May 2021; and
- Acquisition of the Kami Project, where \$15,000,000 was paid in April 2021 as part of the consideration.

The first capital repayment of the Company's amended long-term debt is scheduled for June 30, 2022, while dividends on QIO's preferred shares may be accumulated on a quarterly basis at the Company's discretion. As of March 31, 2021, the Company had no capitalized, undeclared and unpaid dividends on QIO's preferred shares.

The following table details the changes to the statement of financial position at March 31, 2021 compared to March 31, 2020:

	As at March 31, 2021	As at March 31, 2020	Variance
(in thousands of dollars)			
Cash and cash equivalents	609,316	281,363	117%
Short-term investments	27,200	17,291	57%
Cash on hand¹	636,516	298,654	113%
Other current assets	171,023	102,895	66%
Total Current Assets	807,539	401,549	101%
Restricted cash	44,012	—	—%
Property, plant and equipment	504,985	365,470	38%
Exploration and evaluation assets	76,106	75,525	1%
Other non-current assets	64,264	40,054	60%
Total Assets	1,496,906	882,598	70%
Total Current Liabilities	293,767	112,919	160%
Long-term debt	214,951	275,968	(22%)
Rehabilitation obligation	45,074	42,836	5%
Other non-current liabilities	90,097	74,253	21%
Total Liabilities	643,889	505,976	27%
Equity attributable to Champion shareholders	853,017	376,622	126%
Total Equity	853,017	376,622	126%
Total Liabilities and Equity	1,496,906	882,598	70%

¹ This is a non-IFRS financial performance measure with no standard definition under IFRS. See the "Non-IFRS Financial Performance Measures" section of this Directors' Report included in note 20.

Champion Iron Limited

Directors' Report - Operating and Financial Review

(Expressed in Canadian dollars, except where otherwise indicated)

12. Financial Position (continued)

The Company's total current assets as at March 31, 2021 increased by \$405,990,000 since March 31, 2020. The increase was mainly attributable to cash flows from operations, higher trade receivables impacted by a favourable price adjustment and an increase in inventories. The increase is partially offset by a reclassification of \$44,012,000 (US\$35,000,000) to non-current restricted cash for a contingent fund deposit required under the amended Credit Facility, to cover potential Phase II cost overruns as a condition for the closing of the amended agreement.

The increase in non-current assets consists primarily of capitalized stripping activities, mining equipment overhaul, investments made in the Phase II project and other investments made towards the property, plant and equipment and intangible assets. The Company's other non-current assets increased by \$24,023,000 since March 31, 2020 mainly due to the investments made in SFPPN, in line with the Feasibility Study.

Higher total current liabilities are mainly due to higher income and mining taxes payable of \$191,542,000 as at March 31, 2021, resulting from higher profits since the start of the current fiscal year. In addition, higher accounts payable related to Phase II projects also contributed to the increase in total current liabilities. The income and mining taxes payable for the 2021 fiscal year were paid in May 2021.

The decrease in long-term debt is mainly due to the repayment of the US\$20,000,000 Revolving Facility on March 30, 2021 and the unrealized foreign exchange gain on the long-term debt denominated in U.S. dollars.

The increase in total equity is mainly attributable to the Company's net income of \$464,425,000 for the year ended March 31, 2021 and the exercise of warrants and stock options for an additional \$36,277,000 amount in cash and equity. The increase in total equity is partially offset by the payment of the accumulated dividends on QIO's preferred shares, for the period from August 17, 2019 to March 31, 2021, inclusively, totaling \$28,439,000.

13. Financial Instruments

The nature and the extent of risks arising from the Company's financial instruments are summarized in note 25 of the Financial Statements for the year ended March 31, 2021.

14. Contingencies

The Company is and may be from time to time subject to legal actions, including arbitrations and class actions, arising in the normal course of business. It is inherently difficult to predict the outcome of any of these proceedings with certainty, and it is possible that an adverse resolution could have a material adverse effect on the consolidated financial position of the Company. However, based on currently available information, it is not expected that any of the existing legal actions, either individually or in the aggregate, will have a material adverse effect on the consolidated financial position of the Company.

Champion Iron Limited

Directors' Report - Operating and Financial Review

(Expressed in Canadian dollars, except where otherwise indicated)

15. Contractual Obligations, Commitments and Off-Balance Sheet Arrangements

Contractual Obligations and Commitments

The following are the contractual maturities of liabilities (with estimated future interest payments) and the future minimum payments of commitments as at March 31, 2021:

(in thousands of dollars)	Less than a year	1 to 5 years	More than 5 years	Total
Accounts payable and other	101,724	—	—	101,724
Long-term debt, including capital and future interest payment	9,315	239,773	—	249,088
Lease liabilities, including future interest	577	1,146	454	2,177
Commitments as per note 28 of the Financial Statements	155,068	63,729	201,939	420,736
	266,684	304,648	202,393	773,725

Other Off-Balance Sheet Arrangements

The undrawn portion of the Credit Facility totaled US\$220,000,000, which is composed of a term facility of US\$170,000,000 only available during the pre-completion period of Phase II and a Revolving Credit Facility of US\$50,000,000, both subject to standby commitment fees.

16. Critical Accounting Estimates and Judgments

The Company's significant accounting judgments, estimates and assumptions are summarized in note 2 of the Financial Statements for the year ended March 31, 2021.

17. New Accounting Standards Issued and Adopted by the Company

The new accounting standards issued and adopted by the Company are disclosed in note 2 to the Financial Statements for the year ended March 31, 2021.

18. New Accounting Standards Issued and but not yet in Effect

The new accounting standards issued but not yet in effect are disclosed in note 2 to the Financial Statements for the year ended March 31, 2021.

19. Related Party Transactions

Related party transactions consist of transactions with key management personnel. The Company considers its members of the Board and senior officers to be key management personnel. Transactions with key management personnel are disclosed in note 27 of the Financial Statements for the year ended March 31, 2021.

Champion Iron Limited

Directors' Report - Operating and Financial Review

(Expressed in Canadian dollars, except where otherwise indicated)

20. Non-IFRS Financial Performance Measures

The Company has included certain non-IFRS measures in this Directors' Report. The Company believes that these measures, in addition to conventional measures prepared in accordance with IFRS, provide investors with an improved ability to evaluate the underlying performance of the Company. The non-IFRS measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. These measures do not have any standardized meaning prescribed under IFRS, and therefore may not be comparable to other issuers.

A. Total Cash Cost

Total cash cost, or C1 cash cost, is a common financial performance measure in the iron ore mining industry but has no standard meaning under IFRS. Champion reports total cash cost on a sales basis. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, such as sales, certain investors use this information to evaluate the Company's performance and ability to generate operating earnings and cash flows from its mining operations. This measure also enables investors to better understand the performance of the Company's iron ore operations in comparison to other iron ore producers who present results on a similar basis. Management uses this metric as an important tool to monitor operating cost performance. Total cash cost includes production costs such as mining, processing and site administration and excludes depreciation to arrive at total cash cost per dmt sold. Other companies may calculate this measure differently.

The total cash cost excludes the "cost of sales - incremental costs related to COVID-19" totaling \$3,162,000 or \$1.6/dmt for the three-month period ended March 31, 2021 and \$12,610,000 or \$1.6/dmt for the year ended March 31, 2021.

	Three Months Ended March 31,		Year Ended March 31,	
	2021	2020	2021	2020
Per tonne sold				
Iron ore concentrate sold (dmt)	1,971,100	1,888,200	7,684,500	7,577,400
(in thousands of dollars except per tonne)				
Cost of sales	107,137	101,721	416,272	399,368
Total cash cost (per dmt sold)	54.4	53.9	54.2	52.7

B. Incremental Costs Related to COVID-19 (per dmt sold)

The Company incurred direct, incremental and non-recurring costs resulting from its COVID-19 safety measures that are mainly comprised of premium payroll costs from adjusted work schedules, higher transportation costs, on-site COVID-19 testing and laboratory costs, and additional costs for cleaning and disinfecting facilities. The incremental costs related to COVID-19 exclude inefficiency costs attributable to COVID-19 preventive measures especially related to maintaining social distancing in operational procedures as well as higher costs charged by subcontractors and consultants which include COVID-19 inefficiencies. The incremental costs related to COVID-19 per dmt sold allow Management to assess the impact of the incremental COVID-19 costs on the operating cost performance of the Company.

	Three Months Ended March 31,		Year Ended March 31,	
	2021	2020	2021	2020
Per tonne sold				
Iron ore concentrate sold (dmt)	1,971,100	1,888,200	7,684,500	7,577,400
(in thousands of dollars except per tonne)				
Cost of sales - incremental costs related to COVID-19	3,162	—	12,610	—
Incremental costs related to COVID-19 (per dmt sold)	1.6	—	1.6	—

Champion Iron Limited

Directors' Report - Operating and Financial Review

(Expressed in Canadian dollars, except where otherwise indicated)

20. Non-IFRS Financial Performance Measures (continued)

C. All-In Sustaining Cost

The Company believes that AISC defines the total cost associated with producing iron ore concentrate more accurately as this measure reflects all the sustaining expenditures incurred to produce high-grade iron ore concentrate. The Company calculates AISC as the sum of total cash cost (as described above), G&A expenses and sustaining capital, including deferred stripping cost, divided by the iron ore concentrate sold (in dmt) to arrive at a per dmt figure. Other companies may calculate this measure differently because of differences in underlying principles and policies applied. Differences may also arise due to a different definition of sustaining versus non-sustaining capital. The sustaining capital included in the AISC calculation excludes development capital expenditures such as capacity increase projects and studies for future expansion projects.

As this measure is intended to represent the cost of selling iron ore concentrate from current operations, it does not include capital expenditures attributable to development projects or mine expansions that would increase production capacity or mine life, including economic evaluations for such projects. It also excludes product research and development expenses and exploration expenses that are not sustainable in nature, income and mining taxes expenses, working capital, defined as current assets less current liabilities, or interest costs. The AISC excludes the "cost of sales — incremental costs related to COVID-19" totaling \$3,162,000 or \$1.6/dmt for the three-month period ended March 31, 2021 and \$12,610,000 or \$1.6/dmt for the year ended March 31, 2021.

The following table sets forth the calculation of AISC per tonne:

	Three Months Ended March 31,		Year Ended March 31,	
	2021	2020	2021	2020
Per tonne sold				
Iron ore concentrate sold (dmt)	1,971,100	1,888,200	7,684,500	7,577,400
(in thousands of dollars except per tonne)				
Cost of sales	107,137	101,721	416,272	399,368
Sustaining capital expenditures	13,193	4,608	42,758	57,424
General and administrative expenses	7,905	8,422	23,594	21,087
Non-recurring expenses related to re-domiciliation	—	(1,907)	—	(2,569)
	128,235	112,844	482,624	475,310
AISC (per dmt sold)	65.1	59.8	62.8	62.7

Champion Iron Limited

Directors' Report - Operating and Financial Review

(Expressed in Canadian dollars, except where otherwise indicated)

20. Non-IFRS Financial Performance Measures (continued)

D. Net Average Realized Selling Price, Cash Operating Margin and Cash Profit Margin

Net average realized selling price and cash operating margin per dmt sold are used by Management to better understand the iron ore concentrate price and margin realized throughout a period. Net average realized selling price is calculated as revenues divided by iron ore concentrate sold (in dmt). Cash operating margin represents the net average realized selling price per dmt sold less AISC per dmt sold. Cash profit margin represents the cash operating margin per dmt sold divided by the net average realized selling price per dmt sold.

	Three Months Ended March 31,		Year Ended March 31,	
	2021	2020	2021	2020
Per tonne sold				
Iron ore concentrate sold (dmt)	1,971,100	1,888,200	7,684,500	7,577,400
(in thousands of dollars except per tonne)				
Revenues	396,702	175,702	1,281,815	785,086
Net average realized selling price (per dmt sold)	201.3	93.1	166.8	103.6
AISC (per dmt sold)	65.1	59.8	62.8	62.7
Cash operating margin (per dmt sold)	136.2	33.3	104.0	40.9
Cash profit margin	68%	36%	62%	39%

E. EBITDA and EBITDA Margin

The following table sets forth the calculation of EBITDA, a non-IFRS measure which the Company believes to be relevant to assess the Company's ability to generate liquidity by producing operating cash flows to fund working capital needs, service debt obligation and fund capital expenditures. EBITDA margin represents the EBITDA divided by the revenues.

EBITDA is intended to provide additional information to investors and does not have any standardized definition under IFRS. The measure excludes the impact of net finance (income) costs, taxes and depreciation, and is not necessarily indicative of operating profit or cash flows from operations as determined under IFRS. For simplicity and comparative purposes, the Company did not exclude non-cash share-based payments or COVID-19-related expenditures. Other companies may calculate EBITDA differently.

	Three Months Ended March 31,		Year Ended March 31,	
	2021	2020	2021	2020
(in thousands of dollars)				
Income before income and mining taxes	261,047	46,908	761,872	241,188
Net finance costs	5,430	4,684	22,428	84,244
Depreciation	9,287	9,063	35,177	22,001
EBITDA	275,764	60,655	819,477	347,433
Revenues	396,702	175,702	1,281,815	785,086
EBITDA margin	70%	35%	64%	44%

Champion Iron Limited

Directors' Report - Operating and Financial Review

(Expressed in Canadian dollars, except where otherwise indicated)

20. Non-IFRS Financial Performance Measures (continued)

F. Adjusted Net Income, Adjusted Net Income Attributable to Champion Shareholders and Adjusted EPS

Management uses adjusted net income and adjusted EPS to evaluate the Company's operating performance and for planning and forecasting future business operations. The Company believes the use of adjusted net income and adjusted EPS allows investors and analysts to understand the results of operations of the Company by excluding certain items that have a disproportionate impact on the results for a period. The tax effect of adjustments is presented in the tax effect of adjustments line and is calculated using the applicable tax rate. Management's determination of the components of adjusted net income and adjusted EPS is evaluated periodically and is based, in part, on its review of non-IFRS financial measures used by mining industry analysts.

For the year ended March 31, 2021, the Company believes that identifying certain costs directly resulting from the impact of the COVID-19 pandemic and excluding these amounts from the calculation of the non-IFRS measures described below helps Management, analysts and investors assess the direct and incremental impact of COVID-19 on the business as well as the general economic performance during the period. During the three-month period and year ended March 31, 2021, the Company incurred direct, incremental and non-recurring costs of \$3,162,000 and \$12,610,000, respectively, resulting from the COVID-19 safety measures that are mainly comprised of premium payroll costs from adjusted work schedules, higher transportation costs, on-site COVID-19 testing and laboratory costs, and additional costs for cleaning and disinfecting facilities.

During the year ended March 31, 2021, the Company recorded a non-cash loss of \$1,863,000 resulting from the debt modification following the amendment to the Credit Facility (refer to note 13 of the Financial Statements). During the three-month period and the year ended March 31, 2021, the Company reported a gain on disposal of non-current investments of \$2,332,000. Management is of the opinion that by excluding these non-recurring items, it presents the results related directly to the Company's recurring business.

	Three Months Ended March 31, 2021		Year Ended March 31, 2021	
	Net Income	EPS	Net Income	EPS
Unadjusted	155,934	0.32	464,425	0.97
Non-cash item				
Loss on debt refinancing	—	—	1,863	—
	—	—	1,863	—
Cash items				
Gain on disposal of non-current investments	(2,332)	(0.01)	(2,332)	(0.01)
Cost of sales - incremental costs related to COVID-19	3,162	0.01	12,610	0.03
	830	—	10,278	0.02
Tax effect of adjustments listed above	(1,265)	(0.01)	(5,885)	(0.01)
Adjusted	155,499	0.31	470,681	0.98

Champion Iron Limited

Directors' Report - Operating and Financial Review

(Expressed in Canadian dollars, except where otherwise indicated)

20. Non-IFRS Financial Performance Measures (continued)

F. Adjusted Net Income, Adjusted Net Income Attributable to Champion Shareholders and Adjusted EPS (continued)

The refinancing of the Sprott and CDPI credit facilities completed in the three-month period ended September 30, 2019, resulted in non-cash financing costs associated with derivative instruments that were embedded in the previous credit facilities. Management is of the opinion that by excluding the non-recurring non-cash transactions, it presents the quarterly results related directly to the Company's recurring business.

	Three Months Ended March 31, 2020			Year Ended March 31, 2020		
	Net Income	Net Income attributable to Champion Shareholders	EPS	Net Income	Net Income attributable to Champion Shareholders	EPS
Unadjusted	18,351	18,351	0.04	121,050	89,426	0.20
Non-cash items						
Write-off - book value of Debenture	—	—	—	18,837	18,837	0.04
Write-off - book value of CDPI debt facility	—	—	—	15,976	15,976	0.04
Write-off - book value of Sprott debt facility	—	—	—	5,966	5,966	0.02
Write-off - Glencore derivative asset	—	—	—	1,336	1,336	—
Write-off - CDPI derivative asset	—	—	—	5,603	5,603	0.01
Write-off - Sprott derivative asset	—	—	—	5,768	5,768	0.01
	—	—	—	53,486	53,486	0.12
Cash items						
Debt prepayment penalty fees	—	—	—	3,788	3,788	0.01
	—	—	—	3,788	3,788	0.01
Tax impact of adjustments listed above	—	—	—	(5,633)	(5,633)	(0.01)
Adjusted	18,351	18,351	0.04	172,691	141,067	0.32

G. Operating Cash Flow per Share

The Company believes that, in addition to conventional measures prepared in accordance with IFRS, certain investors use operating cash flow per share to assess the Company's ability to generate and manage liquidity. This measure does not have a standard meaning and is intended to provide additional information. It should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. Operating cash flow per share is determined by applying net cash flow from operating activities to the weighted average number of ordinary shares outstanding used in the calculation of basic earnings per share.

	Three Months Ended March 31,		Year Ended March 31,	
	2021	2020	2021	2020
Net cash flow from operating activities	228,566	84,614	623,476	309,567
Weighted average number of ordinary shares outstanding - Basic	494,403,000	462,730,000	478,639,000	441,620,000
Operating cash flow per share	0.46	0.18	1.30	0.70

Champion Iron Limited

Directors' Report - Operating and Financial Review

(Expressed in Canadian dollars, except where otherwise indicated)

20. Non-IFRS Financial Performance Measures (continued)

H. Cash on Hand

Cash on hand is defined as accessible cash or which can be converted quickly into cash, and includes cash held in financial institutions, short-term deposits that mature within twelve months and all other cash equivalents. The Company uses cash on hand to measure its liquidity to meet the requirement of lenders, fund capital expenditures and support operations. This measure is also monitored by Management to prudently manage its liquidity.

	As at March 31, 2021	As at March 31, 2020
Cash and cash equivalents	609,316	281,363
Short-term investments	27,200	17,291
Cash on hand	636,516	298,654

21. Share Capital Information

The Company's share capital consists of ordinary shares without par value. As of May 26, 2021, there are 506,316,164 ordinary shares issued and outstanding.

In addition, there are 4,395,665 ordinary shares issuable pursuant to options, restricted share units, deferred share units and performance share units and 25,281,250 ordinary shares issuable pursuant to warrants.

Champion Iron Limited

Directors' Report - Operating and Financial Review

(Expressed in Canadian dollars, except where otherwise indicated)

22. Summary of Quarterly Results

The following information is derived from and should be read in conjunction with the Financial Statements for the year ended March 31, 2021 and the unaudited interim consolidated financial statements for the previous quarters as well as with the audited annual financial statements for the year ended March 31, 2020.

The Company's fiscal year ends on March 31. All amounts are stated in millions of dollars except for the earnings per share.

	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Financial Data (\$ millions)								
Revenues	396.7	329.5	311.0	244.6	175.7	171.1	160.4	277.9
Operating income	262.5	203.3	189.5	118.8	52.1	53.3	57.9	163.3
EBITDA ¹	275.8	214.6	199.0	130.2	60.7	57.7	62.2	166.9
Net income (loss)	155.9	120.8	112.2	75.6	18.4	30.2	(1.7)	74.2
Adjusted net income ¹	155.5	123.4	113.8	78.0	18.4	30.2	49.9	74.2
Net income attributable to Champion shareholders	155.9	120.8	112.2	75.6	18.4	30.2	2.1	38.8
Earnings per share - basic	0.32	0.25	0.24	0.16	0.04	0.07	0.00	0.09
Earnings per share - diluted	0.30	0.24	0.22	0.15	0.04	0.06	0.00	0.08
Adjusted earnings per share - basic ¹	0.31	0.26	0.24	0.17	0.04	0.07	0.11	0.09
Net cash flow from operations	228.6	188.2	131.4	75.3	84.6	28.1	104.9	91.9
Operating Data								
Waste mined and hauled (thousands of wmt)	3,796	4,958	4,114	2,613	3,180	3,409	3,572	3,581
Ore mined and hauled (thousands of wmt)	5,636	5,183	6,070	4,683	5,413	4,905	5,394	5,105
Strip ratio	0.67	0.96	0.68	0.56	0.59	0.70	0.66	0.70
Ore milled (thousands of wmt)	5,238	5,194	5,563	4,605	4,880	4,639	5,451	4,780
Head grade Fe (%)	30.7	29.7	30.9	31.3	31.7	32.0	32.3	32.5
Recovery (%)	82.6	83.6	85.2	82.3	82.3	81.7	83.9	82.1
Product Fe (%)	66.5	66.4	66.1	66.5	66.5	66.4	66.3	66.2
Iron ore concentrate produced (thousand wmt)	2,011	1,922	2,269	1,799	1,892	1,833	2,190	1,989
Iron ore concentrate sold (thousands of dmt)	1,971	1,891	2,063	1,759	1,888	1,922	1,860	1,907
Statistics (in dollars per dmt sold)								
Gross average realized selling price	220.0	194.8	162.8	149.2	130.5	140.1	140.3	158.9
Net average realized selling price ¹	201.3	174.2	150.7	139.1	93.1	89.0	86.2	145.7
Total cash cost ¹	54.4	56.2	48.5	58.4	53.9	54.2	48.3	54.3
All-in sustaining cost ¹	65.1	65.0	57.4	64.8	59.8	62.2	66.2	62.8
Cash operating margin ¹	136.2	109.2	93.3	74.3	33.3	26.8	20.0	82.9
Statistics (in US dollars per dmt sold)								
Gross average realized selling price	173.9	150.3	122.2	107.8	96.9	106.2	106.2	119.3
Net average realized selling price ¹	159.3	134.5	113.2	100.3	69.7	67.4	65.1	109.6
Total cash cost ¹ (C1 cash cost)	43.0	43.1	36.4	42.2	40.1	41.1	36.6	40.6
All-in sustaining cost ¹	51.4	49.9	43.1	46.8	44.5	47.1	50.1	46.9
Cash operating margin ¹	107.9	84.6	70.1	53.5	25.2	20.3	15.0	62.7

¹ This is a non-IFRS financial performance measure with no standard definition under IFRS. See the "Non-IFRS Financial Performance Measures" section of this Directors' Report included in note 22.

Champion Iron Limited

Directors' Report - Operating and Financial Review

(Expressed in Canadian dollars, except where otherwise indicated)

23. Nature of Securities

The purchase of the Company's securities involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks. The Company's securities should not be purchased by persons who cannot afford the possibility of the loss of their entire investment. Furthermore, an investment in the Company's securities should not constitute a major portion of an investor's portfolio.

24. Additional Information

Additional information related to the Company is available for viewing under the Company's filings on SEDAR at www.sedar.com, the ASX at www.asx.com.au and the Company's website at www.championiron.com.

25. Qualified Person and Data Verification

Mr. Vincent Blanchet, P. Eng., Engineer at QIO, the Company's subsidiary and operator of Bloom Lake, is a "qualified person" as defined by NI 43-101 and has reviewed and approved, or has prepared, as applicable, the disclosure of the scientific and technical information contained in this Annual Report. Mr. Blanchet's review and approval does not include statements as to the Company's knowledge or awareness of new information or data or any material changes to the material assumptions and technical parameters underpinning the Feasibility Study. Mr. Blanchet is a member of the *Ordre des ingénieurs du Québec*.

II. REMUNERATION REPORT



Unless otherwise noted, the following information is for the Company's last completed financial year which ended March 31, 2021 and, since the Company had one or more subsidiaries during that year, is disclosed on a consolidated basis. The information in this Remuneration Report has been audited pursuant to section 308 (3C) of the Corporations Act 2001 (Cth) ("Corporations Act") of Australia. All monetary amounts are disclosed in Canadian dollars unless expressly stated otherwise.

Key Management Personnel and Named Executive Officers

In compliance with Section 300A of the Corporations Act and Canadian National Instrument 51-102 - Continuous Disclosure Obligations, this Remuneration Report covers Key Management Personnel ("KMP") including Named Executive Officers ("NEO"), who were actively employed by the Company as at the end of the fiscal year (March 31, 2021).

KMP is defined as "those persons having authority and responsibility for planning directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of Champion. NEO of the Company means each of the following individuals:

- the Chief Executive Officer ("CEO") of the Company or each individual who acted in a similar capacity for any part of the most recently completed financial year;
- the Chief Financial Officer ("CFO") of the Company or each individual who acted in a similar capacity for any part of the most recently completed financial year;
- each of the three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, other than the Chief Executive Officer and Chief Financial Officer, at the end of the most recently completed financial year whose total compensation was, individually, more than \$150,000, as determined in accordance with applicable law at the end of that financial year; and
- each individual who would be a named executive officer under paragraph (c) but for the fact that the individual was not an executive officer of the company, and was not acting in a similar capacity, at the end of that financial year.

Champion Iron Limited

Directors' Report - Remuneration Report

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

Key Management Personnel and Named Executive Officers (continued)

The following persons were the KMP, and NEOs of the Company during the financial year ended March 31, 2021.

Name	Position	Appointment Date
Michael O'Keeffe (NEO and KMP) ⁽¹⁾	Executive Chairman	April 1, 2019
David Cataford (NEO and KMP) ⁽²⁾	CEO	April 1, 2019
Natacha Garoute (NEO and KMP)	CFO	August 13, 2018
Alexandre Belleau (NEO and KMP)	Chief Operating Officer	July 22, 2020
Steve Boucraite (NEO and KMP)	Vice-President, General Counsel and Corporate Secretary	May 20, 2019
Gary Lawler (KMP)	Director	April 9, 2014
Michelle Cormier (KMP)	Director	April 11, 2016
Jyothish George (KMP)	Director	October 16, 2017
Louise Grondin (KMP)	Director	August 27, 2020
Andrew Love (KMP)	Lead Director	April 9, 2014
Wayne Wouters (KMP)	Director	November 1, 2016

Notes:

(1) Mr. O'Keeffe was appointed Executive Chairman on August 13, 2013 and CEO on October 3, 2014. Mr. O'Keeffe stepped down as CEO on April 1, 2019 and continues in his role as Executive Chairman.

(2) Mr. Cataford was appointed Chief Executive Officer on April 1, 2019 and appointed to the Board of Directors on May 21, 2019. Prior to this, he had been Chief Operating Officer of the Company and a NEO since March 20, 2017.

The term "executives" refers to the Company's NEOs and the members of the Company's senior management team from time to time.

A. Role of Remuneration and Nomination Committee

The role of the Remuneration and Nomination Committee is to advise the Board on remuneration for senior executives and directors. As at March 31, 2021, the Remuneration and Nomination Committee was comprised of Gary Lawler (Chairman), Andrew Love and Michelle Cormier, each of whom is an independent director and has direct knowledge and experience that is relevant to his or her responsibilities in executive compensation as set out below. The Remuneration and Nomination Committee has access to independent experts to provide advice in the conduct of its duties. The Committee members are:

Gary Lawler (Chairman) - Mr. Lawler has over 35 years of experience as a practicing corporate lawyer and has been a partner in a number of leading Australian law firms. Mr. Lawler has been a director of, and involved in compensation matters for, numerous companies throughout the years.

Andrew J. Love - Mr. Love is a Chartered Accountant with more than 35 years of experience in corporate recovery and reconstruction in Australia. Mr. Love has been an independent company director of a number of companies over a 30-year period.

Michelle Cormier - Mrs. Cormier is a CPA, CA with over 30 years of experience in senior executive level positions in management including human resources.

The Remuneration and Nomination Committee makes recommendations to the Board on the executive remuneration framework and the remuneration level of executives including all awards under the long-term incentive plan, and the short-term incentive award and remuneration levels for directors. The aim is to ensure that remuneration policies align with the long-term objectives of the Company, are fair and competitive and reflective of generally accepted market practices of its peers.

B. Remuneration Philosophy & Approach

The objective of Champion's executive remuneration program and strategy is to attract, retain, and motivate talented executives and provide incentives for executives to create sustainable shareholder value over the long term, by driving a performance culture that is closely aligned to the achievement of the Company's strategy and business objectives. To achieve this objective, executive remuneration is designed and based on the following principles:

- To align with Champion's business - reflect the Company's strategic goals and performance as an iron ore exploration, development and, particularly, a production company. Accordingly, executive performance targets are directly aligned with activities that create long term shareholder value by developing and operating iron ore assets efficiently and effectively to generate free cash flow from shareholder capital deployed and share appreciation in recognition of that investment, and by adopting and implementing sustainability practices for the benefit of the communities in which the Company operates its workforce and its various stakeholders;
- Pay competitively - reflect each executive's performance, expertise, responsibilities, complexity and length of service to the Company and to set overall target remuneration to ensure it remains competitive;
- Pay for performance - align with Champion's desire to create a performance culture and create direct tangible relationships between pay and performance. Champion does not "pay for failure" nor does it incentivize undue risk taking to achieve performance objectives;
- To align the interests of executives with those of the shareholders of the Company (the "Shareholders") through a compensation structure where the majority of an executive's compensation is "at risk", as short-term incentive (bonus) and long-term incentive remuneration are tied directly or indirectly to Company performance and relative and/or absolute shareholder returns. Specifically, the use of awards which increase in value when the Company's share price performance exceeds that of its peers and reduces in value when it trails the performance of its peers. In addition to financial alignment, Champion believes in the importance of aligning executive interests with Shareholders' Environmental, Social and Governance ("ESG") expectations. The compensation plan incorporates operational performance with 25% of total bonus awards under the short-term incentive plan tied to sustainability targets designed to protect the safety, health and well-being of employees, stakeholders and the environment; and
- Corporate governance - continually review and, as appropriate for Champion, adopt executive remuneration practices that align with current market practices and the competitive landscape, and provide Shareholders with robust disclosure to enable them to fully evaluate compensation practices.

The Remuneration and Nomination Committee has implemented a compensation regime that is structured to reflect the above objectives. Executive remuneration consists of a combination of salary, annual performance bonus awards or short-term incentives and longer-term equity-based incentives. A foundation principle of the Company's remuneration philosophy is the promotion of a strong "performance culture" within senior management. The Company's Remuneration Reports over the last three years have received strong support from Shareholders at the 2018-2020 Annual General Meetings, with a 3-year average of 90.87% of votes cast in favour of the respective Remuneration Reports.

During the financial year ended March 31, 2021, the Company reviewed the reports of proxy advisors and engaged with major Shareholders in relation to the affairs of the Company and remuneration matters.

In determining the level of annual performance bonus awards, the Remuneration and Nomination Committee takes into account overall corporate performance against pre-determined performance objectives and metrics. In setting equity-based incentive awards, the Remuneration and Nomination Committee establishes time-based and performance-based vesting criterion in line with retention and reward objectives. If it is deemed appropriate, the Remuneration and Nomination Committee have the authority to seek advice from outside consultants. A more detailed explanation of the various components of Executive Remuneration can be found at paragraph "Elements of Executive Remuneration" below.

Based on these assessments and within the context of pay for performance principles, the Remuneration and Nomination Committee make its recommendation to the Board for approval. These recommendations may reflect factors and considerations other than those indicated by market data or provided by advisors, including a consideration of prevailing economic conditions - both on a corporate level and on a national and international level, industry norms for such awards and other elements of NEO compensation.

The Remuneration and Nomination Committee and the Board as a whole has discretion to reward above the noted plan parameters when an individual or team has made an exceptional contribution to the performance of the Company. Compensation is about incenting the right behaviour and Champion does not want to cap the incentive to outperform.

Champion Iron Limited

Directors' Report - Remuneration Report

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

B. Remuneration Philosophy & Approach (continued)

The Remuneration and Nomination Committee has considered the implications of the risks associated with the Company's remuneration program by structuring executive remuneration in which a significant portion of overall remuneration is subject to the achievement of certain milestones, including: (i) criteria relating to annual performance, in the case of bonus payments, (ii) vesting periods for restricted share units ("RSUs"), which vest over three years and (iii) the achievement of performance criteria for performance share units over a period of three years ("PSUs").

The Remuneration and Nomination Committee evaluates all executive compensation policies and programs with a view to confirming that the policies and programs do not drive behaviours that would result in inappropriate or excessive risk taking, and that the Company's compensation policies and practices do not result in identified risks that are likely to have a material effect on the Company. This evaluation process focuses on five areas: 1) strategic / operational risk; 2) compliance risk; 3) reputational risk; 4) talent risk; and 5) financial / economic risk. Risks are assessed and considered on both an individual element basis and in totality.

Policies of the Company include certain prohibitions which prevent KMPs from engaging in short term dealings or short selling. KMPs are also prohibited from engaging in derivatives in respect of ordinary shares of the Company (such as put and call options), or any other hedging or equity monetization transaction in which the individual's economic interest and risk exposure in ordinary shares is changed (such as collars or forward sales contracts).

The Board will continue to review executive remuneration to ensure that it continues to align with the Company's strategy, motivate management, reflect market practices and support the delivery of sustainable long-term returns to shareholders. As part of the review process, the Board will continue to engage with major Shareholders, and receive advice from independent experts.

C. External Advice

During the 2021 fiscal year, the Board engaged Mercer Canada Limited ("Mercer") to provide an independent, third party analysis of the remuneration levels and practices for the Company's executive team as well as the remuneration for the Board of Directors. Mercer provided advice and recommendations on the remuneration program for KMPs during each of the fiscal years ended March 31, 2021 and 2020. The Remuneration and Nomination Committee exercises oversight over the retention of and interaction with remuneration consultants to ensure that remuneration recommendations are made free from undue influence by KMP to whom they relate.

The table below provides an overview of the total fees paid to Mercer for services rendered during the fiscal years ended March 31, 2021 and 2020.

(in Canadian dollars)	2021	2020
Fees for services related to executive team and Board of Directors compensation	\$ 39,000	\$ 29,500
All other fees ⁽¹⁾	\$ 19,036	\$ 123,184
Total	\$ 58,036	\$ 152,684

Note:

(1) Mercer received advisory fees for other services of \$19,036 during the year ended March 31, 2021 (including providing advice as to salaries of employees other than the executive team) and \$123,184 during the year ended March 31, 2020 (including the implementation of a group insurance plan and governance framework for the Company pension plan).

D. Compensation Peer Group Selection and Benchmarking

When developing and implementing compensation packages for KMPs, it is standard practice to benchmark total compensation for KMPs against a group of companies at similar stages of development, operations, regional geography and of similar size in terms of market capitalization and revenue (peer group).

In order to implement market-competitive compensation arrangements for Champion's executive team, the Company's independent directors, and the Remuneration and Nomination Committee identified a peer group of mining companies with similar stage of development and with similar operations in consultation with Mercer. Two companies (Detour Gold Corporation and North American Palladium Ltd.) were removed as a result of being acquired in 2019 or 2020. The Remuneration and Nomination Committee has approved the following compensation peer group for the fiscal year ended March 31, 2021 that includes 11 similarly-sized publicly-traded mining peers that are generally within 0.5x to 2x of Champion's market capitalization, total revenues, assets and/or number of employees, as of April 30, 2020:

Alamos Gold - Centerra Gold - Pretium Resources - SSR Mining - Wesdome Gold Mines - TMAC Resources - New Gold - Premier Gold Mines - Imperial Metals Corporation - Capstone Mining Corp. - Copper Mountain Mining

In order to benchmark relative total shareholder return for purposes of grants of performance share units, the Company's independent directors and the Remuneration and Nomination Committee also identified a second peer group of mining companies further described under the heading "Long-Term Incentives - Equity Incentives - 2021 RSU and PSU Grant".

E. Key Achievements of the Named Executive Officers in the Fiscal Year Ended March 31, 2021

Champion became a producing company in 2019 and, further to achieving this milestone, delivered significant increases in market capitalization and cash flow production for Shareholders. During the fiscal year ended March 31, 2021, management of the Company continued to coordinate the determination and implementation of the Company's long-term strategy. Key achievements of the management team during the year ended March 31, 2021 include:

- successful implementation of health and safety measures, including a rapid testing laboratory at the mine site in order to minimize the risks related to COVID-19 and safeguard the health and safety of our employees, partners and local communities while allowing ongoing and uninterrupted operational activities;
- an employee recordable injury frequency rate of 2.45 in the fourth quarter of 2021, which is in line with Québec's open pit industry standards;
- record annual production of 8,001,200 wet metric tonnes (wmt) of high-grade 66.4% Fe concentrate;
- increased annual EBITDA by 136% compared to the prior year, achieving a record EBITDA of \$819.5 million for the year;
- progression of laboratory testing for the production of iron ore concentrate, grading more than 69% Fe, enabling the Company to engage with Direct Reduction ("DR") iron and steel producers as well as to support decarbonization initiatives;
- ongoing laboratory testing and development of cold pelletizing technologies;
- produced 575,700 wmt of DR quality iron ore concentrate, grading 67.7% Fe with a combined silica and alumina content of 2.8%;
- inclusion in the S&P/ASX 200 Index, Australia's preeminent benchmark index, which measures the performance of the 200 largest index-eligible stocks listed on the ASX;
- acquisition of the mining properties of the Kamistiatusset iron ore project (the "Kami Project") located in the Labrador Trough geological belt in southwestern Newfoundland, near the Québec border;
- final Board approval to complete the Phase II expansion project ("Phase II") and advanced work programs required to maintain the project completion timeline, scheduled for mid-2022;
- increased the senior secured credit facility from US\$200.0M to US\$400.0M, providing an additional US\$200.0M to finance the Phase II expansion. Together with cash on hand and ongoing cash flows from operations, the Company expects to be fully funded to complete the Phase II expansion project;
- contributing to reducing emissions in the steel industry with our high-grade iron ore concentrate; and
- development and commercialization of a new 67.7% Fe product which creates opportunities to enter the Electric Arc Furnace market and get a higher premium for the Company's product.

Champion Iron Limited

Directors' Report - Remuneration Report

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

F. Remuneration of Executive Chairman

Mr. O'Keeffe was Chairman and CEO of the Board for the period August 13, 2015 to March 31, 2019. On April 1, 2019 as part of the implementation of Champion's succession plan, Mr. O'Keeffe stepped down as CEO and was named Executive Chairman of the Board of Directors. In view of his ongoing contribution to the affairs of the Company as well as the responsibilities and duties performed, Mr. O'Keeffe remained a member of the executive team for the fiscal year ended March 31, 2021. Mr. O'Keeffe is paid an annual base salary but is not eligible to receive annual short and long-term incentives in the form of annual bonus or equity-based compensation.

G. Elements of Executive Remuneration

As is the prevailing practice in the mineral exploration and mining industry, remuneration of the NEOs is comprised of four components:

- a) base salary (fixed);
- b) short-term incentive ("STI") in the form of annual bonus awards (at-risk);
- c) long-term incentive ("LTI") in the form of equity-based compensation (at-risk); and
- d) personal benefits and perquisites (fixed).

The Remuneration and Nomination Committee determined the following elements to be key to executive compensation for the 2021 fiscal year.

Champion Iron Limited

Directors' Report - Remuneration Report

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

H. 2021 Executive Performance Metrics and Incentives

Overall Company Strategic Objective:	<ul style="list-style-type: none">To maximize operational performance and continue its organic growth.
Key Deliverables:	<p>The executive team needed to:</p> <ul style="list-style-type: none">deliver operational performance while ensuring strict adherence to the Company's safety culture;pursue the Company's organic growth, by financing and starting the construction of the Phase II expansion of the Bloom Lake Mine, its flagship asset.
Short-term Incentives: (Annual Bonus)	<ul style="list-style-type: none">The target bonus was set as a percentage of each NEO's base salary. The actual bonus was dependent on performance against agreed baseline benchmarking. Individual benchmarks were agreed upon with each employee to reflect key areas of their focus / responsibility.
Long-term Incentives: (RSUs)	<ul style="list-style-type: none">The Company utilized time vesting RSU grants to incentivize and retain the executive team in accordance with Canadian practice for the compensation of executives of public companies.
Long-term Incentives: (PSUs)	<ul style="list-style-type: none">The Company utilized PSU grants, the vesting of which is based on the performance of the Company against a set of peer companies.

i) Base Salary

The Company provides executive officers with base salaries that represent a fixed element of compensation and their minimum compensation for services rendered or expected to be rendered. The base salary of executive officers depends on the scope of their experience, responsibilities, leadership skills, performance, length of service, general industry trends and practices, competitiveness and the Company's existing financial resources. Base salaries are determined annually based on the Remuneration and Nomination Committee's recommendations to the Board. In making its recommendations, the Remuneration and Nomination Committee with the assistance of third-party advisors annually reviews the base salaries of the executive officers of the Company against the base salaries of executive officers in comparable positions at public companies in our peer group of mining companies.

2021 Base Salary

The NEO's base salaries are intended to be competitive with those paid in the mining industry and align with the Company's performance. There had been minimal salary increases in the years preceding the commencement of production by the Company. Upon achieving production in 2019 and delivering significant shareholder value, it is now crucial to reward and retain the executive team that delivered such shareholder value and that is tasked with the Phase II expansion of the Bloom Lake project. The CEO's base salary has increased by \$150,000 in 2021. The compensation is now aligned with the median of the comparator group.

The 2021 salary for each NEO is set out in a table under the heading "2021 Remuneration Awards for the Named Executive Officers".

ii) Short-Term Incentives (Annual Bonus)

Target bonus levels (as a percentage of salary) are established to achieve total cash compensation (salary + bonus) at or below the median of the market when performance is at target levels. In determining annual bonus awards, Champion aims to achieve certain strategic objectives and milestones, which are further described below. An annual target performance bonus award is set for each NEO. The actual performance bonus paid in any year will be based on the performance of the NEOs against pre-determined Key Performance Indicators ("KPIs"). KPIs will reflect key deliverables for a particular year.

The STI is an annual incentive plan designed to reward executives for meeting or exceeding financial and non-financial objectives over a one-year period. The STI has been designed to foster an organisational culture of collaboration, co-operation and mutual respect which supports the objective of a long-term outperformance in both the financial and non-financial areas of the business, mainly with annual measures linked to the business strategy, set at levels that are challenging, yet achievable.

Champion Iron Limited

Directors' Report - Remuneration Report

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

H. 2021 Executive Performance Metrics and Incentives (continued)

ii) Short-Term Incentives (Annual Bonus) (continued)

2021 Bonus Awards

For 2021, the Board set a target bonus for each NEO as follows, based on Mercer's recommendation:

NEO	Target Bonus (% Salary)
Michael O'Keeffe	Nil
David Cataford	120%
Natacha Garoute	75%
Alexandre Belleau	75%
Steve Boucraie	75%

For the fiscal year ended March 31, 2021, the following financial and operating KPIs were established and evaluated:

- 45% of total bonus - Financial performance objectives set against the fiscal year ended March 31, 2021 budget:
 - EBITDA¹: The EBITDA target was selected as it is a direct financial measurement of the Company's performance, providing a strong alignment to the interests of Shareholders. It provides a strong reflection of production delivery, operational efficiency and cost management.
 - Free cash flow ("FCF")²: FCF was selected as it is a highly relevant short and long term measure. It reflects cost and capital management and production efficiencies.
- 30% of total bonus: based on meeting the production volume during the fiscal year ending March 31, 2021 of 7,357,000 dmt at a total cash cost per tonne sold of no more than \$56.25/dmt, excluding COVID-19 costs. The Board selected production volume and production costs as key performance metrics given that high production volume and costs efficiency represent meaningful operating measures for an iron ore producer.
- 25% of total bonus: based on overall performance imperatives comprising sustainable development objectives, health and safety targets including no fatalities and minimal time lost due to injuries as well as no harmful event to the environment. Such performance criteria were selected to address the health and safety, sustainability and environmental goals of the Company, for the benefit of the local communities in which it operates.

The Board also determined that all objectives were subject to a gradation scale allowing them to be met either at 0% or anywhere from 50% to 150%. No amount of STI is payable in relation to a KPI unless the minimum performance level for that KPI is met. As a result of the application of the gradation scale (0% to 150%) to the target bonus (as a % of salary), the total annual bonus payable to the NEOs is capped at 180% of base salary for the CEO and 112.5% of base salary for the other NEOs.

¹ EBITDA is a non-IFRS measure which does not have a standardized definition under IFRS. The measure is calculated based on the cash generating net income to which income tax expenses, net finance costs and depreciation expenses are added. It excludes non-cash working capital and is not necessarily indicative of operating profit or cash flows from operations as determined under IFRS. Other companies may calculate EBITDA differently.

² FCF is a non-IFRS financial measure which does not have any standardized definition under IFRS. For the fiscal year ended March 31, 2021, FCF was calculated based on net increase in cash and cash equivalents, excluding investments in the Lake Bloom Phase II expansion project (composed of property, plant and equipment expenditures and long-term advance payment) and financing activities. FCF for the year includes all tax payments including true-up payments made in relation to prior income tax expenses. As such FCF generated by Champion for the 2021 fiscal year included payments of \$58M related to the 2020 income tax expenses. Other companies may calculate FCF differently.

Champion Iron Limited

Directors' Report - Remuneration Report

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

H. 2021 Executive Performance Metrics and Incentives (continued)

ii) Short-Term Incentives (Annual Bonus) (continued)

2021 Bonus Awards (continued)

The Budget for 2021 was approved in March 2020 as part of the regular Board approval timetable. The iron ore price assumptions were set through a consensus of various market forecasts for the forthcoming year, plus a critical assessment and scenario analysis by management. Both the timeline and budget preparation approach were consistent with previous years, although the 2021 budget process was against a backdrop of significant uncertainty in the global economy due to the onset of the COVID-19 pandemic. The 2021 targets for the STI incentive program were approved by the Remuneration and Nomination Committee in May 2020.

As outlined below, the Company achieved EBITDA of \$819.5 million in the financial year ended March 31, 2021. The combination of focused production management to achieve increased throughput and overall production uplift, prudent cost control and demand driven iron ore prices, all contributed to record production, EBITDA and FCF outperformance against rigorously set targets.

The following 2021 bonus score card table outlines the weighting, performance objectives, actual results and payout factor for the bonus awards for the year ended March 31, 2021.

KPIs	Weighting	Minimum Threshold (50% Performance Level)	Target (100% Performance Level)	Stretch (150% Performance Level)	Actual Results	Payout Factor
EBITDA	25%	\$ 233,000,000	\$ 291,000,000	\$ 340,000,000	\$ 819,477,000	150%
FCF	20%	\$ 72,000,000	\$ 77,000,000	\$ 80,000,000	\$ 491,000,000	150%
Production (dry metric tonnes)	15%	7,128,000	7,357,000	7,584,000	7,763,464	150%
Total Cash Cost (\$ per tonne)	15%	59.25	56.25	53.25	54.17	134.7%
Meet Sustainable Development Objectives ¹	10%	3 objectives	6 objectives	9 objectives	8 objectives	133.3%
Incident Frequency (Q10)	7.5%	3.25	2.50	2.13	2.25	133.8%
Incident Frequency (Contractor)	7.5%	5.20	4.00	3.40	4.25	89.6%
Total 2021 Bonus Payout Factor						140.3%

¹ Sustainable development objectives include a total of nine objectives which relate to (i) the formation of a business ethics committee, (ii) training and awareness programs on Aboriginal rights and Innu culture, and other community initiatives, (iii) programs and corporate policies with respect to diversity and equal employment opportunities, (iv) the establishment of programs to reduce green house gas and energy consumption in the medium and long term and responsible procurement policies, and (v) water stewardship and biodiversity.

Champion Iron Limited

Directors' Report - Remuneration Report

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

H. 2021 Executive Performance Metrics and Incentives (continued)

ii) Short-Term Incentives (Annual Bonus) (continued)

2021 Bonus Awards (continued)

The following table sets out the tabulations for 2021 NEO bonus awards:

NEO	Target Bonus (% Salary)	Weighted Score	Actual Bonus (% Salary)	Annual Bonus (\$)
Michael O'Keeffe	Nil	Nil	Nil	Nil
David Cataford	120 %	140 %	168 %	1,262,573
Natacha Garoute	75 %	140 %	105 %	452,422
Alexandre Belleau	75 %	140 %	105 %	452,422
Steve Boucraite	75 %	140 %	105 %	420,858

iii) Long-Term Incentive - Equity-Based Incentives

Equity-based incentives are a particularly important component of compensation in the mining industry given the long lifecycle of mining and are a critical component of the Company's remuneration philosophy. These plans are designed to align the interests of the NEOs and other participating employees with the interests of Shareholders by linking a component of compensation to the long-term performance of the ordinary shares of the Company (the "Shares") through "at risk" pay. Awards under these arrangements for the NEOs are structured to create total direct compensation (i.e., the combination of salary + bonus + equity-based incentives) at median market positioning, or above median when performance warrants.

The table under the section "2021 RSU and PSU ("LTIP") Grant" sets out the tabulation for the 2021 NEO LTIP awards.

2018 Omnibus Plan

The 2018 Omnibus Incentive Plan (the "LTIP" or "Omnibus Incentive Plan") provides flexibility to the Company to grant, in addition to stock options, deferred share units ("DSUs"), PSUs, RSUs, and other forms of equity-based incentive awards. Following the approval of the LTIP by the Shareholders at the 2018 annual and special meeting, all grants of equity-based awards are made pursuant to, or as otherwise permitted by, the LTIP.

The purpose of the LTIP is to provide eligible persons with an opportunity to share in the growth in value of the Company and to encourage them to improve the longer-term performance of the Company and its returns to Shareholders. The LTIP assists the Company in attracting and retaining skilled and experienced employees and aligns their incentives with the longer-term goals of the Company.

The LTIP replaces the prior incentive plan (the "Previous Plan") which was adopted by the Company in October 2013, and was subsequently amended in August 2017 with the approval of the Shareholders of the Company to comply with Canadian regulatory requirements. The Previous Plan was also amended on January 27, 2021 in order to implement a minor amendment relating to administrative matters. The Previous Plan remained in effect only in respect of outstanding awards issued under that plan. As at March 31, 2021, no awards remain outstanding under the Previous Plan.

Stock Options

At the discretion of the Board, options may be granted under the LTIP to NEOs taking into account a number of factors, including the amount and term of options previously granted, base salary and bonuses and competitive market factors. The Board has the ability to establish the expiry date for each stock option, provided that in no event will the expiry date be later than the date which is ten years following the grant date. Typically, stock options granted by the Board vest one third (1/3) on each of the grant date and 12 and 24-month anniversaries of grant and are issued with a three-year or four-year term before expiring.

Champion Iron Limited

Directors' Report - Remuneration Report

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

H. 2021 Executive Performance Metrics and Incentives (continued)

iii) Long-Term Incentive - Equity-Based Incentives (continued)

2018 Omnibus Plan (continued)

Stock Options (continued)

Fiscal year ended March 31, 2021 Option Grants

A breakdown of the 2021 option grant for each NEO is shown in a table under the heading "2021 Remuneration Awards for the Named Executive Officers".

The following table provides the annual burn rate associated with the Previous Plan and the LTIP for each of the Company's three most recent fiscal years (2021, 2020 and 2019):

Equity Compensation Plan	Fiscal Year	Number of Securities Granted under the Plan ⁽¹⁾	Weighted Average Number of Securities Outstanding ⁽²⁾	Annual Burn Rate ⁽³⁾
LTIP ⁽⁴⁾	2021	2,906,499	478,639,000	0.61%
	2020	1,833,455	441,620,000	0.42%
	2019	1,351,946	420,677,000	0.32%
Previous Plan ⁽⁵⁾	2021	—	N/A	N/A
	2020	—	N/A	N/A
	2019	700,000	420,677,000	0.17%

Notes:

(1) Corresponds to the number of dilutive securities granted under each of the Previous Plan or the LTIP in the applicable fiscal year.

(2) The weighted average number of securities outstanding during the period corresponds to the number of securities outstanding at the beginning of the period, adjusted by the number of securities bought back or issued during the period multiplied by a time-weighting factor.

(3) The annual burn rate percent corresponds to the number of dilutive securities granted under the LTIP or Previous Plan divided by the weighted average number of securities outstanding.

(4) The LTIP came into effect on August 17, 2018.

(5) Further to the implementation of the LTIP on August 17, 2018, no new grants have been made under the Previous Plan.

Type of Awards under the LTIP

The following types of awards may be made under the LTIP: stock options, RSUs, PSUs, DSUs, or other share-based awards (collectively, the "Awards"). All of the Awards described below are subject to the conditions, limitations, restrictions, exercise price, vesting and forfeiture provisions determined by the Board in its sole discretion, and subject to such limitations provided in the LTIP, and will be evidenced by an award agreement. In addition, subject to the limitations provided in the LTIP and in accordance with applicable law, the Board may accelerate or defer the vesting or payment of Awards, cancel or modify outstanding Awards, and waive any condition imposed with respect to Awards or Shares issued pursuant to Awards.

Stock Options

A stock option is a right to purchase Shares upon the payment of a specified exercise price as determined by the Board at the time the stock option is granted. The exercise price shall not be less than the "Market Price" of a Share at the time the option is issued, determined as the volume weighted average price on the ASX if the Eligible Person is resident in Australia and otherwise the volume weighted average price on the Toronto Stock Exchange ("TSX"), calculated by dividing the total value by the total volume of securities traded during the period of 5 trading days immediately prior to the date of issue.

Stock options may be subject to vesting conditions as determined by the Board. The Board will establish the expiry date for each stock option, provided that in no event will the expiry date be later than the date which is ten years following the grant date.

The exercise notice of such option must be accompanied by payment in full of the purchase price for the Shares underlying the options to be acquired. No Shares will be issued upon the exercise of stock options in accordance with the terms of the grant until full payment therefore has been received by the Company.

H. 2021 Executive Performance Metrics and Incentives (continued)

iii) Long-Term Incentive - Equity-Based Incentives (continued)

Type of Awards under the LTIP (continued)

Restricted Share Units (RSUs)

A RSU is a unit equivalent in value to a Share credited by means of a bookkeeping entry in the books of the Company which entitles the holder to receive Shares or cash based on the price of the Shares at some future date.

A RSU will be subject to time based vesting conditions, timing of settlement and other terms and conditions, not inconsistent with the provisions of the LTIP, as the Board shall determine; provided that no RSU granted shall vest and be payable after December 31st of the third calendar year following the year of service for which the RSU was granted. While vesting of the RSUs is based on time based vesting conditions rather than performance based vesting conditions, the Company believes that the grant of RSUs is an effective manner of retaining executives and tying executive remuneration to long term performance of the Company.

Performance Share Units (PSUs)

A PSU is a unit equivalent in value to a Share credited by means of a bookkeeping entry in the books of the Company which entitles the holder to receive Shares, or cash based on the price of the Shares at some future date, subject to the achievement of performance goals established by the Board over a period of time.

The Board shall have the authority to determine any vesting and settlement terms applicable to the grant of PSUs, provided that no PSU granted shall vest and be payable after December 31st of the third calendar year following the year of service for which the PSU was granted. It is currently intended that PSUs granted under the LTIP will be subject to such performance-based vesting conditions as the Board shall determine from time to time designed to align the participant with the Company's corporate objectives.

All vesting conditions shall be such that the PSUs will comply with the exception to the definition of "salary deferral arrangement" contained in paragraph (k) of subsection 248(1) of the Income Tax Act [Canada] or any successor provision thereto.

Deferred Share Units (DSUs)

A DSU is a unit equivalent in value to a Share credited by means of a bookkeeping entry in the books of the Company which entitles the holder to receive Shares or cash based on the price of the Shares on a future date, provided that in no event shall a DSU be settled prior to the applicable participant's date of termination of service to the Company. If DSUs are settled in Shares, the rules of the LTIP require that the Shares be purchased on-market.

DSUs will only be issued to directors of the Company or any of its affiliates who are not employees (the "Directors"). Subject to certain limitations, any Director may, on an annual basis, elect to receive DSUs in lieu of such Director's annual fees or in lieu of a portion of such Director's annual fees by giving written notice of such election to the Board.

Other Share-Based Awards

The Board may grant to an Eligible Person, subject to the terms of the LTIP, such awards, other than those described above, that are denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, Ordinary Shares (including, without limitation, securities convertible into Shares), as are deemed by the Board to be consistent with the purpose of the LTIP.

The Board deems equity awards as a valuable retention and incentive mechanism for senior management at this critical stage of the Company's development. Retention of executives and highly skilled staff continues to be a high priority for the Company for the following reasons:

- The market for executives with experience in development of mining assets, mining operations in the Province of Québec and public company experience is very competitive;
- It requires a significant amount of lead time for executives to become totally familiar with the Company's operations and assets; and
- If there is an interruption to production for any number of reasons, the Company needs to be able to restart production as soon as reasonably and safely possible. The necessary skills that have been developed internally to deal with these challenges cannot be procured easily outside the Company.

Champion Iron Limited

Directors' Report - Remuneration Report

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

H. 2021 Executive Performance Metrics and Incentives (continued)

iii) Long-Term Incentive - Equity-Based Incentives (continued)

Type of Awards under the LTIP (continued)

2021 RSU and PSU ("2021 LTIP") Grant

The grants of RSU and PSU awards, which take into consideration annual performance for the fiscal year ended March 31, 2021, will be made in the 2022 fiscal year, following the publication of the annual financial results. For 2021, the Board set a target for the long-term incentive for each NEO as follows, based on Mercer's recommendation. The number of PSU or RSU that is granted is determined according to the volume weighted average price ("VWAP") per Share on the TSX during the period of 5 trading days immediately prior to the date of grant.

NEO	LTIP Target (% salary)	Value of Annual Equity Awards (\$)	RSU (\$)	PSU (\$)
David Cataford	200 %	1,500,000	600,000	900,000
Natacha Garoute	120 %	516,000	206,400	309,600
Alexandre Belleau	120 %	516,000	206,400	309,600
Steve Boucratie	120 %	480,000	192,000	288,000

The 2021 LTIP grant consisted of the following components:

- RSU Grant (40% of LTIP): vesting equally over a 3-year period and subject to no performance hurdles; and
- PSU Grant (60% of LTIP): measured against certain performance conditions over the 3 years following the date of grant and which vest at the end of that 3-year period subject to the key performance measures having been met.

H. 2021 Executive Performance Metrics and Incentives (continued)

iii) Long-Term Incentive - Equity-Based Incentives (continued)

Type of Awards under the LTIP (continued)

2021 RSU and PSU ("2021 LTIP") Grant (continued)

The Board has established the following key performance measures for the PSUs.

- 40% of the grant based on the performance of the Company's Share price (or total shareholder return ("TSR")) relative to a peer group, between the date of grant and March 31st, 2024. The 175% of the TSR portion of the PSU's grant will vest if the Company's TSR reaches the 75% percentile of the peer group, 100% of the TSR portion of the PSUs grant will vest if the Company's TSR is at the 50% percentile of the peer group and 50% of the TSR portion of the PSUs grant will vest if the Company's TSR is at the 37.5% percentile of the peer group. Proportional vesting will occur between the 25% and 75% percentiles. No vesting will occur if Champion's TSR is less than the 25% percentile of the peer group. This approach as to vesting relative to the peer group is customary in the North American mining industry.

Relative TSR provides a relative, external market performance measure having regard to a peer group of companies with which the Company competes for capital, customers and talent. The use of relative TSR ensures that executives are motivated to deliver returns that are superior to what a shareholder could achieve in the broader market and ensures senior management maintain a strong focus on shareholder outcomes. In order to benchmark relative TSR for purposes of the grants of PSUs made during the fiscal year ended March 31, 2021, the Company's independent directors and the Remuneration and Nomination Committee, in consultation with Mercer, identified a peer group of mining companies with generally similar stage of development operations, annual revenues and market capitalization. The group has been designed to include (i) internationally listed companies that are involved in the same commodity, and (ii) companies that are involved in metallurgical coal, or companies having thermal coal exposure, given its correlation to iron ore (since both are used in steel-making process).

Arch Resources, Inc. (NYSE)
Cleveland-Cliffs Inc. (NYSE)
Ero Copper Corp. (TSX)
Ferrexpo Plc (LSE)
Grange Resources Limited (ASX)
Hudbay Minerals Inc. (TSX)
Labrador Iron Ore Royalty Corporation (TSX)
Lundin Mining Corporation (TSX)
Mount Gibson Iron Limited (ASX)
New Hope Corporation Limited (ASX)
Turquoise Hill Resources Ltd. (TSX)
Warrior Met Coal, Inc. (NYSE)
Whitehaven Coal Limited (ASX)

- 60% of the grant based on an actual ratio of cash flow return on capital employed ("ROCE") compared to a target ratio set by the Company. The actual ratio is measured over a three-year period by dividing (i) average EBITDA for each year in the three-year period by (ii) average capital employed (long term debt plus Champion Iron consolidated total equity, including options and warrants) for each year in the three-year period. While the disclosure in this remuneration report has been enhanced and supplemented this year to provide additional information on the computation and target ratio, we note that the method of calculation of the ratio used by the Company has remained consistent since the initial grants of PSUs under its LTIP.

If the actual ratio represents more than 120% of the corresponding target ratio based on the Company's budget for the three-year reference period (which was set at 0.36 for the financial year ended March 31, 2021), 175% of that portion of the PSUs grant will vest at the end of the three-year period. If the actual ratio equals the corresponding target ratio based on the Company's budget for the three-year reference period, 100% of that portion of the PSUs grant will vest at the end of the reference period. If the actual ratio is less than the target ratio based on the Company's budget for the three-year reference period, a reduced percentage of this portion of the PSUs grant will vest. Proportional vesting will occur if the actual ratio represents between 70% to 100% of the target ratio. No vesting will occur if the actual ratio is less than 70% of the target ratio based on the Company's budget for the three-year reference period.

Champion Iron Limited

Directors' Report - Remuneration Report

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

H. 2021 Executive Performance Metrics and Incentives (continued)

iii) Long-Term Incentive - Equity-Based Incentives (continued)

Type of Awards under the LTIP (continued)

2021 RSU and PSU ("2021 LTIP") Grant (continued)

The following table outlines the payout percentages associated to the specific ranges of actual ratio of ROCE, for the financial year ended March 31, 2021:

2021 Objectives - ROCE	Vesting of 60% Portion of PSU Grants
0.44 and above	175%
0.36	100%
0.25	75%
Less than 0.25	Nil

The Board believes that the performance criteria for PSU grants under the LTI provides the most suitable link to long-term shareholder value creation. Specifically, the criteria encourages executives to focus on the key performance drivers which underpin the Company's strategy to deliver long term growth in shareholder value. The potential "maximum" earning opportunity is not expected to be achieved each year, but is designed to only be achieved in respect of exceptional performance or circumstances. The value of the long-term incentive plan and related grants are reported in a table below under the heading "Summary Compensation Table", irrespective of whether the performance criteria for vesting had been achieved during such period. The portion of any such long-term incentives awards that vested during any year is shown in the table presented in the section "Incentive Plan Awards - Value Vested or Earned During the Year".

Champion Iron Limited

Directors' Report - Remuneration Report

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

H. 2021 Executive Performance Metrics and Incentives (continued)

iv) Retirement plan contributions and personal benefits

Champion adopted two different pension plans for its employees, including the NEOs, effective as of April 1, 2017 as well as a non-registered savings plan. Personal group health and life insurance benefits provided to the NEOs are available to all permanent full-time employees of the Company. At the discretion of the Board and based on market-prevalent practices, other perquisites may be provided to NEOs in relation to the specific office held by each NEO.

Eligibility	Upon start of employment for all employees
Participation	Full-time employees: compulsory
Contributions	Employee: 3% of base salary Additional contributions permitted Employer: 6% of base salary and additional employee's contributions matched from 100% to 200% based on age plus years of service
Maximum Contributions	18% of base salary, up to a maximum of \$26,500 for the calendar year 2020 within the pension fund or retirement and saving plan, exceeded in non-registered savings plan
Vesting	Immediate
Locking-in	Yes, except for employee voluntary contributions
Transfers from Other Plans	Permitted

The following table lays out, for each NEO, the accumulated value at start of fiscal year, the compensatory value and the accumulated value at the end of the fiscal year ended March 31, 2021.

Name	Accumulated Value at Start of Year	Employer's Contribution	Employee's Contribution	Accumulated Value at Year End
Michael O'Keeffe	94,500	—	—	94,500
David Cataford	242,248	80,850	46,200	369,298
Natacha Garoute	105,735	47,250	27,000	179,985
Alexandre Belleau	125,571	45,237	25,848	196,656
Steve Boucratie	39,329	42,000	24,000	105,329

Champion Iron Limited

Directors' Report - Remuneration Report

[Expressed in Canadian dollars, except where otherwise indicated - audited]

H. 2021 Executive Performance Metrics and Incentives (continued)

2021 Remuneration Awards for the Named Executive Officers

Annual base salary, bonus, PSU grants, RSU grants and option grants in relation to the 2021 fiscal year to the NEOs were as follows. In compliance with the Company share trading policy, the RSU and PSU with respect to the annual performance for the fiscal year ended March 31, 2021 will be granted in the 2022 fiscal year, after the publication of the annual financial results. In the 2021 fiscal year, the Company granted 300,000 options to each of its NEOs in recognition of their hard work, exceptional service and time commitment in maintaining the operations of the Company in accordance with health and safety standards while minimizing operational disruptions and achieving record production during the period affected by COVID-19 restrictions. Each of the NEOs received the same number of options to reflect the team effort in successfully addressing the challenges relating to COVID-19 during the year.

Name	Annual Base Salary (\$)	Bonus (\$)	Total Option Grant (#)	Total RSU Grant (\$)	Total PSU Grant (\$)
Michael O'Keeffe Executive Chairman	550,000	—	—	—	—
David Cataford CEO	750,000	1,262,573	300,000	600,000	900,000
Natacha Garoute CFO	430,000	452,422	300,000	206,400	309,600
Alexandre Belleau Chief Operating Officer	430,000	452,422	300,000	206,400	309,600
Steve Boucraie Vice-President, General Counsel and Corporate Secretary	400,000	420,858	300,000	192,000	288,000

Further information pertaining to the NEO's remuneration for the past three fiscal years is found in the section, "Tabular Remuneration Disclosure for the Named Executive Officers - Summary Remuneration Table", below.

Champion Iron Limited

Directors' Report - Remuneration Report

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

H. 2021 Executive Performance Metrics and Incentives (continued)

Tabular Remuneration Disclosure for the Named Executive Officers - Summary Remuneration Table

The following table discloses a summary of remuneration earned by each of Champion's NEOs for each of the three most recently completed financial years ended March 31, 2021, 2020 and 2019.

When determining the grants of long-term equity awards made by the Company during each financial year ended March 31, the Board takes into consideration annual performance for the previous financial year. Accordingly, grants are typically made after the publication of the annual results for such financial year. For example, long-term incentive equity award which are granted taking into consideration the annual performance for the fiscal year ended March 31, 2021 will be granted in the fiscal year ending March 31, 2022, after the publication of the annual financial results for the year ended March 31, 2021. The value of an incentive award is included below in the year during which the grant of the award was made. Further information pertaining to the NEOs LTI remuneration for the 2021 fiscal year is presented in the section, "2021 Remuneration Awards for the Named Executive Officers", above.

Name and Principal Position	Year	Salary (\$)	Share-based Awards ⁽¹⁾ (\$)	Option-based Awards ⁽²⁾ (\$)	Non-Equity Incentive Plan Compensation		Pension Value (\$)	All Other Compensation (\$)	Total (\$)	At Risk (%)
					Annual Incentive Plans (\$)	Long-term Incentive Plans (\$)				
Michael O'Keefe Executive Chairman	2021	550,000	—	—	—	—	—	52,250 ⁽³⁾⁽ⁱ⁾	602,250	— %
	2020	550,000	687,500	—	—	—	—	52,250 ⁽³⁾⁽ⁱ⁾	1,289,750	53 %
	2019	550,000	1,000,027	—	550,000	—	33,000	1,288,293 ⁽³⁾⁽ⁱ⁾	3,421,320	83 %
David Cataford CEO	2021	750,000	900,000	645,000	1,262,573	—	80,850	40,380	3,678,803	76 %
	2020	600,000	500,000	—	753,399	—	65,098	43,528	1,962,025	64 %
	2019	500,000	—	350,000 ⁽⁴⁾	500,000	—	48,750	12,557	1,411,307	61 %
Natacha Garoute CFO	2021	430,000	400,000	645,000 ⁽⁵⁾⁽ⁱ⁾	452,422	—	47,250	28,045	2,002,717	75 %
	2020	400,000	733,295	192,092 ⁽⁵⁾⁽ⁱ⁾	375,000	—	44,317	32,032	1,776,736	73 %
	2019	234,375 ⁽⁵⁾	—	114,531 ⁽⁵⁾⁽ⁱ⁾	281,250	—	22,969	78,814 ⁽³⁾⁽ⁱ⁾	731,939	54 %
Alexandre Belleau Chief Operating Officer	2021	430,000	236,250	645,000	452,422	—	45,237	7,454	1,816,363	73 %
	2020	319,730	182,001	124,000	328,381	—	31,553	6,647	992,312	64 %
	2019	256,099	—	—	225,079	—	24,341	6,624	512,143	44 %
Steve Boucraite Vice-President, General Counsel and Corporate Secretary	2021	400,000	228,000	645,000	420,858	—	42,000	8,152	1,744,010	74 %
	2020	238,365 ⁽⁶⁾	—	560,988 ⁽⁶⁾⁽ⁱ⁾	214,719	—	25,028	6,316	1,045,416	74 %
	2019	—	—	—	—	—	—	—	—	—

Notes:

(1) Share-based awards consist of RSUs or PSUs which are subject to vesting criteria. The Share-based awards value is based on the fair market value of the stock price at the time of the grant. For the awards granted in the year ended March 31, 2021 taking into consideration the annual performance for the year ended March 31, 2020, the fair market value of the stock at the time of grant was at \$2.33. For the awards granted in the year ended March 31, 2020, taking into consideration the annual performance for the year ended March 31, 2019, the RSU granted to Mrs. Garoute in relation with her appointment as CFO was measured on a fair market value of the stock of \$2.21 for a value amounting to \$358,295. The remaining part (\$375,000) relates to the 2019 grant. The RSUs and PSUs to be granted taking into consideration the annual performance for the fiscal year ended March 31, 2021 will be granted in the 2022 fiscal year, after the publication of the annual financial results, according to the VWAP per Share on the TSX during the period of 5 trading days immediately prior to grant.

(2) Option-based awards represent the fair value of stock options granted or recognized in the year under the Company's LTIP or the Previous Plan. Grant date fair value calculations for option grants are based on the Black-Scholes Option Price Model which used the following assumptions determined on the date of grant:

Option-pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Changes in the underlying assumptions can materially affect the fair value estimates and therefore, in management's opinion, existing models do not necessarily provide a reliable measure of the fair value of the Company's option-based awards.

(3) (i) Includes non-monetary compensation in the amount of \$52,250 paid to a superannuation on behalf of the NEO (ii) Of this amount, \$1,262,500 represents a special bonus awarded to Mr. O'Keefe for recognition of salary foregone during the formative years of the Company as the Company moved from an exploration company to a company in production. (iii) Includes non-monetary compensation in the amount of \$26,388 and \$2,797 paid to a superannuation on behalf of the NEO.

(4) Option-based awards for Mr. Cataford represent the fair value of the 500,000 stock options granted in June 2018 with respect to the fiscal year ended March 31, 2018.

(5) Mrs. Garoute was appointed CFO of Champion on August 13, 2018 and did not earn any remuneration from Champion prior to such date. (i) Upon joining the Company, Mrs. Garoute was awarded 200,932 stock options on September 14, 2018 for a fair value of \$114,531 and 174,502 on April 15, 2019 for a fair value of \$192,092. (ii) includes a signing bonus of \$75,000.

(6) Mr. Boucraite was appointed Vice-President, General Counsel and Corporate Secretary of the Company on May 20, 2019 and did not earn any remuneration from the Company prior to such date. Upon joining the Company, Mr. Boucraite was granted 360,000 stock options with a value of \$560,988.

Champion Iron Limited

Directors' Report - Remuneration Report

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

H. 2021 Executive Performance Metrics and Incentives (continued)
Tabular Remuneration Disclosure for the Named Executive Officers - Summary Remuneration Table (continued)

Fiscal Year End	Grant Date	Risk Free Interest Rate	Expected Average Life	Expected Volatility	Exercise Price (\$)	Fair Value (\$)
2021	February 5, 2021	0.39%	4 years	55%	5.00	2.15
2020	April 15, 2019	1.79%	3 years	86%	2.21	1.10
2020	May 20, 2019	1.79%	3 years	86%	2.53	1.56
2019	September 14, 2018	2.23%	3 years	68%	1.24	0.57
2019	June 24, 2018	2.50%	3 years	80%	1.33	0.70

Champion Iron Limited

Directors' Report - Remuneration Report

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

H. 2021 Executive Performance Metrics and Incentives (continued)

Tabular Remuneration Disclosure for the Named Executive Officers (continued)

Outstanding Share-Based Awards and Option-Based Awards

The following table sets out the outstanding option-based and share-based awards for NEOs as at March 31, 2021, the end of the Company's most recently completed financial year.

Name	Option-based Awards				Share-based Awards ⁽²⁾		
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date (M/D/Y)	Value of Unexercised In-the-money Options (\$) ⁽¹⁾	Number of Shares or Units of Shares that Have not Vested (#)	Market or Payout Value of Share-based Awards that Have not Vested (\$)	Market or Payout Value of Vested Share-based Awards not Paid Out or Distributed (\$)
Michael O'Keeffe Executive Chairman	—	—	—	—	278,427	1,436,683	221,029
David Cataford CEO	300,000	5.00	February 5, 2025	48,000	588,758	3,037,991	160,748
Natacha Garoute CFO	300,000	5.00	February 5, 2025	48,000	377,585	1,948,338	678,268
Alexandre Belleau ⁽³⁾ Chief Operating Officer	300,000	5.00	February 5, 2025	48,000	172,128	888,180	56,151
Steve Boucratie ⁽⁴⁾ Vice-President, General Counsel and Corporate Secretary	120,000	2.53	May 20, 2022	315,600	97,854	504,929	—
	300,000	5.00	February 5, 2025	48,000			

Notes:

(1) The value of unexercised in-the-money options noted above is based on the difference between the closing market price of the Company's Shares on the TSX of \$5.16 on March 31, 2021, and the exercise price of the option.

(2) Share-based awards consist of RSUs and PSUs and are settled in Shares or cash in accordance with the Company's Omnibus Incentive Plan. RSUs vest over a specific period of time while PSUs vest upon meeting predetermined performance criteria. For more information regarding RSU and PSU vesting please see Incentive Plan Awards. The market or payout value is based on the TSX market closing price of the Shares on March 31, 2021 being \$5.16.

(3) Mr. Belleau joined the Company in 2016 and was appointed Chief Operating Officer of the Company on July 22, 2020.

(4) Mr. Boucratie was appointed Vice-President, General Counsel and Corporate Secretary of the Company on May 20, 2019.

Incentive Plan Award - Value Vested or Earned During the Year

The following table discloses incentive plan awards, including annual incentive bonuses and contracted milestone bonuses, vested or awarded during the financial year ended March 31, 2021 (all dollar amounts in Canadian dollars):

Name	Value Vested During the Year (\$)		Value Earned During the Year (\$)
	Option-based Awards	Share-based Awards	Non-equity Incentive Plan Compensation
Michael O'Keeffe	—	76,246	—
David Cataford	800,000	55,452	1,262,573
Natacha Garoute	147,558	194,526	452,422
Alexandre Belleau	5,000	19,479	452,422
Steve Boucratie	125,000	—	420,858

Note: Option-based awards value vested during the year is the difference between the market price of the underlying securities at vesting date and the exercise price of the options under the option-based award. Share-based award value vested during the year is calculated using the Company's share price on the vesting date. Share-based awards consisted of RSUs and PSUs.

Champion Iron Limited

Directors' Report - Remuneration Report

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

H. 2021 Executive Performance Metrics and Incentives (continued)

Agreements with Named Executive Officers (NEOs)

The Company has written employment agreements with its NEOs. Some of the contracts provide for the payment and provision of other benefits triggered by a termination without cause as described below. None of the contracts provide for the payment and provision of other benefits triggered as a result of a change of control.

Michael O'Keeffe - Executive Chairman

Mr. O'Keeffe was appointed interim CEO on August 13, 2015. On November 29, 2016 Mr. O'Keeffe and Champion entered into an employment agreement under which Mr. O'Keeffe is entitled to participate in all elements in the executive remuneration program as well as any group insurance or health benefit plans the Company establishes. Mr. O'Keeffe does not receive any additional remuneration for his services as a director. On April 1, 2019, Mr. O'Keeffe stepped down as CEO and remains Executive Chairman of the Board.

Mr. O'Keeffe's employment agreement includes termination remuneration and benefit scenarios. Under the terms of Mr. O'Keeffe's employment agreement, no compensation other than compensation earned prior to the date of termination is payable by the Company in the event the employment agreement is terminated for just cause, voluntarily terminated or terminated due to death.

The Company may terminate the employment agreement at any time without cause by providing 12 months' notice, pay in lieu of notice or a combination of notice or pay in lieu thereof which covers the 12-month notice period. The amount of severance pay payable if the Company terminates the employment agreement under this scenario would be an amount equal to the total of the then current 12 month base salary. If Mr. O'Keeffe resigns due to an event that constitutes constructive dismissal under common law and constructive dismissal did, in fact, exist at the time of Mr. O'Keeffe's resignation, the Company will be required to pay severance equal to that which would have been payable had Mr. O'Keeffe been terminated without cause above.

David Cataford - Chief Executive Officer

Mr. Cataford was appointed Chief Executive Officer of the Company on April 1, 2019. Mr. Cataford had been Champion's Chief Operating Officer since March 20, 2017. Mr. Cataford and Champion entered into an employment agreement under which Mr. Cataford is entitled to participate of all elements in the executive remuneration program as well as any group insurance or health benefit plans the Company establishes.

Mr. Cataford's employment agreement includes termination remuneration and benefit scenarios. Under the terms of Mr. Cataford's employment agreement no remuneration other than remuneration earned prior to the date of termination is payable by the Company in the event the employment agreement is terminated for just cause, voluntarily terminated or terminated due to death.

The Company may terminate the employment agreement at any time without cause by providing 60 days' notice, pay in lieu of notice or a combination of notice or pay in lieu thereof which covers the 60 days' notice period. The amount of severance pay payable if the Company terminates the employment agreement under this scenario would be an amount equal to the total of Mr. Cataford's then current 12-month base salary. If Mr. Cataford resigns due to an event that constitutes constructive dismissal under common law and constructive dismissal did, in fact exist at the time of Mr. Cataford's resignation the Company will be required to pay severance equal to that which would have been payable had Mr. Cataford been terminated without cause.

Natacha Garoute - Chief Financial Officer

Mrs. Garoute was appointed Chief Financial Officer of the Company on August 13, 2018. Mrs. Garoute and Champion entered into an employment agreement under which Mrs. Garoute is entitled to participate of all elements in the executive remuneration program as well as any group insurance or health benefit plans the Company establishes.

Mrs. Garoute's employment agreement includes termination remuneration and benefit scenarios. Under the terms of Mrs. Garoute's employment agreement, no compensation other than compensation earned prior to the date of termination is payable by the Company in the event the employment agreement is terminated for just cause, voluntarily terminated or terminated due to death.

The Company may terminate the employment agreement at any time without cause by providing 60 days' notice, pay in lieu of notice or a combination of notice or pay in lieu thereof which covers the 60 days' notice period. The amount of severance pay payable if the Company terminates the employment agreement under this scenario would be an amount equal to the total of Mrs. Garoute's then current 12-month base salary. If Mrs. Garoute resigns due to an event that constitutes constructive dismissal under common law and constructive dismissal did in fact exist at the time of Mrs. Garoute's resignation, the Company will be required to pay severance equal to that which would have been payable had Mrs. Garoute been terminated without cause.

H. 2021 Executive Performance Metrics and Incentives (continued)

Agreements with Named Executive Officers (NEOs) (continued)

Alexandre Belleau – Chief Operating Officer

Mr. Belleau was appointed Chief Operating Officer of the Company on July 22, 2020. Mr. Belleau and Champion entered into an employment agreement under which Mr. Belleau is entitled to participate of all elements in the executive remuneration program as well as any group insurance or health benefit plans the Company establishes.

Mr. Belleau's employment agreement includes termination remuneration and benefit scenarios. Under the terms of Mr. Belleau's employment agreement no remuneration other than remuneration earned prior to the date of termination is payable by the Company in the event the employment agreement is terminated for just cause, voluntarily terminated or terminated due to death.

The Company may terminate the employment agreement at any time without cause by providing 60 days' notice, pay in lieu of notice or a combination of notice or pay in lieu thereof which covers the 60 days' notice period. The amount of severance pay payable if the Company terminates the employment agreement under this scenario would be an amount equal to the total of Mr. Belleau's then current 12-month base salary. If Mr. Belleau resigns due to an event that constitutes constructive dismissal under common law and constructive dismissal did in fact exist at the time of Mr. Belleau's resignation, the Company will be required to pay severance equal to that which would have been payable had Mr. Belleau been terminated without cause.

Steve Boucratie - Vice-President, General Counsel and Corporate Secretary

Mr. Boucratie was appointed Vice-President, General Counsel and Corporate Secretary of the Company on May 20, 2019. Mr. Boucratie and Champion entered into an employment agreement under which Mr. Boucratie is entitled to participate of all elements in the executive remuneration program as well as any group insurance or health benefit plans the Company establishes.

Mr. Boucratie's employment agreement includes termination remuneration and benefit scenarios. Under the terms of Mr. Boucratie's employment agreement no remuneration other than remuneration earned prior to the date of termination is payable by the Company in the event the employment agreement is terminated for just cause, voluntarily terminated or terminated due to death.

The Company may terminate the employment agreement at any time without cause by providing 60 days' notice, pay in lieu of notice or a combination of notice or pay in lieu thereof which covers the 60 days' notice period. The amount of severance pay payable if the Company terminates the employment agreement under this scenario would be an amount equal to the total of Mr. Boucratie's then current 12-month base salary. If Mr. Boucratie resigns due to an event that constitutes constructive dismissal under common law and constructive dismissal did, in fact exist at the time of Mr. Boucratie's resignation the Company will be required to pay severance equal to that which would have been payable had Mr. Boucratie been terminated without cause.

Executive Employment Agreements – Non-Competition, Non-Solicitation and Confidentiality Restrictions

NEOs gain strategic business knowledge during their employment. Champion ensures that this information is not used to the detriment of the Company by any executive following termination. To protect the Company's interests, Champion has entered into employment agreements including customary non-competition and non-solicitation covenants during the term of the agreements and for a period of twelve months following the end of employment, together with customary confidentiality clauses.

Champion Iron Limited

Directors' Report - Remuneration Report

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

H. 2021 Executive Performance Metrics and Incentives (continued)

Agreements with Named Executive Officers (NEOs) (continued)

Name and Principal Position	Estimated Cash Payout on Termination		Estimated Value Vested Option Awards on Termination without Cause ⁽¹⁾ (\$)
	Without Cause (\$)	Change of Control ⁽¹⁾ (\$)	
Michael O'Keeffe Executive Chairman	550,000	Nil	Nil
David Cataford CEO	750,000	Nil	Nil
Natacha Garoute CFO	430,000	Nil	Nil
Alexandre Belleau Chief Operating Officer	430,000	Nil	Nil
Steve Boucraie Vice-President, General Counsel and Corporate Secretary	400,000	Nil	Nil

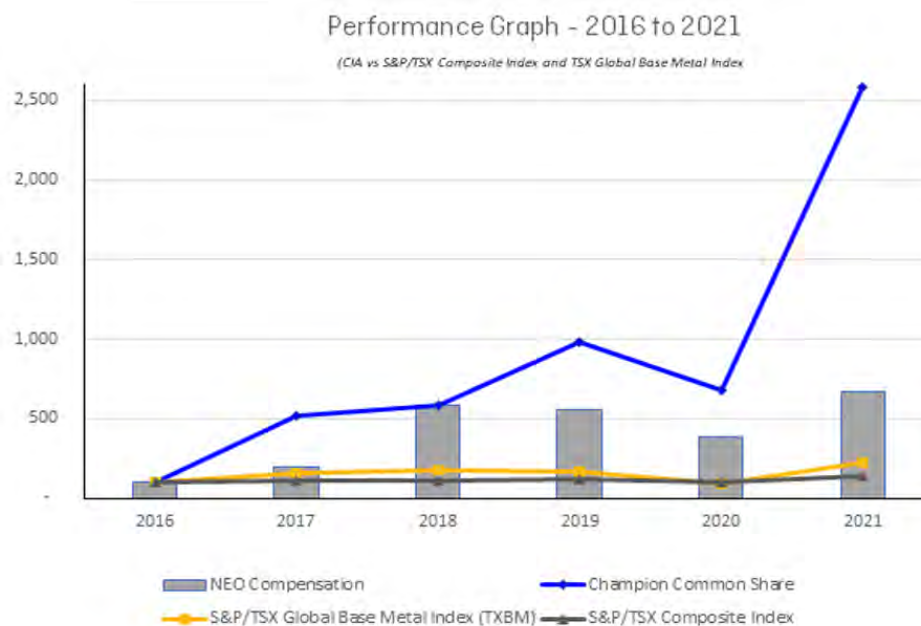
Note:

(1) The NEOs contracts do not provide for the payment and provision of other benefits triggered as a result of a change of control.

I. Performance

i. Performance Graph

The following graph and table are a reporting requirement under Canadian securities laws, and compares the Company's five-year cumulative total shareholder return had \$100 been invested in the Company on the first day of the five-year period at the closing price of the Ordinary Shares on that date being April 1, 2016, with the cumulative total return of the S&P/TSX Composite Index and the S&P/TSX Global Mining Index over the five most recently completed fiscal years ended on March 31.



Champion Iron Limited

Directors' Report - Remuneration Report

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

I. Performance (continued)

ii. Performance Metrics

The following table discloses key production, revenue, profit (loss), EBITDA and share price metrics for each of the financial years during the period from April 1, 2016 to March 31, 2021:

	Year Ended March 31, 2021	Year Ended March 31, 2020	Year Ended March 31, 2019	Year Ended March 31, 2018	Year Ended March 31, 2017
Production (wet metric tonnes)	8,001,200	7,903,700	6,994,500	623,300	—
Revenue	1,281,815,000	785,086,000	655,129,000	—	—
EBITDA	819,477,000	347,433,000	276,575,000	[80,006,000]	[30,953,000]
Net profit (loss)	464,425,000	121,050,000	147,599,000	[107,331,000]	[35,416,000]
Share price at March 31	5.16	1.35	1.96	1.17	1.03
Share price at March 31 (A\$)	5.48	1.51	2.16	1.18	1.02

From April 1, 2016 to March 31, 2021, the share price of the Company increased by 2,480% compared to an increase of 39% and 121% in the S&P/TSX Composite and in the S&P/TSX Global base Metal Index, respectively, during the corresponding five-year period. During the same period, the aggregate remuneration of all individuals acting as NEOs increased by 571%, from a base of \$1,467,439 in 2016 to \$9,844,143 in 2021.

This increase in aggregate remuneration for all NEOs over the five-year period can be attributed to several factors, including the ongoing growth in the size and complexity of the business, which resulted in the addition of new officers, along with the development of the Company as it transitioned from development to production and is now focused on its Phase II expansion and the tightening of the employment market for mining executives over that period.

Accordingly, the Company's share price has significantly outperformed its peers over since April 1, 2016, while also outpacing the growth in NEO remuneration. The Board is of the view that this has been driven by:

- management's advancement of the Bloom Lake Mine through stages of evaluation, financing, acquisition restart of the operation, production ramp-up and planning for the Phase II expansion, on an expedited basis and within budgeted constraints;
- the operational and financial performance generated by the Bloom Lake iron ore mine since it went into production; and
- achieving a record production to capture elevated Fe price and generate record EBITDA during the COVID-19 pandemic while progressing the construction of the Phase II expansion aiming at doubling Bloom Lake iron mine production.

As discussed above, the majority of NEO remuneration is "at risk", as short-term incentive (bonus) and long-term incentive remuneration are tied directly or indirectly to Company performance and relative and/or absolute shareholder returns. As a consequence, actual NEO remuneration will increase with the out-performance of the Company's share price, but conversely decrease in the face of an underperforming share price. The Board believes this is the ultimate test of the "pay-for-performance" principle and true alignment of NEO remuneration with shareholder returns.

J. DIRECTOR REMUNERATION

i. Remuneration Philosophy and Approach

The remuneration arrangements for non-executive directors are intended to attract highly qualified individuals with the capability to meet the challenging oversight responsibilities of a mining company and to closely align non-employee directors' interests with shareholder interests. Since the introduction of the Omnibus Incentive Plan, non-employee directors may receive equity-based remuneration in the form of DSU grants in lieu of the whole or part of their annual compensation. See "Equity Remuneration Arrangements for Directors", below for details on the Omnibus Incentive Plan.

The Remuneration and Nomination Committee reviews director compensation at least once a year and makes remuneration recommendations to the Board for its review and approval. Recommendations take into consideration the directors' time commitment, duties and responsibilities, and director remuneration practices and levels at comparable companies.

ii. Remuneration Arrangements for Directors

In conjunction with the review of executive compensation conducted for the year ended March 31, 2019, the Remuneration and Nomination Committee of the Board engaged Mercer to provide an independent, third party analysis of the Company's director compensation levels and practices. Based on the findings and recommendations of the 2019 Mercer report, the Board set the following non-executive director remuneration framework starting August 2018, paid in Canadian dollars for Canadian based directors and in Australian dollars for Australian based directors:

- annual cash retainer of \$135,000 for non-executive directors;
- cash retainer of \$15,000 for Chair of Audit and Remuneration and Nomination Committees;
- cash retainer of \$5,000 for Committee members;
- no additional fees are paid for attendance at Board or committee meetings; and
- directors have all reasonable expenses covered when travelling on Company business.

In addition, based on the findings and recommendations of Mercer, the Board adopted the Omnibus Incentive Plan on June 24, 2018 to more closely align non-employee directors directly with the interests of Shareholders. The Omnibus Incentive Plan was subsequently ratified by Shareholders at annual shareholder meeting held on August 17, 2018. The purpose of the DSU portion of the Omnibus Incentive Plan is to promote the alignment of interests between directors and Shareholders and it is an important component of non-employee director Remuneration because it:

- provides a remuneration system for directors that is reflective of the responsibility, commitment and risk accompanying Board membership;
- assists the Company to attract and retain individuals with experience and ability to serve as members of the Board; and
- allows the directors to participate in the long-term success of the Company.

Directors may elect to receive all or a portion of any of their annual fees in DSUs. The Board's current policy is that until directors obtain a shareholding which satisfies a share ownership level equivalent to three times their annual cash retainer (See "Share Ownership Policy" Section below), Directors must elect to receive a portion of their annual fees in DSUs. All DSU grants are approved by the Board. DSUs are priced at the greater of the five (5) day volume weighted average price of the Shares over the last five (5) trading days preceding the grant, and the closing price of the Shares on the last trading day preceding the grant. DSUs issued under the Omnibus Incentive Plan may be settled in shares acquired on ASX or TSX at the time of the directors' retirement from all positions with the Company.

Mr. O'Keeffe and Mr. Cataford hold management positions in the fiscal year ended March 31, 2021, and consequently did not receive compensation for their service as directors.

Champion Iron Limited

Directors' Report - Remuneration Report

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

J. DIRECTOR REMUNERATION (continued)

iii. Share Ownership Policy

Champion established share and share-based ownership requirements (the "Share Ownership Policy") for the non-executive directors ("NED") of Champion who are compensated in their capacity as a director of Champion (collectively the "Compensated Directors"). The policy is designed to align the interests of those subject to the policy with the long-term interests of Shareholders. Each NED is required to hold that aggregate number of Shares, and vested DSUs (collectively "Champion Equity") having an aggregate value of at least three times his or her board retainer over a five-year period. Each Compensated Director is required to hold Champion Equity having an aggregate value of at least three times the value of the annual base cash retainer paid to the director as of the date of such individual becoming a Compensated Director. The required level of ownership of Champion Equity Compensated Directors is referred to as the "Relevant Threshold". Neither Mr. O'Keeffe nor Mr. Cataford were compensated in the fiscal year ended March 31, 2021 for acting as a director by virtue of their employment with Champion. In addition, Mr. Jyothish George has elected not to receive compensation and, as such, is not considered a Compensated Director. Consequently, the Share Ownership Policy did not require either of Mr. O'Keeffe, Mr. Cataford or Mr. George to hold Shares under the Share Ownership Policy. Compensated Directors are deemed to have permanently satisfied the Share Ownership Policy following the date on which either of the following values exceeds the Relevant Threshold:

- the aggregate price paid for the Champion Equity held by the Compensated Director; or
- the fair market value of the Champion Equity held by the Compensated Director.

Compensated Directors are required to comply with the policy requirements by the later of the fifth anniversary of such individual's date of hire, appointment or election. As of the date of this Remuneration Report, all Compensated Directors have met the minimum share ownership requirements, other than Ms. Louise Grondin who joined the board recently in August 2020 and is in transition towards satisfying her minimum ownership requirements.

Once the applicable ownership guideline is deemed to have been satisfied, the Compensated Director is deemed to meet the applicable ownership guideline on an on-going basis, provided that such Compensated Director does not dispose of Shares which causes such individual to fail to meet the Relevant Threshold immediately following such disposition based on the Champion Equity then held or deemed to be held by such individual.

iv. Tabular Remuneration Disclosure for the Directors

Director Remuneration Table

The following table discloses all compensation provided to the directors, other than any directors who are NEOs of the Company, for the Company's most recently completed financial year ending March 31, 2021. Fees are paid on a monthly basis. All DSUs, were fully vested on March 31, 2021.

Name	Fees Earned in Cash (\$)	Fees Earned in DSU (\$)	Other Share-based Awards (\$)	Option-based Awards (\$)	All other Compensation (\$)	Total (\$)
Gary Lawler ⁽¹⁾	140,210	11,550	Nil	Nil	Nil	151,760
Andrew Love ⁽¹⁾	151,760	Nil	Nil	Nil	Nil	151,760
Jyothish George	Nil	Nil	Nil	Nil	Nil	Nil
Michelle Cormier	92,094	53,739	Nil	Nil	Nil	145,833
Wayne Wouters	83,344	52,489	Nil	Nil	Nil	135,833
Louise Grondin ⁽²⁾	16,141	67,500	Nil	Nil	Nil	83,641

Notes:

(1) Paid in Australian dollars and converted to Canadian dollars in this table.

(2) Ms. Grondin was elected as a director of the Company on August 27, 2020.

Champion Iron Limited

Directors' Report - Remuneration Report

[Expressed in Canadian dollars, except where otherwise indicated - audited]

J. DIRECTOR REMUNERATION (continued)

iv. Tabular Remuneration Disclosure for the Directors (continued)

Fees paid

The following table discloses a detailed breakdown of the fees paid to the directors, other than any directors who are NEOs of the Company, for the Company's most recently completed financial year ending March 31, 2021. Fees are paid quarterly on a monthly basis. All DSUs were fully vested on March 31, 2021.

Name	Board Retainer Fee (\$)	Committee Retainers (\$)	Meeting Fees (\$)	Total (\$)	Fees Paid in Cash ⁽¹⁾ (\$)	Fees Earned in DSUs ⁽²⁾ (\$)	Total Fees (\$)
Gary Lawler ⁽³⁾	128,048	23,712	Nil	151,760	140,210	11,550	151,760
Andrew Love ⁽³⁾	128,048	23,712	Nil	151,760	151,760	Nil	151,760
Jyothish George	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Michelle Cormier	135,000	10,833	Nil	145,833	92,094	53,739	145,833
Wayne Wouters	135,000	833	Nil	135,833	83,344	52,489	135,833
Louise Grondin ⁽⁴⁾	80,308	3,333	Nil	83,641	16,141	67,500	83,641

Notes:

[1] Portion of total fees paid to the non-employee directors in cash.

[2] Portion of the total fees paid to the non-employee directors in DSUs.

[3] Paid in Australian dollars and converted to Canadian dollars in this table.

[4] Ms. Grondin was elected as a director of the Company on August 27, 2020.

Outstanding Share-Based Awards and Option-Based Awards

Outstanding option-and share-based awards for non-executive directors as at March 31, 2021, the end of the Company's most recently completed financial year, are set out in the following table:

Name	Option-based Awards				Share-based Awards		
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date (M/D/Y)	Value of Unexercised In-the-money Options (\$) ⁽¹⁾	Number of Shares or Units of Shares that Have not Vested (#)	Market or Payout Value of Share-based Awards that Have not Vested (\$)	Market or Payout Value of Vested Share-based Awards not Paid Out or Distributed (\$)
Gary Lawler	Nil	Nil	Nil	Nil	Nil	Nil	235,110
Andrew Love	Nil	Nil	Nil	Nil	Nil	Nil	83,221
Jyothish George	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Michelle Cormier	Nil	Nil	Nil	Nil	Nil	Nil	241,571
Wayne Wouters	Nil	Nil	Nil	Nil	Nil	Nil	284,053
Louise Grondin ⁽²⁾	Nil	Nil	Nil	Nil	Nil	Nil	141,327

Notes:

[1] The value of DSUs noted above is based on the TSX market closing price of the Shares on March 31, 2021, being \$5.16.

[2] Ms. Grondin was elected as a director of the Company on August 27, 2020.

Champion Iron Limited

Directors' Report - Remuneration Report

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

J. DIRECTOR REMUNERATION (continued)

iv. Tabular Remuneration Disclosure for the Directors (continued)

Incentive Plan Awards - Value Vested or Earned During the Year

The following table discloses incentive plan awards to non-executive directors for the year ended March 31, 2021. All of the share-based awards vested during the year which are referred to in the following table represent DSUs which directors elected to receive in lieu of annual fees paid in cash.

Name	Option-based Awards Value Vested During the Year ⁽¹⁾ (\$)	Share-based Awards Value Vested During the Year ⁽¹⁾⁽²⁾ (\$)	Non-equity Incentive Plan Compensation Value Earned During the Year (\$)
Gary Lawler	Nil	51,349	Nil
Andrew Love	Nil	Nil	Nil
Jyothish George	Nil	Nil	Nil
Michelle Cormier	Nil	70,997	Nil
Wayne Wouters	Nil	54,002	Nil
Louise Grondin	Nil	135,001	Nil

Notes:

(1) Option-based awards value vested during the year are calculated using the Company's share price on March 31, 2021 and the exercise price. The share-based awards value vested during the year are calculated using the Company's share price on the vesting date.

(2) Share-based awards value vested during the year include DSUs related to the 2022 fiscal year and issued in March 2021 of \$36,529, \$35,998, \$20,252 and \$67,501 for Gary Lawler, Michelle Cormier, Wayne Wouters and Louise Grondin, respectively.

Champion Iron Limited

Directors' Report - Remuneration Report

[Expressed in Canadian dollars, except where otherwise indicated - audited]

K. Details of Total Remuneration for KMP (NEOs and Directors)

Year ended March 31, 2021	Short Term (\$)				Termination Payments (\$)	Pension (\$)	Options (\$)	Total (\$)	Performance Related	Consisting of Options
	Salary	Consulting Fees	Bonus	Non- monetary						
Michael O'Keeffe	550,000	—	—	52,250	—	—	—	602,250	— %	— %
Gary Lawler ⁽¹⁾	140,210	—	—	—	—	—	11,550	151,760	7.61 %	7.61 %
Andrew Love ⁽¹⁾	151,760	—	—	—	—	—	—	151,760	— %	— %
Michelle Cormier	92,094	—	—	—	—	—	53,739	145,833	36.85 %	36.85 %
Wayne Wouters	83,344	—	—	—	—	—	52,489	135,833	38.64 %	38.64 %
Louise Grondin	16,141	—	—	—	—	—	67,500	83,641	80.70 %	80.70 %
Jyothish George	—	—	—	—	—	—	—	—	— %	— %
David Cataford	750,000	—	1,262,573	40,380	—	80,850	1,545,000	3,678,803	34.32 %	42.00 %
Natacha Garoute	430,000	—	452,422	28,045	—	47,250	1,045,000	2,002,717	22.59 %	52.18 %
Alexandre Belleau	430,000	—	452,422	7,454	—	45,237	881,250	1,816,363	24.91 %	48.52 %
Steve Boucratie	400,000	—	420,858	8,152	—	42,000	873,000	1,744,010	24.13 %	50.06 %
Total	3,043,549	—	2,588,275	136,281	—	215,337	4,529,528	10,512,970		

Note:

(1) Paid in Australian dollars and converted to Canadian dollars in this table.

Year ended March 31, 2020	Short Term (\$)				Termination Payments (\$)	Pension (\$)	Options (\$)	Total (\$)	Performance Related	Consisting of Options
	Salary	Consulting Fees	Bonus	Non- monetary						
Michael O'Keeffe	550,000	—	—	52,250	—	—	687,500	1,289,750	53.30 %	53.30 %
Gary Lawler ⁽¹⁾	108,450	—	—	—	—	—	43,380	151,830	28.57 %	28.57 %
Andrew Love ⁽¹⁾	138,816	—	—	—	—	—	—	138,816	—	—
Michelle Cormier	111,251	—	—	—	—	—	33,749	145,000	23.28 %	23.28 %
Wayne Wouters	101,251	—	—	—	—	—	33,749	135,000	25.00 %	25.00 %
Jyothish George	—	—	—	—	—	—	—	—	—	—
Louise Grondin	—	—	—	—	—	—	—	—	—	—
David Cataford	600,000	—	753,399	43,528	—	65,098	500,000	1,962,025	38.40 %	25.48 %
Natacha Garoute	400,000	—	375,000	32,032	—	44,317	925,387	1,776,736	21.11 %	52.08 %
Alexandre Belleau	319,730	—	328,381	6,647	—	31,553	306,001	992,312	33.09 %	30.84 %
Steve Boucratie	238,365	—	214,719	6,136	—	25,028	560,998	1,045,246	20.54 %	53.67 %
Total	2,567,863	—	1,671,499	140,593	—	165,996	3,090,764	7,636,715		

Note:

(1) Paid in Australian dollars and converted to Canadian dollars in this table.

Champion Iron Limited

Directors' Report - Remuneration Report

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

L. Movement of Equity Held by Management Personnel (NEOs and Directors)

Stock Options as at March 31, 2021

Name	Balance April 1, 2020	Grant	Exercised	Cancelled	Held and Vested	Unvested
Michael O'Keeffe	3,000,000	—	3,000,000	—	—	—
David Cataford	1,000,000	300,000	1,000,000	—	100,000	200,000
Natacha Garoute	375,434	300,000	375,434	—	100,000	200,000
Alexandre Belleau	200,000	300,000	200,000	—	100,000	200,000
Steve Boucrairie	360,000	300,000	240,000	—	100,000	320,000
Gary Lawler	300,000	—	300,000	—	—	—
Andrew Love	300,000	—	300,000	—	—	—
Jyothish George	—	—	—	—	—	—
Michelle Cormier	500,000	—	500,000	—	—	—
Wayne Wouters	—	—	—	—	—	—
Louise Grondin	—	—	—	—	—	—

Ordinary Shares as at March 31, 2021

Name	Balance April 1, 2020	Purchased	Acquired Upon Exercise of Equity Award	Sold	Balance March 31, 2021
Michael O'Keeffe	44,023,830	—	3,000,000	(2,000,000)	45,023,830
Gary Lawler	1,500,000	—	300,000	(100,000)	1,700,000
Andrew Love	1,545,281	—	300,000	(100,000)	1,745,281
Michelle Cormier	20,000	—	500,000	(63,500)	456,500
Wayne Wouters	440,000	—	—	—	440,000
Jyothish George	—	—	—	—	—
Louise Grondin	—	—	—	—	—
David Cataford	2,119,698	—	1,000,000	(683,333)	2,436,365
Natacha Garoute	12,500	—	375,434	(286,000)	101,934
Alexandre Belleau	176,200	—	200,000	(116,000)	260,200
Steve Boucrairie	16,000	—	240,000	(195,000)	61,000

Champion Iron Limited

Directors' Report - Remuneration Report

[Expressed in Canadian dollars, except where otherwise indicated - audited]

M. Outstanding Grants of PSUs and Related Performance Periods

Name	Grant Date	Performance Period	Number of PSUs Granted	Value per PSU Granted at Grant Date (\$)	Value of PSUs Granted at Grant Date (\$)	% of Performance Achieved, and Vested vs Forfeited PSUs
David Cataford CEO	April 30, 2019	April 1, 2019 to March 31, 2022	140,187	2.14	300,000	Will be determined in May 2022
	May 28, 2020	April 1, 2020 to March 31, 2023	231,760	2.33	540,000	Will be determined in May 2023
Natacha Garoute CFO	April 30, 2019	April 1, 2019 to March 31, 2022	105,140	2.14	225,000	Will be determined in May 2022
	May 28, 2020	April 1, 2020 to March 31, 2023	103,004	2.33	240,000	Will be determined in May 2023
Alexandre Belleau Chief Operating Officer	May 14, 2019	April 1, 2019 to March 31, 2022	48,969	2.23	109,200	Will be determined in May 2022
	May 28, 2020	April 1, 2020 to March 31, 2023	60,837	2.33	141,750	Will be determined in May 2023
Steve Boucraie Vice-President, General Counsel and Corporate Secretary	May 28, 2020	April 1, 2020 to March 31, 2023	58,712	2.33	136,800	Will be determined in May 2023

N. Securities Authorized for Issuance under Equity Compensation Plans

The following table sets out, as at March 31, 2021, the end of the Company's last completed financial year, information regarding outstanding options, RSUs, PSUs and DSUs granted by the Company under the Omnibus Incentive Plan and the Previous Plan. As at March 31, 2021, the number of issued and outstanding Shares of the Company was 502,116,164.

Equity Compensation Plan Information

	Number of Securities to be Issued upon Exercise of Outstanding Options, PSUs, RSUs and DSUs	Weighted-average Exercise Price of Outstanding Options	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (excluding securities reflected in column (a))
Plan Category	(a)	(b)	(c)
Equity Compensation plans approved by security holders	1,920,000 (Options) 194,296 (DSUs) 1,009,823 (RSUs) 1,271,547 (PSUs)	\$4.85 (Options)	45,815,950
Equity Compensation plans not approved by security holders	Nil	N/A	N/A
Total	4,395,666	\$4.85 (Options)	45,815,950

Champion Iron Limited

Directors' Report - Remuneration Report

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

0. Other Information

Indebtedness of Directors and Executive Officers

As at the date of this Remuneration Report or within 30 days of this date, no executive officer, director, employee or former executive officer, director or employee of the Company or any of its subsidiaries is indebted to the Company, or any of its subsidiaries, nor are any of these individuals indebted to another entity, which indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company, or its subsidiaries with the exception of Mr. Cataford. On June 24, 2018, the Board of directors approved the issuance of a 5-year interest free loan of \$500,000 to Mr. Cataford. The loan is secured by way of mortgage over a property.

Interest of Informed Persons in Material Transactions

None of the directors or executive officers of the Company, persons beneficially owning, directly or indirectly, Shares carrying more than 10% of the voting rights attached to all outstanding shares of the Company nor any associate or affiliate of the foregoing persons has any material interest, direct or indirect, in any transaction since the commencement of the Company's last completed financial year or in any proposed transaction which has or will materially affect the Company except as disclosed elsewhere in this report.

Management Contracts

Except as set out in the Remuneration Report, there are no management functions of the Company which are to any substantial degree performed by a person or company other than the directors or executive officers of the Company.

Director's Attendance for the Fiscal Year Ended March 31, 2021

Name	Board of Directors Meetings	Audit Committee Meetings	Remuneration Committee Meetings
Michael O'Keeffe	7 of 7	N/A	N/A
David Cataford	7 of 7	N/A	N/A
Gary Lawler	7 of 7	5 of 5	5 of 5
Andrew Love	7 of 7	5 of 5	5 of 5
Jyothish George	7 of 7	N/A	N/A
Michelle Cormier	7 of 7	5 of 5	5 of 5
Wayne Wouters	7 of 7	N/A	N/A
Louise Grondin ⁽¹⁾	4 of 4	N/A	N/A

Note:

[1] Ms. Grondin was elected to the board of directors of the Company on August 27, 2020.

III. SPECIFIC AND GENERAL INFORMATION



Principal Activities

Champion's principal activities include the production of iron ore concentrate and the development and exploration of its iron ore properties in Québec and in the Labrador Trough, Canada.

Operating and Financial Review

The review of operations and financials is set out in Section II and forms part of this Directors' Report.

Events Occurring After the Reporting Period

On April 1, 2021, the Company acquired the Kami Project. Refer to Section II of the Directors' Report, note 5.

On April 1, 2021, the Company signed a master lease agreement for an amount up to US\$75,000,000 with Caterpillar Financial Services Limited in connection with the financing of Phase II mining equipment.

On May 21, 2021, Champion signed a financing agreement with Fonds de Solidarité des Travailleurs du Québec for an amount up to \$75,000,000.

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

Other than elements listed above, there are no significant matters, circumstances or events that have arisen since the end of the financial year that have significantly affected, or may significantly affect, the Company's operations, the results of those operations, or the Company's state of affairs, in the financial years subsequent to the financial year ended March 31, 2021.

Directors

The Directors of the Company in office during the year and until the date of this report, their qualifications and experience are set out in Section 03 - Corporate Governance of the Annual Report.

Company Secretary and Corporate Secretary

Pradip Devalia is the Company Secretary - Australia and Steve Boucraie is the Corporate Secretary. Details of their qualifications and experience are set out in Section 01 - Overview (Management Team) of the Annual Report.

Champion Iron Limited

Directors' Report - Specific and General Information

Dividends

No interim or final dividend has been declared for the year ended March 31, 2021. Dividends paid by subsidiaries were not included.

Environmental Regulation and Compliance

Champion's operations are located in Canada and, as such, it is not subject to the environmental laws or regulations of the Commonwealth of Australia or any State or Territory in Australia.

Indemnification and Insurance of Directors and Officers

There are indemnities in place for Directors and Officers and insurance policies in regard to their positions. Since the end of the previous year, the Company has paid premiums to insure the Directors and Officers of Champion. No payment has been made to indemnify any director or officer during or since the year ended March 31, 2021.

Significant Changes in the State of Affairs

There have been no significant changes in the state of affairs of Champion, other than those disclosed in this report.

Proceedings on Behalf of the Company

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

Indemnity of Auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims from third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the end of the financial year.

Non-Audit Services

Ernst & Young performed other services in addition to their statutory duties. The details and remuneration for these services is disclosed in note 31 of the Financial Statements (Section 06 — Financial Report of the Annual Report). The Directors have considered the non-audit services provided during the year by the auditor, and are satisfied that the provision of non-audit services by the auditor during the year is compatible, and does not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- (a) All non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the audit committee to ensure they do not impact the integrity and objectivity of the auditor; and
- (b) The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended March 31, 2021 has been received, as set out in Section 06 - Financial Report of the Annual Report.

Rounding

The Company is of a kind referred to in ASIC Corporation (Rounding in Financial/Directors' report) Instruments 2016/191 issued by the Australian Securities and Investments Commission. In accordance with the class order, amounts in this report and in the financial report have been rounded to the nearest thousand dollars unless specifically stated to be otherwise.

Signed in accordance with a resolution of the Directors

/s/ Michael O'Keeffe

Michael O'Keeffe, Executive Chairman

/s/ Andrew Love

Andrew Love, Lead Director

05

MINERAL RESOURCES AND ORE RESERVES STATEMENT



MINERAL RESOURCES AND ORE RESERVES STATEMENT

Tonnage and quality information contained in the following tables have been rounded and as a result, the figures may not add up to the totals quoted.

1. Governance Arrangements and Internal Controls

A technical external audit of the Phase II resources and reserves is planned for the year ended March 31, 2022.

2. Historical Mineral Reserves and Resources

The historical mineral reserves and resources mentioned in this document are strictly historical in nature, are non-compliant with National Instrument 43-101 – Standards of Disclosure for Mineral Projects (“NI 43-101”) or the Joint Ore Reserves Committee (“JORC”) Code (2012 edition) and should therefore not be relied upon. Historical estimates have not been verified in accordance with the Appendix 5A (JORC Code) since their last technical report. A “qualified person”, as defined in NI 43-101, or a “competent person”, as defined in JORC Code (2012 edition), has not done sufficient work to upgrade or classify the historical estimates as current mineral resources or mineral reserves and Champion is not treating the historical estimates as current mineral resources or mineral reserves, and it is uncertain whether, following evaluation or further exploration work, the historical estimates will be able to be reported as mineral resources, mineral reserves or ore reserves in accordance with NI 43-101 or the JORC Code (2012 edition).

Certain resources mentioned are foreign estimates from an Australian perspective.

3. Bloom Lake Feasibility Study (the “Feasibility Study”)

The Phase II reserves and resources are based on the technical report entitled “Bloom Lake Mine – Feasibility Study Phase II”, prepared pursuant to NI 43-101 and JORC Code (2012 edition) by BBA Inc., Soutex and WSP Canada Inc., having an effective date of June 20, 2019 and filed on August 2, 2019. Bloom Lake Phase II mineral reserves include Bloom Lake Phase I mineral reserves as of the effective date of the mineral reserve estimate reported in the Feasibility Study. The Company is not aware of any new information or data that materially affects the information included in the Feasibility Study and confirms that all material assumptions and technical parameters underpinning the estimates in the Feasibility Study continue to apply and have not materially changed. The Feasibility Study is available under the Company's filings at www.sedar.com, on the ASX at www.asx.com.au or the Company's website at www.championiron.com.

4. Reserves and Resources — Bloom Lake Phase I as at March 31, 2021

The Bloom Lake Phase I reserves and resources are based on the technical report on the Bloom Lake Mine Re-Start Feasibility Study, prepared pursuant to NI 43-101 and JORC Code (2012 edition) by Ausenco Canada Inc., G Mining, Met-Chem/DRA and WSP Canada Inc. dated March 17, 2017 (the “Phase I Feasibility Study”), subject to adjustments for depletion due to the iron ore mined as of March 31, 2021. The Phase I Feasibility Study is available under the Company's filings at www.sedar.com, on the ASX at www.asx.com.au or the Company's website at www.championiron.com.

- Total Bloom Lake Phase I measured and indicated resources totaled 842.9 Mt as at March 31, 2021, compared to 864.5 Mt as at March 31, 2020;
- Bloom Lake Phase I inferred resources totaled 78.7 Mt as at March 31, 2021, compared to 80.4 Mt as at March 31, 2020; and
- Total Bloom Lake Phase I proven and probable mineral reserves stood at 344.9 Mt averaging 30.0% Fe as at March 31, 2021 compared to 364.6 Mt at 29.7% Fe as at March 31, 2020.

Champion Iron Limited

Mineral Resources and Ore Reserves Statement

4. Reserves and Resources — Bloom Lake Phase I as at March 31, 2021 (continued)

All Bloom Lake Mine Phase I mineral resources reported are inclusive of the Bloom Lake Phase I mineral reserves. The Bloom Lake Phase I mineral reserves and resources reported were estimated using iron ore prices of US\$50/dmt and US\$60/dmt, respectively, based on CFR China Index P62. The Bloom Lake Phase I proven reserves and measured resources as at March 31, 2021 include 840,000 tonnes of pre-concentration stockpiles at 30% Fe, whereas no stockpiles were included as at March 31, 2020. The decrease in resources and reserves as at March 31, 2021 is due to ore depletion as Champion mined 19.7 Mt of reserves and 23.3 Mt of resources of iron ore since March 31, 2020.

Table 1: Bloom Lake Phase I Mineral Resource Estimate (at 15% Fe Cut-off)

	As at March 31, 2021					As at March 31, 2020
Category	Mt Tonnage (dmt)	Fe (%)	CaO (%)	MgO (%)	Al ₂ O ₃ (%)	Mt Tonnage (dmt)
Measured	378.5	31.0	0.7	0.7	0.3	392.6
Indicated	464.4	28.5	2.5	2.3	0.4	471.9
Total measured and indicated resources	842.9	29.6	1.7	1.6	0.4	864.5
Inferred	78.7	25.6	2.0	1.7	0.3	80.4

Table 2: Bloom Lake Phase I Mineral Reserve Estimate (at 15% Fe Cut-off)

	As at March 31, 2021					As at March 31, 2020
Category	Mt Tonnage (dmt)	Fe (%)	CaO (%)	MgO (%)	Al ₂ O ₃ (%)	Mt Tonnage (dmt)
Proven	201.7	31.0	0.5	0.6	0.3	217.0
Probable	143.2	28.8	2.8	2.7	0.4	147.6
Total proven and probable	344.9	30.0	1.5	1.5	0.4	364.6

5. Consolidated Reserves and Resources as at March 31, 2021

Bloom Lake Phase II mineral resources and reserves are based on the Feasibility Study, include Bloom Lake Phase I resources and reserves and do not take into account the depletion. Bloom Lake Phase II mineral resources and reserves will be adjusted for depletion once the Phase II expansion project reaches commercial production.

The reserves and resources mentioned below (except the Bloom Lake Phase II reserves and resources) are historical estimates. The historical mineral reserves and resources mentioned in this document are strictly historical in nature, are non-compliant with NI 43-101 or the JORC Code (2012 edition) and should therefore not be relied upon. Historical estimates have not been verified in accordance with the Appendix 5A (JORC Code) since their last technical report. A “qualified person”, as defined in NI 43-101, or a “competent person”, as defined in JORC Code (2012 edition), has not done sufficient work to upgrade or classify the historical estimates as current mineral resources or mineral reserves and Champion is not treating the historical estimates as current mineral resources or mineral reserves, and it is uncertain whether, following evaluation or further exploration work, the historical estimates will be able to be reported as mineral resources, mineral reserves or ore reserves in accordance with NI 43-101 or the JORC Code (2012 edition).

Champion Iron Limited

Mineral Resources and Ore Reserves Statement

5. Consolidated Reserves and Resources as at March 31, 2021 (continued)

Table 3: Consolidated Mineral Resources (million dmt)

Property	Group	Measured	Indicated	Total Measured & Indicated	Inferred
Bloom Lake Phase II	Bloom Lake Phase II	379.1	514.4	893.5	53.5
	Fire Lake North ¹	26.6	666.9	693.5	521.6
	Bellechasse	—	—	—	215.1
Consolidated Fire Lake ¹	Oil Can	—	—	—	967.0
	Total	26.6	666.9	693.5	1,703.7
Moiré Lake ²	Moiré Lake	—	163.9	163.9	416.9
	Peppler Lake	—	327.0	327.0	216.0
Quinto Claims ³	Lamelée	—	272.0	272.0	653.0
	Total	—	599.0	599.0	869.0
Harvey-Tuttle ⁴	Harvey-Tuttle	—	—	—	947.0
Total as at March 31, 2021		405.7	1,944.2	2,349.9	3,990.1
Total as at March 31, 2020		405.7	1,944.2	2,349.9	3,990.1

Table 4: Consolidated Mineral Reserves (million dmt)

Property / Group	Proven	Fe (%)	Probable	Fe (%)	Reserves Proven & Probable	Fe (%)
Bloom Lake Phase II	346.0	29.9	461.0	28.2	807.0	29.0
Fire Lake North ⁵	23.7	36.0	440.8	32.2	464.5	32.4
Total as at March 31, 2021	369.7	30.3	901.8	30.1	1,271.5	30.2
Total as at March 31, 2020	369.7	30.3	901.8	30.1	1,271.5	30.2

¹ The historical Consolidated Fire Lake resource estimates are based on the NI 43-101 technical reports entitled "Preliminary Feasibility Study of the West and East Pit Deposits of the Fire Lake North Project" by BBA Inc., P&E Mining Consultants Inc. and Rail Cantech Inc. dated February 22, 2013 and having an effective date of January 25, 2013 (as regards Fire Lake North), "Technical Report and Resource Estimate on the Bellechasse and Fire Lake North Properties, Ferment Project Area, Québec, Canada" prepared by P&E Mining Consultants Inc. dated December 23, 2009 and having an effective date of November 10, 2009 (as regards Bellechasse) and "Technical Report and Mineral Resource Estimate on the Oil Can Deposit of the Consolidated Fire Lake North Property, Ferment Area, Québec, Canada" by P&E Mining Consultants Inc. dated August 17, 2012 and having an effective date of July 1, 2012 (as regards Oil Can). The historical mineral resources mentioned are strictly historical in nature, are non-compliant with NI 43-101 and the JORC Code (2012 edition) and should therefore not be relied upon. A "qualified person", as defined in NI 43-101, or a "competent person", as defined in JORC Code (2012 edition), has not done sufficient work to upgrade or classify the historical estimates as current mineral resources or mineral reserves and Champion is not treating the historical estimates as current mineral resources or mineral reserves, and it is uncertain whether, following evaluation or further exploration work, the historical estimates will be able to be reported as mineral resources, mineral reserves or ore reserves in accordance with NI 43-101 or the JORC Code (2012 edition).

² The historical Moiré Lake resource estimates are based on the NI 43-101 technical report entitled "Technical Report and Mineral Resource Estimate on the Moiré Lake Property" by P&E Mining Consultants Inc. dated May 11, 2012 and having an effective date of March 28, 2012. The historical mineral resources mentioned are strictly historical in nature, are non-compliant with NI 43-101 and the JORC Code (2012 edition) and should therefore not be relied upon. A "qualified person", as defined in NI 43-101, or a "competent person", as defined in JORC Code (2012 edition), has not done sufficient work to upgrade or classify the historical estimates as current mineral resources or mineral reserves and Champion is not treating the historical estimates as current mineral resources or mineral reserves, and it is uncertain whether, following evaluation or further exploration work, the historical estimates will be able to be reported as mineral resources, mineral reserves or ore reserves in accordance with NI 43-101 or the JORC Code (2012 edition).

³ The historical Quinto resource estimates are based on the NI 43-101 technical reports entitled "Mineral Resource Technical Report, Peppler Project, Québec" (as regards Peppler Lake) and "Mineral Resource Technical Report, Lamelée Project, Québec" (as regards Lamelée), each by G H Wahl & Associates Consulting dated February 15, 2013 and having an effective date of December 31, 2012. The historical mineral resources mentioned are strictly historical in nature, are non-compliant with NI 43-101 and the JORC Code (2012 edition) and should therefore not be relied upon. A "qualified person", as defined in NI 43-101, or a "competent person", as defined in JORC Code (2012 edition), has not done sufficient work to upgrade or classify the historical estimates as current mineral resources or mineral reserves, and it is uncertain whether, following evaluation or further exploration work, the historical estimates will be able to be reported as mineral resources, mineral reserves or ore reserves in accordance with NI 43-101 or the JORC Code (2012 edition).

⁴ The historical Harvey-Tuttle resource estimates are based on the NI 43-101 technical report entitled "Technical Report and Resource Estimate on the Harvey-Tuttle Property Québec, Canada" by P&E Mining Consultants Inc. dated April 13, 2011 and having an effective date of February 25, 2011. The historical mineral resources mentioned are strictly historical in nature, are non-compliant with NI 43-101 and the JORC Code (2012 edition) and should therefore not be relied upon. A "qualified person", as defined in NI 43-101, or a "competent person", as defined in JORC Code (2012 edition), has not done sufficient work to upgrade or classify the historical estimates as current mineral resources or mineral reserves and Champion is not treating the historical estimates as current mineral resources or mineral reserves, and it is uncertain whether, following evaluation or further exploration work, the historical estimates will be able to be reported as mineral resources, mineral reserves or ore reserves in accordance with NI 43-101 or the JORC Code (2012 edition).

⁵ The historical Fire Lake North reserve estimates are based on the NI 43-101 technical report entitled "Preliminary Feasibility Study of the West and East Pit Deposits of the Fire Lake North Project" by BBA Inc., P&E Mining Consultants Inc. and Rail Cantech Inc. dated February 22, 2013 and having an effective date of January 25, 2013. The historical mineral reserves mentioned are strictly historical in nature, are non-compliant with NI 43-101 and the JORC Code (2012 edition) and should therefore not be relied upon. A "qualified person", as defined in NI 43-101, or a "competent person", as defined in JORC Code (2012 edition), has not done sufficient work to upgrade or classify the historical estimates as current mineral resources or mineral reserves and Champion is not treating the historical estimates as current mineral resources or mineral reserves, and it is uncertain whether, following evaluation or further exploration work, the historical estimates will be able to be reported as mineral resources, mineral reserves or ore reserves in accordance with NI 43-101 or the JORC Code (2012 edition).

Champion Iron Limited

Mineral Resources and Ore Reserves Statement

5. Consolidated Reserves and Resources (continued)

I. Bloom Lake Phase II (inclusive of Phase I)

Bloom Lake Phase II mineral resources and reserves are based on the Feasibility Study, include Bloom Lake Phase I resources and reserves and do not take into account the depletion. Bloom Lake Phase II mineral resources and reserves will be adjusted for depletion once Phase II expansion project reaches commercial production.

Table 5: March 31, 2021 Bloom Lake Phase II Mineral Resource Estimate (at 15% Fe Cut-off)

Category	Mt Tonnage (dmt)	Fe (%)	CaO (%)	MgO (%)	Al ₂ O ₃ (%)
Measured	379.1	30.2	1.4	1.4	0.3
Indicated	514.4	28.7	2.5	2.3	0.4
Total measured and indicated	893.5	29.3	2.1	1.9	0.4
Inferred	53.5	26.2	2.8	2.4	0.4

Table 6: March 31, 2021 Bloom Lake Phase II Mineral Reserve Estimate (at 15% Fe Cut-off)

Category	Mt Tonnage (dmt)	Fe (%)	CaO (%)	MgO (%)	Al ₂ O ₃ (%)
Proven	346.0	29.9	1.5	1.4	0.3
Probable	461.0	28.2	2.6	2.5	0.6
Total proven and probable	807.0	29.0	2.2	2.0	0.5

In addition to the Bloom Lake Mine, the Company owns interests in 13 other iron ore deposits (total of 14 deposits) located in the Labrador Trough, some 300 km north of the City of Sept-Îles and ranging from 6 to 80 km west and southwest of Fermont. The other projects with historical reserves and resources are as follows:

II. Consolidated Fire Lake North

The consolidated Fire Lake North project includes three deposits, the Fire Lake North, Bellechasse and Oil Can deposits. All deposits are located north of ArcelorMittal's Fire Lake mine.

Table 7: Fire Lake North Historical Mineral Resource Estimate at Cut-off 15% Fe⁶

Category	Mt Tonnage (dmt)	Fe (%)
Measured	26.6	35.2
Indicated	666.9	31.4
Total measured and indicated resources	693.5	31.5
Inferred	521.6	30.1

⁶ The historical Fire Lake North resource estimates are based on the NI 43-101 technical report entitled "Preliminary Feasibility Study of the West and East Pit Deposits of the Fire Lake North Project" by BBA Inc., P&E Mining Consultants Inc. and Rail Cantech Inc. dated February 22, 2013 and having an effective date of January 25, 2013. The historical mineral resources mentioned are strictly historical in nature, are non-compliant with NI 43-101 and the JORC Code (2012 edition) and should therefore not be relied upon. A "qualified person", as defined in NI 43-101, or a "competent person", as defined in JORC Code (2012 edition), has not done sufficient work to upgrade or classify the historical estimates as current mineral resources or mineral reserves and Champion is not treating the historical estimates as current mineral resources or mineral reserves, and it is uncertain whether, following evaluation or further exploration work, the historical estimates will be able to be reported as mineral resources, mineral reserves or ore reserves in accordance with NI 43-101 or the JORC Code (2012 edition).

Champion Iron Limited

Mineral Resources and Ore Reserves Statement

5. Consolidated Reserves and Resources [continued]

II. Consolidated Fire Lake North [continued]

Table 8: Fire Lake North Historical Mineral Reserve Estimate at Cut-off 15% Fe⁷

Category	Mt Tonnage (dmt)	Fe (%)	CaO (%)	Weight Recovery (%)
Proven	23.7	36.0	0.5	45.0
Probable	440.8	32.2	2.8	39.6
Total proven and probable	464.5	32.4	1.3	39.9

Table 9: Historical Inferred Resources for Other Consolidated Fire Lake North Deposits at Cut-off 15% Fe⁸

Deposit	Mt Tonnage (dmt)	Fe (%)
Bellechasse	215.1	28.7
Oil Can	967.0	33.2

III. Moiré Lake

Moiré Lake is a stand-alone deposit located approximately 6 km west from the city of Fermont and it is the far extension of ArcelorMittal's Mont-Wright Mine. While ArcelorMittal's ore is hematite-rich, the Moiré Lake deposit is a mix of hematite and magnetite.

Table 10: Moiré Lake Historical Resource Estimate at Cut-off 15% Fe⁹

Category	Mt Tonnage (dmt)	Fe (%)
Measured	—	—
Indicated	163.9	30.5
Total measured and indicated resources	163.9	30.5
Inferred	416.9	29.4

⁷ The historical Fire Lake North reserve estimates are based on the NI 43-101 technical report entitled "Preliminary Feasibility Study of the West and East Pit Deposits of the Fire Lake North Project" by BBA Inc., P&E Mining Consultants Inc. and Rail Cantech Inc. dated February 22, 2013 and having an effective date of January 25, 2013. The historical mineral reserves mentioned are strictly historical in nature, are non-compliant with NI 43-101 and the JORC Code (2012 edition) and should therefore not be relied upon. A "qualified person", as defined in NI 43-101, or a "competent person", as defined in JORC Code (2012 edition), has not done sufficient work to upgrade or classify the historical estimates as current mineral resources or mineral reserves and Champion is not treating the historical estimates as current mineral resources or mineral reserves, and it is uncertain whether, following evaluation or further exploration work, the historical estimates will be able to be reported as mineral resources, mineral reserves or ore reserves in accordance with NI 43-101 or the JORC Code (2012 edition).

⁸ The historical Consolidated Fire Lake resource estimates are based on the NI 43-101 technical reports entitled "Technical Report and Resource Estimate on the Bellechasse and Fire Lake North Properties, Fermont Project Area, Québec, Canada" prepared by P&E Mining Consultants Inc. dated December 23, 2009 and having an effective date of November 10, 2009 (as regards Bellechasse) and "Technical Report and Mineral Resource Estimate on the Oil Can Deposit of the Consolidated Fire Lake North Property, Fermont Area, Quebec, Canada" by P&E Mining Consultants Inc. dated August 17, 2012 and having an effective date of July 1, 2012 (as regards Oil Can). The historical mineral resources mentioned are strictly historical in nature, are non-compliant with NI 43-101 and the JORC Code (2012 edition) and should therefore not be relied upon. A "qualified person", as defined in NI 43-101, or a "competent person", as defined in JORC Code (2012 edition), has not done sufficient work to upgrade or classify the historical estimates as current mineral resources or mineral reserves and Champion is not treating the historical estimates as current mineral resources or mineral reserves, and it is uncertain whether, following evaluation or further exploration work, the historical estimates will be able to be reported as mineral resources, mineral reserves or ore reserves in accordance with NI 43-101 or the JORC Code (2012 edition).

⁹ The historical Moiré Lake resource estimates are based on the NI 43-101 technical report entitled "Technical Report and Mineral Resource Estimate on the Moiré Lake Property" by P&E Mining Consultants Inc. dated May 11, 2012 and having an effective date of March 28, 2012. The historical mineral resources mentioned are strictly historical in nature, are non-compliant with NI 43-101 and the JORC Code (2012 edition) and should therefore not be relied upon. A "qualified person", as defined in NI 43-101, or a "competent person", as defined in JORC Code (2012 edition), has not done sufficient work to upgrade or classify the historical estimates as current mineral resources or mineral reserves and Champion is not treating the historical estimates as current mineral resources or mineral reserves, and it is uncertain whether, following evaluation or further exploration work, the historical estimates will be able to be reported as mineral resources, mineral reserves or ore reserves in accordance with NI 43-101 or the JORC Code (2012 edition).

Champion Iron Limited

Mineral Resources and Ore Reserves Statement

5. Consolidated Reserves and Resources [continued]

IV. Quinto Claims

The Quinto holding is composed of 435 claims with several iron ore deposits and occurrences. The property is adjacent to the Consolidated Fire Lake North project. All the deposits have more magnetite than hematite with small amounts of iron silicates. The Peppler Lake and Lamelée projects are part of the Quinto Claims.

Table 11: Peppler Lake Historical Resource Estimate at Cut-off 18% Fe¹⁰

Category	Mt Tonnage (dmt)	Fe (%)
Measured	—	—
Indicated	327.0	28.0
Total measured and indicated resources	327.0	28.0
Inferred	216.0	27.5

Table 12: Lamelée Historical Resource Estimate at Cut-off 18% Fe¹¹

Category	Mt Tonnage (dmt)	Fe (%)
Measured	—	—
Indicated	272.0	29.4
Total measured and indicated resources	272.0	29.4
Inferred	653.0	30.5

V. Harvey-Tuttle

The Harvey-Tuttle property is located northwest of the Quinto Claims. It holds several small deposits, although one of them, Turtleback Mountain, holds significant historical resources. As a whole, the Harvey-Tuttle property has 947.0 Mt of inferred historical resources at 23.2% Fe.¹²

VI. Cluster 3 (unconsolidated)

A series of 126 claims located near the closed Lac Jeannine Mine, identified as Cluster 3 was optioned to Cartier Iron Corporation. Champion Iron Mines Limited still hold 45% of the property. The main asset in Cluster 3 is the Penguin Lake deposit. It has 534.8 Mt of inferred historical resources at 33.1% Fe with a cut-off at 15% Fe.¹³ Cluster 3 also includes a series of small deposits near Round Lake (north-west of Penguin Lake).

¹⁰ The historical Peppler Lake resource estimates are based on the NI 43-101 technical report entitled "Mineral Resource Technical Report, Peppler Project, Quebec" by G H Wahl & Associates Consulting dated February 15, 2013 and having an effective date of December 31, 2012. The historical mineral resources mentioned are strictly historical in nature, are non-compliant with NI 43-101 and the JORC Code (2012 edition) and should therefore not be relied upon. A "qualified person", as defined in NI 43-101, or a "competent person", as defined in JORC Code (2012 edition), has not done sufficient work to upgrade or classify the historical estimates as current mineral resources or mineral reserves and Champion is not treating the historical estimates as current mineral resources or mineral reserves, and it is uncertain whether, following evaluation or further exploration work, the historical estimates will be able to be reported as mineral resources, mineral reserves or ore reserves in accordance with NI 43-101 or the JORC Code (2012 edition).

¹¹ The historical Lamelée resource estimates are based on the NI 43-101 technical report entitled "Mineral Resource Technical Report, Lamelée Project, Quebec" by G H Wahl & Associates Consulting dated February 15, 2013 and having an effective date of December 31, 2012. The historical mineral resources mentioned are strictly historical in nature, are non-compliant with NI 43-101 and the JORC Code (2012 edition) and should therefore not be relied upon. A "qualified person", as defined in NI 43-101, or a "competent person", as defined in JORC Code (2012 edition), has not done sufficient work to upgrade or classify the historical estimates as current mineral resources or mineral reserves and Champion is not treating the historical estimates as current mineral resources or mineral reserves, and it is uncertain whether, following evaluation or further exploration work, the historical estimates will be able to be reported as mineral resources, mineral reserves or ore reserves in accordance with NI 43-101 or the JORC Code (2012 edition).

¹² The historical Harvey-Tuttle resource estimates are based on the NI 43-101 technical report entitled "Technical Report and Resource Estimate on the Harvey-Tuttle Property Québec, Canada" by P&E Mining Consultants Inc. dated April 13, 2011 and having an effective date of February 25, 2011. The historical mineral resources mentioned are strictly historical in nature, are non-compliant with NI 43-101 and the JORC Code (2012 edition) and should therefore not be relied upon. A "qualified person", as defined in NI 43-101, or a "competent person", as defined in JORC Code (2012 edition), has not done sufficient work to upgrade or classify the historical estimates as current mineral resources or mineral reserves and Champion is not treating the historical estimates as current mineral resources or mineral reserves, and it is uncertain whether, following evaluation or further exploration work, the historical estimates will be able to be reported as mineral resources, mineral reserves or ore reserves in accordance with NI 43-101 or the JORC Code (2012 edition).

¹³ The historical Penguin Lake resource estimates are based on the NI 43-101 technical report entitled "43-101 Technical Report and Mineral Resource Estimate on the Penguin Lake Project (Round Lake Property), NTS 23C/01, Quebec" by Geochryst Geological Consulting and MRB & Associates Geological Consultants dated February 3, 2014 and having an effective date of May 1, 2013. The historical mineral resources mentioned are strictly historical in nature, are non-compliant with NI 43-101 and the JORC Code (2012 edition) and should therefore not be relied upon. A "qualified person", as defined in NI 43-101, or a "competent person", as defined in JORC Code (2012 edition), has not done sufficient work to upgrade or classify the historical estimates as current mineral resources or mineral reserves and Champion is not treating the historical estimates as current mineral resources or mineral reserves, and it is uncertain whether, following evaluation or further exploration work, the historical estimates will be able to be reported as mineral resources, mineral reserves or ore reserves in accordance with NI 43-101 or the JORC Code (2012 edition).

Champion Iron Limited

Mineral Resources and Ore Reserves Statement

6. Subsequent event — Acquisition of the Kamistiatusset iron ore project (the “Kami Project”)

On April 1, 2021, the Company acquired the mining properties of the Kami Project and is planning to revise the Kami Project's scope and update its previously completed feasibility study. The historical mineral reserves and resources of the Kami Project are as follows:

Table 15: Kami Project Historical Mineral Resource Estimate (at 15% Fe Cut-off)

Category	Mt Tonnage (dmt)	Fe (%)	MagFe (%)	HmFe (%)	Mn (%)
Measured	536.9	29.9	15.9	10.9	1.2
Indicated	737.6	29.5	15.8	10.3	1.1
Total measured and indicated	1,274.5	29.7	15.8	10.5	1.1
Inferred	522.6	29.5	15.0	11.1	1.0

Table 16: Kami Project Historical Mineral Reserve Estimate (at 15% Fe Cut-off)

Category	Mt Tonnage (dmt)	Fe (%)	MagFe (%)	Mag (%)	Weight Recovery (%)
Proven	392.7	29.0	15.0	1.2	34.7
Probable	124.5	28.2	11.1	1.1	32.0
Total proven and probable	517.2	28.8	14.1	1.2	34.1

7. Material Changes

There were no material changes in the year ended March 31, 2021 other than depletion by the Bloom Lake Mine.

8. Qualified Person and Data Verification

Mr. Vincent Blanchet, P. Eng., Engineer at Quebec Iron Ore (“QIO”), the Company’s subsidiary and operator of Bloom Lake, is a “qualified person” as defined by NI 43-101 and has reviewed and approved, or has prepared, as applicable, the disclosure of the scientific and technical information contained in this report, except Section 4 “Reserves and Resources — Bloom Lake Phase I as at March 31, 2021”. Mr. Blanchet’s review and approval does not include statements as to the Company’s knowledge or awareness of new information or data or any material changes to the material assumptions and technical parameters underpinning the Feasibility Study. Mr. Blanchet is a member of the *Ordre des ingénieurs du Québec*.

Mr. Brandon Wilson, P. Eng., Engineer at QIO, the Company’s subsidiary and operator of Bloom Lake, is a “qualified person” as defined by NI 43-101 and has reviewed and approved, or has prepared, as applicable, the disclosure of the scientific and technical information contained in Section 4 “Reserves and Resources - Bloom Lake Phase I as at March 31, 2021” of this report. Mr. Wilson’s review and approval does not include statements as to the Company’s knowledge or awareness of new information or data or any material changes to the material assumptions and technical parameters underpinning the Feasibility Study. Mr. Wilson is a member of the *Ordre des ingénieurs du Québec*.

06

FINANCIAL REPORT



DIRECTORS' DECLARATION

1) In the opinion of the Directors:

- a. The accompanying financial statements and notes are in accordance with the Corporations Act 2001, including:
 - giving a true and fair view of the Company's financial position as at March 31, 2021 and of its performance for the year ended on that date; and
 - complying with Australian Accounting Standards and the Corporations Act 2001.
- b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- c. the audited remuneration disclosure set out in the Remuneration Report of the Directors' Report for the year ended March 31, 2021 complies with section 300A of the Corporations Act 2001.

2) The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 for the financial year ended March 31, 2021.

3) The Company has included in the notes to the financial statements a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors

/s/ Michael O'Keeffe

Michael O'Keeffe, Executive Chairman

/s/ Andrew Love

Andrew Love, Lead Director

AUDITOR'S INDEPENDENCE DECLARATION



Building a better
working world

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Auditor's Independence Declaration to the Directors of Champion Iron Limited

As lead auditor for the audit of the financial report of Champion Iron Limited for the financial year ended 31 March 2021, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Champion Iron Limited and the entities it controlled during the financial year.

A stylized signature of the Ernst & Young firm, written in a cursive script.

Ernst & Young

A handwritten signature of Scott Nichols, written in black ink.

Scott Nichols
Partner
Sydney, Australia
27 May 2021

Champion Iron Limited

(ACN: 119 770 142)

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

(Expressed in thousands of Canadian dollars - audited)

Champion Iron Limited

Management's Responsibility for Financial Reporting

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

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

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

/s/ David Cataford

David Cataford Chief Executive Officer

/s/ Natacha Garoute

Natacha Garoute Chief Financial Officer



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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF CHAMPION IRON LIMITED

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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



Key Audit Matter

Revenue from iron ore sales

The Group recognised revenues of \$1,282 million from the sale of iron ore for the year ended March 31, 2021.

The amount of revenue recognised is impacted by the Group's provisional pricing arrangements, where the final sales price is determined based on iron ore prices subsequent to a shipment arriving at the port of discharge. The Group initially recognises sales at the contracted provisional price on the shipment date and re-estimates the consideration to be received using forecast iron ore prices at the end of each reporting period. The impact of iron ore price movements until final settlement is recorded as an adjustment to sales revenue.

This was considered to be a key audit matter due to the estimation involved in re-measuring receivables on sales that remain provisional at period-end.

Bloom Lake rehabilitation provision

As a consequence of its operations, the Group incurs obligations to restore and rehabilitate the land and area impacted by mining. Rehabilitation activities are governed by a combination of legislative requirements and Group policies.

As at March 31, 2021, the consolidated statement of financial position included \$45 million of mine rehabilitation and closure provisions in respect of Bloom Lake.

How our audit addresses the key audit matter

Our audit procedures included the following:

- ▶ Understood the Group's process relating to the initial recognition of revenue and the re-measurement of receivables;
- ▶ For a sample of provisional and final sales, agreed volumes, quality and pricing to shipping documentation and invoices and verified cash receipts to bank statements;
- ▶ For the sample referred to above, confirmed timing of recognition of revenue was appropriate;
- ▶ Re-performed the measurement of receivables for which final pricing remained outstanding as at March 31, 2021, including assessing the appropriateness of forecast iron ore prices used in forming the estimate; and
- ▶ Considered the adequacy of the disclosures included within the financial report.

Our audit procedures included the following:

- ▶ Understood the Group's process relating to the determination, review and approval of rehabilitation provisions;
- ▶ Considered the qualifications, competence and objectivity of the Group's internal experts, who produced the surveys and updated the detailed cost estimates that were prepared by external experts in a prior period;



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

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

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

Other Information

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

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

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

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

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

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

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



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

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

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

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

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

We also:

- ▶ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are

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

- ▶ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

A handwritten signature in black ink, appearing to read 'Ernst & Young', is written over a light grey rectangular background.

Ernst & Young
Sydney, Australia
May 27, 2021



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

Report on the Audit of the Financial Report

Opinion

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

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

- a) giving a true and fair view of the consolidated financial position of the Group as at 31 March 2021 and of its consolidated financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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



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
<p>The Group recognised revenues of \$1,282 million from the sale of iron ore for the year ended 31 March 2021.</p> <p>The amount of revenue recognised is impacted by the Group’s provisional pricing arrangements, where the final sales price is determined based on iron ore prices subsequent to a shipment arriving at the port of discharge. The Group initially recognises sales at the contracted provisional price on the shipment date and re-estimates the consideration to be received using forecast iron ore prices at the end of each reporting period. The impact of iron ore price movements until final settlement is recorded as an adjustment to sales revenue.</p> <p>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.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none">Understood the Group’s process relating to the initial recognition of revenue and the re-measurement of receivables;For a sample of provisional and final sales, agreed volumes, quality and pricing to shipping documentation and invoices and verified cash receipts to bank statements;For the sample referred to above, confirmed timing of recognition of revenue was appropriate;Re-performed the measurement of receivables for which final pricing remained outstanding as at 31 March 2021, including assessing the appropriateness of forecast iron ore prices used in forming the estimate; andConsidered the adequacy of the disclosures included within the financial report.

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Bloom Lake Rehabilitation Provision

Why significant	How our audit addressed the key audit matter
<p>As a consequence of its operations, the Group incurs obligations to restore and rehabilitate the land and area impacted by mining. Rehabilitation activities are governed by a combination of legislative requirements and Group policies.</p> <p>As at 31 March 2021, the consolidated statement of financial position included \$45 million of mine rehabilitation and closure provisions in respect of Bloom Lake.</p> <p>Estimating the costs associated with these future activities requires considerable judgment in relation to factors such as when the rehabilitation will take place, the time period required for the rehabilitation to be effective, the extent and costs of rehabilitation activities, technological and regulatory changes, cost increases and changes in economic assumptions, including an appropriate rate to discount these future costs back to their net present value.</p> <p>This was considered to be a key audit matter due to the significant judgments and assumptions involved in the calculation of these mine rehabilitation and closure provisions.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none">Understood the Group's process relating to the determination, review and approval of rehabilitation provisions;Considered the qualifications, competence and objectivity of the Group's internal experts, who produced the surveys and updated the detailed cost estimates that were prepared by external experts in a prior period;Tested the mathematical accuracy of the rehabilitation model to support the provision balance;Assessed the assumptions used by management in the rehabilitation model, including the area disturbed, estimated costs to rehabilitate the disturbed area, the life of mine and the discount rate applied; andConsidered 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 2021 Annual Report, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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



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

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

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

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



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

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

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

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

Responsibilities

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

A stylized signature of the Ernst & Young firm, consisting of the words 'Ernst & Young' in a cursive script.

Ernst & Young

A stylized signature of Scott Nichols, appearing as 'Scott Nichols' in a cursive script.

Scott Nichols
Partner
Sydney, Australia
27 May 2021

Champion Iron Limited

Consolidated Statements of Financial Position

(Expressed in thousands of Canadian dollars - audited)

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

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

Approved on May 27, 2021 on behalf of the directors

/s/ Michael O'Keeffe
Director

/s/ Andrew Love
Lead Director

Champion Iron Limited

Consolidated Statements of Income

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

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

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

Champion Iron Limited

Consolidated Statements of Comprehensive Income

(Expressed in thousands of Canadian dollars - audited)

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

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

Champion Iron Limited

Consolidated Statements of Equity

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

	Notes	Attributable to Champion Shareholders										Non-Controlling Interest	Total
		Share Capital				Contributed Surplus	Warrants	Foreign Currency Translation	Retained Earnings (Accumulated Deficit)	Total			
		Ordinary Shares		Preferred Shares									
		Shares ⁽¹⁾	\$	Shares	\$								
Balance - March 31, 2020		467,689,000	272,049	185,000,000	159,507	21,100	75,336	381	(151,751)	376,622	—	376,622	
Net income		—	—	—	—	—	—	—	464,425	464,425	—	464,425	
Other comprehensive income		—	—	—	—	—	—	149	—	149	—	149	
Total comprehensive income		—	—	—	—	—	—	149	464,425	464,574	—	464,574	
Exercise of warrants	16	27,733,000	76,563	—	—	—	(45,363)	—	—	31,200	—	31,200	
Exercise of stock options	16	6,694,000	7,851	—	—	(2,774)	—	—	—	5,077	—	5,077	
Dividends on preferred shares	16	—	—	—	—	—	—	—	(28,439)	(28,439)	—	(28,439)	
Share-based payments	16	—	—	—	—	3,983	—	—	—	3,983	—	3,983	
Balance - March 31, 2021		502,116,000	356,463	185,000,000	159,507	22,309	29,973	530	284,235	853,017	—	853,017	
Balance - March 31, 2019		430,470,000	237,969	—	—	21,404	17,730	420	(127,177)	150,346	65,376	215,722	
Net income		—	—	—	—	—	—	—	89,426	89,426	31,624	121,050	
Other comprehensive loss		—	—	—	—	—	—	(39)	—	(39)	—	(39)	
Total comprehensive income (loss)		—	—	—	—	—	—	(39)	89,426	89,387	31,624	121,011	
Exercise of warrants	16	13,719,000	25,478	—	—	—	(10,044)	—	—	15,434	—	15,434	
Exercise of stock options	16	2,500,000	832	—	—	(335)	—	—	—	497	—	497	
Exercise of compensation options	16	21,000,000	7,770	—	—	(2,520)	—	—	—	5,250	—	5,250	
Purchase of non-controlling interest	29	—	—	—	—	—	—	—	(114,000)	(114,000)	(97,000)	(211,000)	
Issuance of preferred shares	16	—	—	185,000,000	159,507	—	—	—	—	159,507	—	159,507	
Fair value of warrants issued	16	—	—	—	—	—	67,650	—	—	67,650	—	67,650	
Share-based payments	16	—	—	—	—	2,551	—	—	—	2,551	—	2,551	
Balance - March 31, 2020		467,689,000	272,049	185,000,000	159,507	21,100	75,336	381	(151,751)	376,622	—	376,622	

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

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

Champion Iron Limited

Consolidated Statements of Cash Flows

(Expressed in thousands of Canadian dollars - audited)

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

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

Champion Iron Limited

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 Australian Securities Exchange (ASX: CIA) and the OTCQX Best Market (OTCQX: CIAFF). The Company is domiciled in Australia and its principle administrative office is located on 1100 René-Lévesque Blvd. West, Suite 610, Montreal, QC, H3B 4N4, Canada.

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

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

2. Significant Accounting Policies and Future Accounting Changes

A. Basis of preparation

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

The financial report is a general purpose financial report which has been prepared for a for-profit enterprise in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

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

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

B. Statement of compliance

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

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

Champion Iron Limited

Notes to the Consolidated Financial Statements

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

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

C. Significant accounting policies and future accounting changes

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

Basis of consolidation and functional currency

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

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

Consolidation

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

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

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

Non-controlling interest

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

Segment reporting

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

Cash and cash equivalents

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

Inventories

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

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

Champion Iron Limited

Notes to the Consolidated Financial Statements

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

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

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

Property, plant and equipment

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

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

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

Intangible assets

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

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

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

Software	Straight-line over 3 years
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Research and development expenses

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

Stripping (waste removal) costs

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

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

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

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

Champion Iron Limited

Notes to the Consolidated Financial Statements

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

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

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

Assets under construction

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

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

ii) Mineral properties under development

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

Exploration and evaluation assets

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

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

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

The technical feasibility and commercial viability of extracting a mineral resource from a property is considered to be determinable when proved and/or probable reserves are determined to exist and the necessary permits have been received to commence production. A review of each property is carried out at least annually. Upon determination of technical feasibility and commercial viability, exploration and evaluation assets are first tested for impairment and then reclassified to property, plant and equipment and/or intangibles or expensed to the 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 and exploration and evaluation assets are reviewed for indicators of impairment at each reporting date and upon the occurrence of events or changes in circumstances indicating that the carrying value of the assets may not be recoverable. If indication of impairment exists, the asset's recoverable amount is estimated.

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

Champion Iron Limited

Notes to the Consolidated Financial Statements

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

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

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

Provisions

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

Long-term debt

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

Rehabilitation obligation

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

Share capital and issuance costs

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

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

Foreign currency transactions

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

Functional and presentation currency

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

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

Champion Iron Limited

Notes to the Consolidated Financial Statements

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

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

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

Share-based payments

i) Stock option plan

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

ii) Other equity settled awards

For other equity settled awards, share-based compensation costs are measured at fair value and the awards expected to vest are accrued on a straight-line basis over the vesting period with a corresponding increase in contributed surplus. The grant date fair value of performance share unit ("PSU") awards, restricted share unit ("RSU") awards and deferred share unit ("DSU") awards is determined using the stock price of the Company on the Toronto Stock Exchange at the grant date.

iii) Share-based payment transactions

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

Government grants

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

Income tax

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

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

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

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

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

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

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

Champion Iron Limited

Notes to the Consolidated Financial Statements

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

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

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

Financial assets

i) Initial recognition

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

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

ii) Derecognition of financial assets

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

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

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

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

iii) Financial assets at fair value through profit or loss

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

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

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

Champion Iron Limited

Notes to the Consolidated Financial Statements

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

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

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

Financial assets (continued)

iv) Financial assets at amortized cost

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

v) Impairment of financial assets

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

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

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

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

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

Champion Iron Limited

Notes to the Consolidated Financial Statements

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

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

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

Financial liabilities

i) Initial recognition and measurement

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

ii) Loans and borrowings and trade and other payables

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

iii) Derecognition

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

Leases

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

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

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

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

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

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

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

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

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

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

Champion Iron Limited

Notes to the Consolidated Financial Statements

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

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

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

Borrowing costs

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

D. Significant accounting judgments, estimates and assumptions

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

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

Uncertainty due to COVID-19

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

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

In line with Government guidelines, Champion has deployed several measures in its efforts to mitigate risks related to the COVID-19 pandemic. The Company incurred direct, incremental and non-recurring operating costs of \$12,610,000 for the year ended March 31, 2021, resulting from its COVID-19 safety measures, which are mainly comprised of premiums paid to employees from adjusted work schedules, incremental transportation costs, on-site COVID-19 testing and laboratory cost and incremental costs for cleaning and disinfecting facilities. These costs are presented on a distinct line in the consolidated statements of income named "Cost of sales - incremental costs related to COVID-19". COVID-19 specific costs could continue to be incurred in the foreseeable future.

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

Champion Iron Limited

Notes to the Consolidated Financial Statements

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

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

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

Estimates of mineral reserves and resources

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

Impairment of exploration and evaluation assets

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

Estimate of rehabilitation obligation

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

Share-based payments

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

Revenue recognition

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

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

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

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

Valuation of deferred income tax assets

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

Champion Iron Limited

Notes to the Consolidated Financial Statements

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

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

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

Valuation of lease liabilities and right-of-use assets

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

E. New accounting standards issued and adopted by the Company

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

Amendments to AASB 3 (IFRS 3), Business Combinations ("IFRS 3")

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

Amendments to AASB 101 (IAS 1), Presentation of Financial Statements ("IAS 1"), and AASB 108 (IAS 8), Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8")

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

Amendments to AASB 9 (IFRS 9), Financial Instruments ("IFRS 9"), AASB 139 (IAS 39), Financial Instruments: Recognition and Measurement ("IAS 39"), and AASB 7 (IFRS 7), Financial Instruments: Disclosures ("IFRS 7")

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

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

F. New accounting standards issued but not yet in effect

The following amendments to a standard have been issued and are applicable to the Company for its annual periods beginning on April 1, 2021 and thereafter, with an earlier application permitted:

Interest Rate Benchmark Reform - Phase 2, which amends IFRS 9, IAS 39, IFRS 7 and AASB 16 (IFRS 16), Leases ("IFRS 16")

The amendments relate to: i) changes to contractual cash flows - an entity will not have to derecognize or adjust the carrying amount of financial instruments for changes required by the reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; ii) hedge accounting - an entity will not have to discontinue its hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria; and iii) disclosures - an entity will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

Champion Iron Limited

Notes to the Consolidated Financial Statements

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

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

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

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

Amendments to IFRS 3

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

Amendments to AASB 116 (IAS 16), Property, Plant and Equipment ("IAS 16")

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

Amendments to IAS 37

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

Amendments to IFRS 9

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

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

Amendments to IAS 1

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

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

Amendments to IAS 8

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

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

Champion Iron Limited

Notes to the Consolidated Financial Statements

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

3. Cash and Cash Equivalents

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

4. Short-Term Investments

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

5. Receivables

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

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

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

6. Inventories

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

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

Champion Iron Limited

Notes to the Consolidated Financial Statements

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

7. Non-current Investments

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

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

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

8. Advance Payments

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

Port

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

Railway and port facilities

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

Other long-term advance

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

Champion Iron Limited

Notes to the Consolidated Financial Statements

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

9. Intangible Assets

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

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

Champion Iron Limited

Notes to the Consolidated Financial Statements

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

10. Property, Plant and Equipment

	Mining and Processing Equipment	Locomotives, Railcars and Rails	Tailings Dykes	Assets under Construction ⁽¹⁾	Mining Development and Stripping Asset ⁽²⁾	Asset Rehabilitation Obligation and Other ⁽³⁾	Subtotal	Right-of-use Assets	Total
Cost									
March 31, 2020	150,455	43,421	73,196	61,817	41,105	29,020	399,014	10,335	409,349
Additions	14,828	5,500	—	129,560	26,726	3,203	179,817	—	179,817
Transfers and disposals	6,945	—	8,353	(15,298)	—	—	—	—	—
Foreign exchange and other	232	(5,258)	—	—	—	—	(5,026)	—	(5,026)
March 31, 2021	172,460	43,663	81,549	176,079	67,831	32,223	573,805	10,335	584,140
Accumulated depreciation									
March 31, 2020	30,087	5,767	3,983	—	871	1,919	42,627	1,252	43,879
Depreciation	25,931	1,934	4,229	—	928	1,600	34,622	1,388	36,010
Transfers and disposals	—	—	—	—	—	—	—	—	—
Foreign exchange and other	—	(734)	—	—	—	—	(734)	—	(734)
March 31, 2021	56,018	6,967	8,212	—	1,799	3,519	76,515	2,640	79,155
Net book value -									
March 31, 2021	116,442	36,696	73,337	176,079	66,032	28,704	497,290	7,695	504,985

	Mining and Processing Equipment	Locomotives, Railcars and Rails	Tailings Dykes	Assets under Construction ⁽¹⁾	Mining Development and Stripping Asset ⁽²⁾	Asset Rehabilitation Obligation and Other ⁽³⁾	Subtotal	Right-of-use Assets	Total
Cost									
March 31, 2019	116,573	47,766	18,005	24,700	19,864	14,448	241,356	—	241,356
Adoption of IFRS 16 ⁽⁴⁾	—	—	—	—	—	—	—	1,291	1,291
Additions	1,352	—	—	124,879	21,241	14,580	162,052	2,221	164,273
Transfers and disposals	32,530	(6,823)	55,191	(87,762)	—	(8)	(6,872)	6,823	(49)
Foreign exchange	—	2,478	—	—	—	—	2,478	—	2,478
March 31, 2020	150,455	43,421	73,196	61,817	41,105	29,020	399,014	10,335	409,349
Accumulated depreciation									
March 31, 2019	12,912	3,818	498	—	447	1,030	18,705	—	18,705
Depreciation	17,192	1,772	3,485	—	424	889	23,762	1,094	24,856
Transfers and disposals	(17)	(158)	—	—	—	—	(175)	158	(17)
Foreign exchange	—	335	—	—	—	—	335	—	335
March 31, 2020	30,087	5,767	3,983	—	871	1,919	42,627	1,252	43,879
Net book value -									
March 31, 2020	120,368	37,654	69,213	61,817	40,234	27,101	356,387	9,083	365,470

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

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

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

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

Champion Iron Limited

Notes to the Consolidated Financial Statements

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

10. Property, Plant and Equipment (continued)

Right-of-use assets consist of the following:

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

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

Refer to note 14 - Lease Liabilities.

11. Exploration and Evaluation Assets

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

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

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

Champion Iron Limited

Notes to the Consolidated Financial Statements

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

12. Accounts Payable and Other

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

13. Long-Term Debt

	Term Facility	Revolving Facility	As at March 31, 2021 (twelve-month period)	As at March 31, 2020 (twelve-month period)
Opening balance	247,594	28,374	275,968	228,890
Advances	—	—	—	267,522
Capital repayment	—	(25,262)	(25,262)	(231,456)
Payment of capitalized interest	—	—	—	(19,517)
Transaction costs	(7,888)	—	(7,888)	(8,985)
Amortization of transaction costs	2,398	—	2,398	2,915
Foreign exchange (gain) loss	(29,016)	(3,112)	(32,128)	14,657
Non-cash loss on debt refinancing	1,863	—	1,863	21,942
Ending balance	214,951	—	214,951	275,968

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

On August 16, 2019, QIO entered into a US\$200,000,000 lending arrangement with various lenders. The lending arrangement comprised of a US\$180,000,000 single draw non-revolving credit facility (the "Term Facility") and a US\$20,000,000 revolving credit facility (the "Revolving Facility"). The proceeds of the lending arrangement were primarily used to fully repay previously issued debt facilities held by QIO with Sprott Private Resource Lending (Collector), LP ("Sprott") and CDP Investissements Inc. ("CDPI"). For the year-ended March 31, 2020, the non-cash loss on debt repayment represents a non-cash expense to eliminate the unamortized borrowing costs and debt discount. Refer to note 21 - Net Finance Costs.

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

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

Champion Iron Limited

Notes to the Consolidated Financial Statements

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

13. Long-Term Debt (continued)

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

	Original Terms	Amended Terms
Amount:	US\$180,000,000 Term Facility US\$20,000,000 Revolving Facility	US\$350,000,000 Term Facility (US\$180,000,000 drawn as at March 31, 2021) US\$50,000,000 Revolving Facility (full amount undrawn as at March 31, 2021)
Maturity:	Term Facility: August 16, 2024 Revolving Facility: August 16, 2022	Term Facility: December 23, 2025 Revolving Facility: December 23, 2023
Interest:	The Credit Facilities are subject to interest based on LIBOR and a financial margin that fluctuates from 2.85% to 3.75% depending on whether the net debt to EBITDA ratio is below 1.0 or greater than 2.5.	The Credit Facilities are subject to interest based on LIBOR plus 4.00% during the pre-completion of Phase II, after which the interest will be based on LIBOR and a financial margin that fluctuates from 2.85% to 3.75% depending on whether the net debt to EBITDA ratio is below 1.0 or greater than 2.5.
Repayment:	Term Facility - commencing on June 30, 2021, and quarterly thereafter, 1/12th of the principal balance outstanding.	Term Facility - commencing on the earlier of June 30, 2022 or the first quarter following the Phase II completion date, and equal quarterly installments thereafter of the principal balance outstanding.
Covenants:	The Credit Facilities are subject to operational and financial covenants, all of which have been met as at March 31, 2021.	
Collateral:	All of the present and future undertakings, properties and assets of QIO and Lac Bloom Railcars Corporation Inc. The Company guaranteed all the obligations of QIO and Lac Bloom Railcars Corporation Inc. and pledged all of the shares it holds in QIO and Lac Bloom Railcars Corporation Inc.	

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

14. Lease Liabilities

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

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

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

Champion Iron Limited

Notes to the Consolidated Financial Statements

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

15. Rehabilitation Obligation

	As at March 31, 2021 (twelve-month period)	As at March 31, 2020 (twelve-month period)
Opening balance	42,836	36,565
Increase due to reassessment of the rehabilitation obligation	994	6,643
Accretion expense	72	171
Effect of change in discount rate	1,172	(543)
Ending balance	45,074	42,836

The accretion of the rehabilitation obligation was evaluated as the amount of the expenditure required to settle the present obligation at the end of the reporting period, discounted by the number of years between the reporting date and the rehabilitation date using a discount rate of 0.28% as at March 31, 2021 (March 31, 2020: 0.43%). The future rehabilitation obligation was reassessed during the year ended March 31, 2021 based on the reclamation plan approved by the Government in July 2019. The undiscounted amount related to the rehabilitation obligation is estimated at \$47,268,000 as at March 31, 2021 (March 31, 2020: \$46,274,000).

16. Share Capital and Reserves

a) Authorized

The Company's share capital consists of authorized:

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

b) Ordinary share issuances

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

c) Preferred share issuances

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

Champion Iron Limited

Notes to the Consolidated Financial Statements

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

16. Share Capital and Reserves (continued)

c) Preferred share issuances (continued)

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

The preferred shares are redeemable at the option of CDPI upon i) liquidation, dissolution or windup of QIO or the Company, or certain events being within the control of the Company being ii) change of control of QIO or the Company, iii) sale of substantially all of the assets of QIO or iv) completion of an initial public offering by QIO. The preferred shares and accrued dividends can be repaid at parity after its second anniversary with no penalty. Therefore, the Company has the ability to redeem all QIO preferred shares on August 16, 2021.

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

d) Share-based payments

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

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

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

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

Champion Iron Limited

Notes to the Consolidated Financial Statements

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

16. Share Capital and Reserves (continued)

e) Stock options

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

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

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

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

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

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

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

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

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

Champion Iron Limited

Notes to the Consolidated Financial Statements

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

16. Share Capital and Reserves (continued)

f) Restricted share units

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

	Year Ended March 31,		Year Ended March 31,	
	2021		2020	
	Number of RSUs	Weighted Average Share Price	Number of RSUs	Weighted Average Share Price
	(in thousands)		(in thousands)	
Opening balance	598	2.18	—	—
Granted	412	2.33	598	2.18
Ending balance	1,010	2.24	598	2.18
Vested - end of the year	253	2.19	199	2.18

During the year ended March 31, 2021, 412,000 RSUs were granted to key management personnel (year ended March 31, 2020: 598,000). They will vest annually in three equal tranches from the date of grant.

g) Performance share units

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

	Year Ended March 31,		Year Ended March 31,	
	2021		2020	
	Number of PSUs	Weighted Average Share Price	Number of PSUs	Weighted Average Share Price
	(in thousands)		(in thousands)	
Opening balance	653	2.17	—	—
Granted	619	2.33	653	2.17
Ending balance	1,272	2.25	653	2.17
Vested - end of the year	—	—	—	—

During the year ended March 31, 2021, 619,000 PSUs were granted to key management personnel (year ended March 31, 2020: 653,000). The PSU awards vest at the end of three years from the date of grant according to performance indicators established by the Board.

h) Compensation options

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

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

Champion Iron Limited

Notes to the Consolidated Financial Statements

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

16. Share Capital and Reserves (continued)

i) Warrants

	Year Ended March 31,		Year Ended March 31,	
	2021		2020	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
	(in thousands)		(in thousands)	
Opening balance	53,014	1.50	24,000	1.13
Granted	—	—	42,733	1.59
Exercised	(27,733)	1.13	(13,719)	1.13
Ending balance	25,281	1.91	53,014	1.50

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

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

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

Long-term debt with Sprott and CDPI

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

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

Glencore Debenture

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

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

Preferred share offering with CDPI

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

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

Champion Iron Limited

Notes to the Consolidated Financial Statements

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

17. Revenues

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

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

18. Cost of Sales

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

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

19. General and Administrative Expenses

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

Champion Iron Limited

Notes to the Consolidated Financial Statements

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

20. Sustainability and Other Community Expenses

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

21. Net Finance Costs

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

a) Debt refinancing details

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

i. Amendment of the Credit Facilities

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

Champion Iron Limited

Notes to the Consolidated Financial Statements

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

21. Net Finance Costs (continued)

a) Debt repayment details (continued)

ii. Debenture

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

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

iii. CDPI and Sprott debt facilities

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

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

iv. Glencore, CDPI and Sprott derivative assets

These derivatives assets were extinguished due to the repayments of the previously issued debt facilities and the Debenture on August 16, 2019. As a result, a write-off of \$12,707,000 has been recognized in the year ended March 31, 2020, following a change in the fair value of the derivative assets by \$1,907,000 for the same period.

22. Other Income (Expense)

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

23. Income and Mining Taxes

a) Deferred tax assets and liabilities

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

Champion Iron Limited

Notes to the Consolidated Financial Statements

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

23. Income and Mining Taxes (continued)

a) Deferred tax assets and liabilities (continued)

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

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

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

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

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

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

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

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

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

Champion Iron Limited

Notes to the Consolidated Financial Statements

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

23. Income and Mining Taxes (continued)

b) Tax expense

The tax expense is applicable as follows:

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

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

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

c) Income and mining taxes payable

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

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

Champion Iron Limited

Notes to the Consolidated Financial Statements

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

24. Earnings per Share

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

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

25. Financial Instruments

Measurement categories

Financial assets and financial liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value, whether changes in fair value are recognized in the profit or loss or in other comprehensive income. These categories are financial assets at fair value through profit and loss ("FVPL"), financial assets at amortized cost, and financial liabilities at amortized cost. The following tables show the carrying values and the fair value of assets and liabilities for each of these categories as at March 31, 2021 and 2020:

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

Champion Iron Limited

Notes to the Consolidated Financial Statements

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

25. Financial Instruments (continued)

Measurement categories (continued)

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

Financial risk factors

a) Market

i. Fair value

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

Fair value measurement hierarchy

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

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

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

Champion Iron Limited

Notes to the Consolidated Financial Statements

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

25. Financial Instruments (continued)

Financial instruments measured at fair value

Trade receivables

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

Non-current investments

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

a) Market

ii. Interest rate risk

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

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

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

iii. Commodity price risk

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

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

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

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

Champion Iron Limited

Notes to the Consolidated Financial Statements

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

25. Financial Instruments (continued)

a) Market (continued)

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

iv. Foreign exchange risk

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

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

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

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

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

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

Champion Iron Limited

Notes to the Consolidated Financial Statements

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

25. Financial Instruments (continued)

a) Market (continued)

v. Equity price risk

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

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

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

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

b) Credit risk

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

Cash and cash equivalents and short-term investments

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

Trade receivables

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

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

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

c) Liquidity risk

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

Champion Iron Limited

Notes to the Consolidated Financial Statements

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

25. Financial Instruments (continued)

c) Liquidity risk (continued)

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

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

26. Capital Risk Management

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

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

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

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

27. Key Management Compensation

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

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

Champion Iron Limited

Notes to the Consolidated Financial Statements

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

28. Commitments and Contingencies

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

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

29. Subsidiary Entity Information

Set out below is the Company's summarized financial information for its subsidiary, QIO, which had a material non-controlling interest until August 16, 2019. Investissement Québec was the owner of a 36.8% interest in QIO until August 16, 2019 when the Company acquired Investissement Québec's 36.8% equity interest in QIO for \$211,000,000. Investissement Québec is a successor to Ressources Québec Inc., which held the equity interest in QIO at the time of the transaction.

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

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

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

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

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

Champion Iron Limited

Notes to the Consolidated Financial Statements

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

30. Parent Entity Information

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

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

31. Auditor's Remuneration

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

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

Champion Iron Limited

Notes to the Consolidated Financial Statements

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

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

a) Changes in non-cash operating working capital

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

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

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

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

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

Champion Iron Limited

Notes to the Consolidated Financial Statements

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

33. Segmented Information

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

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

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

Champion Iron Limited

Notes to the Consolidated Financial Statements

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

34. Subsequent Events

Acquisition of Kami

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

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

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

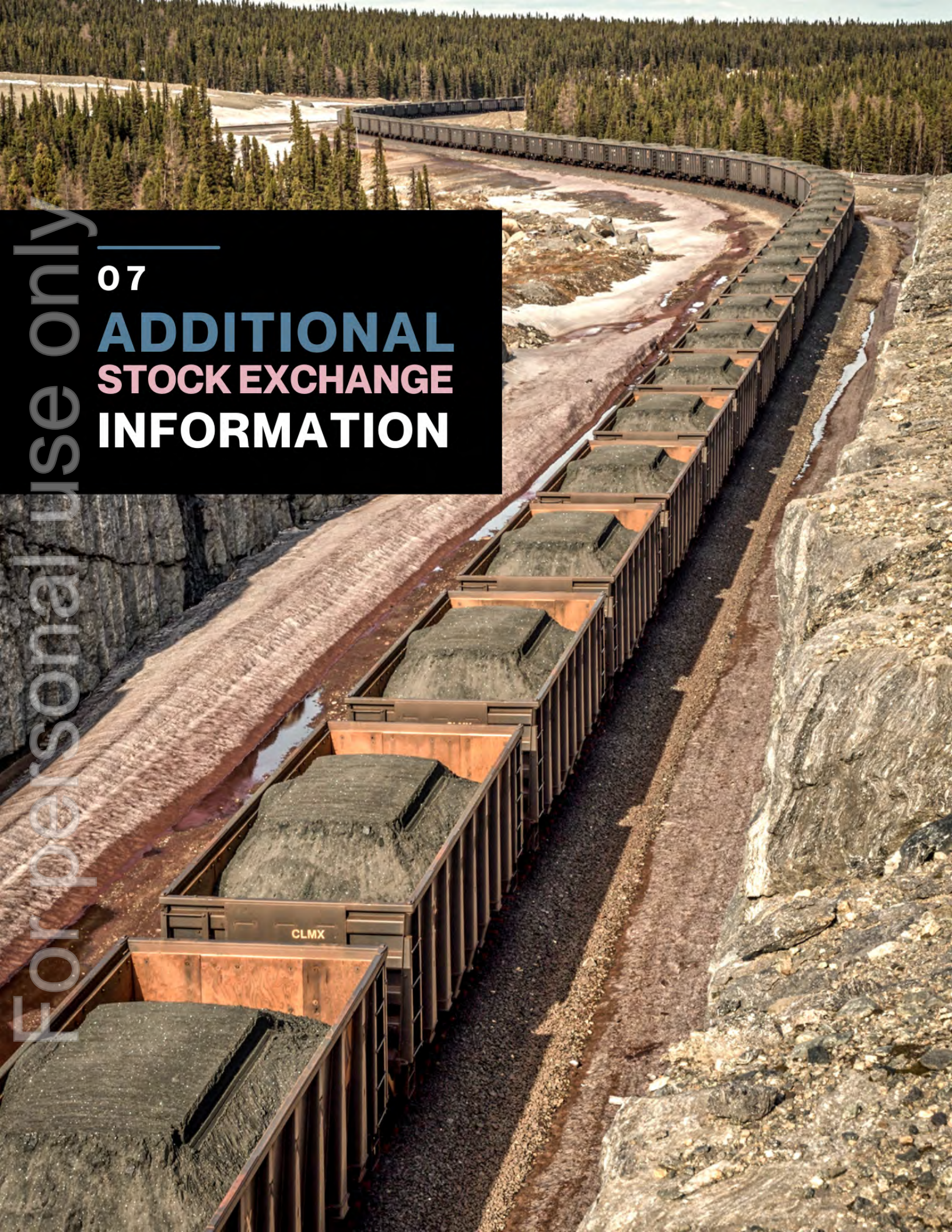
Other

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

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

07

ADDITIONAL STOCK EXCHANGE INFORMATION



STOCK EXCHANGE INFORMATION

The additional information set out below relates to the ordinary shares of the Company as at April 27, 2021. The Company does not hold other class of equity securities, which excludes shares held by its subsidiaries.

1. Distribution of Shareholdings as at April 27, 2021

Size of Holding	Number of Holders	Number of Ordinary Shares	% of issued Capital
1 to 1,000	1,324	571,176	0.11 %
1,001 to 5,000	705	1,734,735	0.34 %
5,001 to 10,000	171	1,329,221	0.26 %
10,001 to 100,000	251	8,580,630	1.69 %
100,000 and over	120	494,100,402	97.59 %
	2,571	506,316,164	100.00 %

2. Substantial Shareholders as at April 27, 2021

The Company has received substantial shareholder notifications from the shareholders below. The following table sets out the shareholding of each substantial shareholder from these substantial shareholder notifications with the percentage of issued share capital updated for the current issued share capital of the Company.

Name of Shareholder	Number of Ordinary Shares	% of issued Capital
WC Strategic Opportunity LP	66,944,444	13.22%
Michael O'Keeffe (and associates)	45,023,830	8.89%
Investissement Québec	43,500,000	8.59%

3. Marketable Parcels as at April 27, 2021

103 shareholders held less than a marketable parcel of ordinary shares as at April 27, 2021.

4. Voting Rights

All ordinary shares issued by the Company carry one vote per share without restriction.

STOCK EXCHANGE INFORMATION

5. Twenty Largest Shareholders as at April 27, 2021

The following table lists the 20 largest registered holders of the Company's shares, together with the number of shares and the percentage of the issued capital each holds, as of April 27, 2021, being the last practicable date.

Many of the 20 largest shareholders shown below hold shares as a nominee or custodian. In accordance with the reporting requirements, the tables reflect the legal ownership of shares and not the details of the underlying beneficial holders.

	Name of Shareholder	Number of Ordinary Shares	% of issued Capital
1	WC Strategic Opportunity LP	66,944,444	13.22%
2	HSBC Custody Nominee Aust Ltd	51,143,314	10.10%
3	JP Morgan Nom Aust PL	48,864,500	9.65%
4	Investissement Québec	43,500,000	8.59%
5	Prospect AG Trading PL	34,362,930	6.79%
6	Citicorp Nom PL	26,693,742	5.27%
7	Metech Super PL	10,000,000	1.98%
8	Mr Michael O'Keeffe	6,751,900	1.33%
9	National Nominees LTD	5,417,361	1.07%
10	Fidelity Clearing Canada ULC ITF SPROTT	3,600,000	0.71%
11	Eastbourne DP PL	3,500,000	0.69%
12	BNP Paribas Nominees PTY LTD	3,284,691	0.65%
13	BNP Paribas Nominees PTY LTD Custodial Serv LTD DRP	2,389,990	0.47%
14	GAB Super Fund PL	2,290,850	0.45%
15	Mr David Cataford	2,222,080	0.44%
16	BNP Paribas Nominees PTY LTD Six Sis LTD DRP	2,000,752	0.40%
17	BNP Paribas Noms PTY LTD DRP	1,807,639	0.36%
18	BASS Family Foundation PTY LTD	1,750,000	0.35%
19	Warbont Nominees PTY LTD	1,470,059	0.29%
20	GAB Superannuation Fund PTY LTD	1,443,334	0.29%

RISK FACTORS

An investment in securities of the Company is highly speculative and involves significant risks. If any of the events contemplated in the risk factors described below actually occurs, the Company's business may be harmed and its financial condition and results of operation may suffer significantly. In that event, the trading price of the Ordinary Shares could decline and purchasers of Ordinary Shares may lose all or part of their investment. The risks described herein are not the only risks facing the Company. Additional risks and uncertainties not currently known to the Company, or that the Company currently deems immaterial, may also materially and adversely affect its business.

Financial Risks

Iron Ore Prices

The Company's principal business is the exploration, development and production of iron ore. The Company's future profitability is largely dependent on movements in the price of iron ore. Iron ore prices have historically been volatile and are primarily affected by the demand for and price of steel in addition to the supply/demand balance. Given the historical volatility of iron ore prices, there are no assurances that the iron ore price will remain at economically attractive levels. An increase in iron ore supply without a corresponding increase in iron ore demand would be expected to result in a decrease in the price of iron ore. Similarly, a decrease in iron ore demand without a corresponding decrease in the supply of iron ore would be expected to result in a decrease in the price of iron ore. A continued decline in iron ore prices would adversely impact the business of the Company and could affect the feasibility of the Company's projects. As some of the Company's long-term debt and other financial instruments are subject to rate fluctuation based on the price of iron ore, a decrease in iron ore could have an adverse impact on the Company's financial instruments. A continued decline in iron ore prices would also be expected to adversely impact the Company's ability to attract financing. Iron ore prices are also affected by numerous other factors beyond the Company's control, including the exchange rate of the United States dollar with other major currencies, global and regional demand, political and economic conditions, production levels and costs and transportation costs in major iron ore producing regions. If as a result of a decline in iron ore prices, revenues from iron ore sales were to fall below cash operating costs, the feasibility of continuing development and operations would be evaluated and if warranted, could be discontinued.

Fluctuating Mineral Prices

Factors beyond the control of the Company may affect the marketability of any other minerals discovered. Resource prices have fluctuated widely and are affected by numerous factors beyond the Company's control. These factors include market fluctuations, the proximity and capacity of natural resource markets and processing equipment, and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital, and a loss of all or part of an investment in securities of the Company may result.

Liquidity / Financing Risk

The Company may need to obtain additional equity or debt financing in the future through the sale of securities, by optioning or selling its properties, or otherwise. No assurance can be given that additional financing will be available for further exploration and development of the Company's properties when required, upon terms acceptable to the Company or at all. Failure to obtain such additional financing could result in the delay or indefinite postponement of further exploration and development of its properties.

As of March 31, 2021, Champion had cash and cash equivalents of approximately \$609.3 million and total long-term debt of approximately \$215 million. Although Champion has been successful in repaying debt in the past and restructuring its capital structure with a lower cost of capital, there can be no assurance that it can continue to do so. In addition, Champion may in the future assume additional debt or reduce its holdings of cash and cash equivalents in connection with funding future growth initiatives, existing operations, capital expenditures or in pursuing other business opportunities. Champion's level of indebtedness could have important consequences for its operations. In particular, Champion may need to use a large portion of its cash flows to repay principal and pay interest on its debt, which will reduce the amount of funds available to finance its operations and other business activities. Champion's debt level may also limit its ability to pursue other business opportunities, borrow money for operations or capital expenditures or implement its business strategy.

RISK FACTORS

Financial Risks (continued)

Liquidity / Financing Risk (continued)

As of March 31, 2021, Champion had approximately \$226.4 million in debt maturing by December 23, 2025. This amount excludes \$1.9 million in capital lease payments expected by August 1, 2027. Currently, US\$220 million are undrawn under the Company's Amended Credit Facility. The Term Facility will mature five years from December 23, 2020 while the Revolving Facility will mature three years from December 23, 2020.

In addition to future cash flows from operations, potential divestments and the creation of new partnerships, Champion's other potential sources of liquidity for the payment of its expenses and principal and interest payable on its debt and other financial instruments include issuing additional equity or unsecured debt and borrowing under the Company's US\$50 million Revolving Facility. The key financial covenant in the Revolving Facility requires Champion to maintain a net debt to EBITDA ratio that does not exceed 4.25:1 (as of March 31, 2021, this ratio was approximately 0.35:1). Champion's ability to reduce its indebtedness and meet its payment obligations will depend on its future financial performance, which will be impacted by financial, business, economic and other factors. Champion will not be able to control many of these factors, including the economic conditions in the markets in which it operates. There is no certainty that Champion's existing capital resources and future cash flows from operations will be sufficient to allow it to pay principal and interest on its debt and other financial instruments and meet its other obligations. If these amounts are insufficient or if Champion does not comply with financial covenants under the Amended Credit Facility or its other financial instruments, Champion may be required to refinance all or part of its existing debt, sell assets, borrow more money or issue additional equity. The ability of Champion to access the bank, public debt or equity capital markets on an efficient basis may be constrained by a dislocation in the credit markets or capital or liquidity constraints in the banking, debt or equity markets at the time of such refinancing.

Champion is also exposed to liquidity and various counterparty risks including, but not limited to: (i) Champion's lenders and other banking and financial counterparties; (ii) Champion's insurance providers; (iii) financial institutions that hold Champion's cash; (iv) companies that have payables to Champion, including concentrate customers; and (v) companies that have received deposits from Champion for the future delivery of equipment.

Global Financial Conditions and Capital Markets

As future capital expenditures of the Company will be financed out of funds generated from operations, borrowings and possible future equity sales, the Company's ability to do so is dependent on, among other factors, the overall state of capital markets and investor appetite for investments in the Company's securities.

Global financial markets experienced extreme and unprecedented volatility and disruption in 2008, 2009 and the first half of 2020. World economies experienced a significant slowdown in 2008 and 2009 and only slowly began to recover late in 2009, through 2010 to 2019, although the strength of recovery has varied by region and by country. In the latter half of 2011 and 2012-2013, debt crises in certain European countries and other factors adversely affected the recovery. Similarly, as a result of the recent outbreak of the novel coronavirus disease (COVID-19), there has been a slowdown in world economies since the first quarter of 2020.

The impact that the United Kingdom's leaving the European Union on January 31, 2020 may continue to have on global financial markets' challenges and the demand for commodities is uncertain. As a result, access to public financing has been negatively impacted. Following January 31, 2020, the European Union and the United Kingdom negotiated the terms of their future relationship and on December 31, 2020, entered into a Trade and Cooperation Agreement. These conditions have resulted and may continue to result in a reduction in demand for various resources and raw materials.

These factors may impact the ability of the Company to obtain equity or debt financing in the future on favourable terms. Additionally, these factors, as well as other related factors, may impair the Company's ability to make capital investments and may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. If such increased levels of volatility and market fluctuations continue, the Company's operations could be adversely impacted and the trading price of its Ordinary Shares may be adversely affected.

RISK FACTORS

Financial Risks (continued)

Operating Costs

The Company's financial performance is affected by its ability to achieve production volumes at certain cash operating costs. The Company's expectations with respect to cash operating costs of production are based on the mine plan that reflects the expected method by which the Company will mine Mineral Reserves at the Bloom Lake Mine and the expected costs associated with the plan. Actual iron ore production and cash operating costs may differ significantly from those the Company has anticipated for a number of reasons, including variations in the volume of ore mined and ore grade, which could occur because of changing mining rates, ore dilution, varying metallurgical and other ore characteristics and short-term mining conditions that require different sequential development of ore bodies or mining in different areas of the mine. Mining rates are impacted by various risks and hazards inherent at the operation, including natural phenomena, such as inclement weather conditions, and unexpected labour shortages or strikes or availability of mining fleet. Cash operating costs are also affected by ore characteristics that impacts recovery rates, labour costs, the cost of mining supplies and services, foreign currency exchange rates and stripping costs incurred during the production phase of the mine. In the normal course of operations, the Company manages each of these risks to mitigate, where possible, the effect they have on operating results.

Foreign Exchange

Iron ore is sold in U.S. dollars. The Company is, therefore, subject to foreign exchange risks relating to the relative value of the Canadian dollar as compared to the U.S. dollar. Revenue generated by the Company from production on its properties are received in U.S. dollars while operating and capital costs are incurred primarily in Canadian dollars. A decline in the U.S. dollar would result in a decrease in the real value of the Company's revenues and adversely impact the Company's financial performance. In addition, Champion's functional and reporting currency is Canadian dollars, while its Credit Facility and Equipment Financing Facility are denominated in U.S. dollars. Therefore, as the exchange rate between the Canadian dollar and the U.S. dollar fluctuates, the Company will experience foreign exchange gains and losses, which can have a significant impact on its consolidated operating results.

Interest Rates

A significant, prolonged increase in interest rates could have a material adverse impact on the interest payable under the Company's long-term debt, long-term leases and other financial instruments. The Company's interest rate exposure mainly relates to the interest payments on its variable-rate debt totaling US\$180 million as of March 31, 2021.

Reduced Global Demand for Steel or Interruptions in Steel Production

The global steel manufacturing industry has historically been subject to fluctuations based on a variety of factors, including general economic conditions and interest rates. Fluctuations in the demand for steel can lead to similar fluctuations in iron ore demand. A decrease in economic growth rates could lead to a reduction in demand for iron ore. Any decrease in economic growth or steel consumption could have an adverse effect on the demand for iron ore and consequently on the Company's ability to obtain financing, to achieve production and on its financial performance. See also "Global Financial Conditions and Capital Markets" above.

RISK FACTORS

Operational Risks

Mineral Exploration, Development and Operating Risks

Mineral exploration is highly speculative in nature, generally involves a high degree of risk and is frequently non-productive. Resource acquisition, exploration, development and operation involve significant financial and other risks over an extended period of time, which even a combination of careful evaluation, experience and knowledge may not eliminate. Significant expenses are required to locate and establish economically viable mineral deposits, to acquire equipment and to fund construction, exploration and related operations, and few mining properties that are explored are ultimately developed into producing mines.

Success in establishing an economically viable project is the result of a number of factors, including the quantity and quality of minerals discovered, proximity to infrastructure, metal and mineral prices, which are highly cyclical, costs and efficiencies of the recovery methods that can be employed, the quality of management, available technical expertise, taxes, royalties, environmental matters, government regulation (including land tenure, land use and import/export regulations) and other factors. Even in the event that mineralization is discovered on a given property, it may take several years in the initial phases of drilling until production is possible, during which time the economic feasibility of production may change as a result of such factors. The effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company's not receiving an adequate return on its invested capital, and no assurance can be given that any exploration program of the Company will result in the establishment or expansion of resources or reserves.

The Company's operations are subject to all the hazards and risks normally encountered in the exploration, development and production of iron ore and other minerals, including, but not limited to, environmental hazards (including hazards relating to the discharge of pollutants), industrial accidents, labor force disruptions, health crises (including epidemics and pandemics), adjacent or adverse land or mineral ownership rights or claims that may result in constraints on current or future mining operations, unavailability of materials and equipment, equipment failures, changes in anticipated grade and tonnage of ore, unusual or unexpected adverse geological or geotechnical conditions or formations, unanticipated ground and water conditions, unusual or unexpected adverse operating conditions, slope failures, rock bursts, cave-ins, seismic activity, the failure of pit walls or tailings dams, pit flooding, fire, explosions and natural phenomena and "acts of God" such as inclement weather conditions, floods, earthquakes or other conditions, any of which could result in, among other things, damage to, or destruction of, mineral properties or production facilities, personal injury or death, damage to property, environmental damage, unexpected delays in mining, limited mine site access, difficulty selling concentrate to customers, reputational loss, monetary payments and losses and possible legal liability. As a result, production may fall below historic or estimated levels and Champion may incur significant costs or experience significant delays that could have a material adverse effect on its financial performance, liquidity and results of operations. The Company maintains insurance to cover some of these risks and hazards; however, such insurance may not provide sufficient coverage in certain circumstances or may not be available or otherwise adequate for the Company's needs. See also "*Risk Factors – Insurance and Uninsured Risks*" below.

The Company's processing facility is dependent on continuous mine feed to remain in operation. Insofar as the Bloom Lake Mine does not maintain material stockpiles of ore or material in process, any significant disruption in either mine feed or processing throughput, whether due to equipment failures, adverse weather conditions, supply interruptions, export or import restrictions, labour force disruptions or other causes, may have an immediate adverse effect on the results of its operations. A significant reduction in mine feed or processing throughput at the mine could cause the unit cost of production to increase to a point where the Company could determine that some or all of its reserves are or could be uneconomic to exploit.

The Company periodically reviews mining schedules, production levels and asset lives in its LOM planning for all of its operating and development properties. Significant changes in the LOM plans can occur as a result of mining experience, new ore discoveries, changes in mining methods and rates, process changes, investment in new equipment and technology, iron ore price assumptions and other factors. Based on this analysis, the Company reviews its accounting estimates and, in the event of impairment, may be required to write-down the carrying value of one or more of its long-lived assets. This complex process continues for the LOM. See also "*Risk Factors – Ability to Support the Carrying Value of Non-Current Assets*" below.

RISK FACTORS

Operational Risks (continued)

Mineral Exploration, Development and Operating Risks (continued)

In addition, any current and future mining operations are and will be subject to the risks inherent in mining, including adverse fluctuations in commodity prices, fuel prices, exchange rates and metal prices, increases in the costs of constructing and operating mining and processing facilities, availability of energy, access and transportation costs, delays and repair costs resulting from equipment failure, changes in the regulatory environment, industrial accidents and labour actions or unrest. The occurrence of any of these events could materially and adversely affect the development of a project or the operations of a facility, which could have a material adverse impact upon the Company.

As well, risks may arise with respect to the management of tailings and waste rock, mine closure, rehabilitation and management of closed mine sites (regardless of whether the Company operated the mine site or acquired it after operations were conducted by others). Financial assurances may also be required with respect to closure and rehabilitation costs, which may increase significantly over time and reserved amounts may not be sufficient to address actual obligations at the time of decommissioning and rehabilitation.

As a result of the foregoing risks, and in particular, where a project is in a development stage, expenditures on any and all projects, actual production quantities and rates, and cash costs may be materially and adversely affected and may differ materially from anticipated expenditures, production quantities and rates, and costs. In addition, estimated production dates may be delayed materially, in each case especially to the extent development projects are involved. Any such events can materially and adversely affect the Company's business, financial condition, results of operations and cash flows.

Uncertainty of Mineral Resource and Mineral Reserve Estimates

Although the Mineral Resource and Mineral Reserve estimates included herein have been carefully prepared by independent mining experts, these amounts are estimates only and no assurance can be given that any particular level of recovery of iron ore or other minerals will in fact be realized or that an identified mineral deposit will ever qualify as a commercially mineable (or viable) ore body which can be economically exploited. Additionally, no assurance can be given that the anticipated tonnages and grades will be achieved or that the indicated level of recovery will be realized. Estimates of Mineral Resources and Mineral Reserves can also be affected by such factors as environmental permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. In addition, the grade of ore ultimately mined may differ dramatically from that indicated by results of drilling, sampling and other similar examinations. Short-term factors relating to Mineral Resources and Mineral Reserves, such as the need for orderly development of ore bodies or the processing of new or different grades, may also have an adverse effect on mining operations and on the results of operations. Material changes in Mineral Resources and Mineral Reserves, grades, stripping ratios or recovery rates may affect the economic viability of projects. Mineral Resources and Mineral Reserves are reported as general indicators of mine life. Mineral Resources and Mineral Reserves should not be interpreted as assurances of potential mine life or of the profitability of current or future operations. There is a degree of uncertainty attributable to the calculation and estimation of Mineral Resources and Mineral Reserves and corresponding grades. Until ore is actually mined and processed, Mineral Resources and Mineral Reserves and grades must be considered as estimates only. In addition, the quantity of Mineral Resources and Mineral Reserves may vary depending on mineral prices. Any material change in resources, Mineral Resources or Mineral Reserves, or grades or stripping ratios will affect the economic viability of the Company's projects.

RISK FACTORS

Operational Risks (continued)

Uncertainties and Risks Relating to Feasibility Studies

Feasibility studies are used to determine the economic viability of a deposit, as are pre-feasibility studies and preliminary assessments. Feasibility studies are the most detailed and reflect a higher level of confidence in the reported capital and operating costs. Generally accepted levels of confidence are plus or minus 15% for feasibility studies, plus or minus 25-30% for pre-feasibility studies and plus or minus 35-40% for preliminary economic assessments. There is no certainty that the Phase II Feasibility Study will be realized. While the Phase II Feasibility Study is based on the best information available to the Company, it cannot be certain that actual costs will not significantly exceed the estimated cost. While the Company incorporates what it believes is an appropriate contingency factor in cost estimates to account for this uncertainty, there can be no assurance that the contingency factor is adequate. Many factors are involved in the determination of the economic viability of a mineral deposit, including the achievement of satisfactory Mineral Reserve estimates, the level of estimated metallurgical recoveries, capital and operating cost estimates and estimates of future mineral and metal prices.

In addition, ongoing mining operations at the Bloom Lake Mine are dependent on a number of factors including, but not limited to, the acquisition and/or delineation of economically recoverable mineralization, favourable geological conditions, seasonal weather patterns, unanticipated technical and operational difficulties encountered in extraction and production activities, mechanical failure of operating plant and equipment, shortages or increases in the price of consumables, spare parts and plant and equipment, cost overruns, access to the required level of funding and contracting risk from third parties providing essential services. Actual operating results may differ from those anticipated in the Feasibility Study or the Phase II Feasibility Study. The Company's operations may be disrupted by a variety of risks and hazards which are beyond its control, including environmental hazards, industrial accidents, technical failures, labour disputes, unusual or unexpected rock formations, flooding and extended interruptions due to inclement or hazardous weather conditions and fires, explosions or accidents. There is no certainty that metallurgical recoveries obtained in bench scale or pilot plant scale tests will be achieved in ongoing or future commercial operations. Capital and operating cost estimates are based upon many factors, including anticipated tonnage and grades of ore to be mined and processed, the configuration of the ore body, ground and mining conditions, expected recovery rates of the metals from the ore and anticipated environmental and regulatory compliance costs. Each of these factors involves uncertainties, and as a result, the Company cannot give any assurance that the Phase II Feasibility Study results will not be subject to change and revisions.

RISK FACTORS

Operational Risks (continued)

Dependence on the Bloom Lake Mine

While the Company may invest in additional mining and exploration projects in the future, the Bloom Lake Mine is currently the Company's sole producing asset providing all of the Company's operating revenue and cash flows. Consequently, a delay or any difficulty encountered in the operations at the Bloom Lake Mine, including with respect to the realization or timing of the Phase II expansion project, would materially and adversely affect the financial condition and financial sustainability of the Company. In addition, the results of operations of the Company could be materially and adversely affected by any events which cause the Bloom Lake Mine to operate at less than optimal capacity, including, among other things, equipment failure, adverse weather, serious environmental, public health and safety issues, any permitting or licensing issues and any failure to produce expected amounts of iron ore. See also "*Liquidity / Financing Risk*" above and "*Public Health Crises*" below.

Development and Expansion Projects Risks

The Company's ability to meet development and production schedules and cost estimates for its development and expansion projects cannot be assured. Without limiting the generality of the foregoing, the Company is in the process of implementing the Phase II expansion project of the Bloom Lake Mine, which requires considerable capital expenditures and various environmental and other permits and governmental authorizations. Construction and development of these projects are subject to numerous risks, including, without limitation, risks relating to: significant cost overruns due to, among other things, delays, changes to inputs or changes to engineering; delays in construction and technical and other problems, including adverse geotechnical conditions and other obstacles to construction; ability to obtain regulatory approvals or permits, on a timely basis or at all; ability to comply with any conditions imposed by regulatory approvals or permits, maintain such approvals and permits or obtain any required amendments to existing regulatory approvals or permits; accuracy of reserve and resource estimates; accuracy of engineering and changes in scope; adverse regulatory developments, including the imposition of new regulations; significant fluctuations in iron ore and other commodity prices, fuel and utilities prices, which may affect the profitability of the projects; community action or other disruptive activities by stakeholders; adequacy and availability of a skilled workforce; strikes; difficulties in procuring or a failure to procure required supplies and resources to construct and operate a mine; availability, supply and cost of water and power; weather or severe climate impacts; litigation; dependence on third parties for services and utilities; development of required infrastructure; a failure to develop or manage a project in accordance with the planning expectations or to properly manage the transition to an operating mine; the reliance on contractors and other third-parties for management, engineering, construction and other services, and the risk that they may not perform as anticipated and unanticipated disputes may arise between them and the Company; and the effects of the COVID-19 pandemic or other potential pandemics, including regulatory measures intended to address the pandemic or operating restrictions imposed to protect workers, supply chain impacts and other factors. These and other risks could lead to delays in developing certain properties or delays in current mining operations, and such delays could have a material and adverse effect on the Company's future cash flows, earnings, results of operations and financial condition.

RISK FACTORS

Operational Risks (continued)

Replacement of Mineral Reserves

The Bloom Lake Mine is currently the Company's only source of production. The Company's ability to maintain, past the current life of mine at the Bloom Lake Mine, or increase its annual production will depend on its ability to bring new mines into production and to expand Mineral Reserves at the Bloom Lake Mine. Once a site with mineralization is discovered, it may take several years from the initial phases of drilling until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish Mineral Reserves and to construct mining and processing facilities. As a result of these uncertainties, there is no assurance that current or future exploration programs may be successful. There is a risk that depletion of reserves will not be offset by discoveries. As a result, the reserve base of the Company may decline if reserves are mined without adequate replacement and the Company may not be able to sustain production beyond the current LOM, based on current production rates, which could have a material and adverse effect on the Company's future cash flows, earnings, results of operations and financial condition.

Environmental Risks and Hazards

The operations of the Company are subject to environmental laws and regulations relating to the protection of the environment (including living things), occupational health and safety, hazardous or toxic substances, wastes, pollutants, contaminants or other regulated or prohibited substances or dangerous goods (collectively, "Environmental Laws"), as adopted and amended from time to time. Environmental Laws provide for, among other thing, restrictions and prohibitions on spills, releases and emissions of various substances produced in association with, or resulting from, mining industry operations, such as seepage from tailings disposal areas that result in environmental pollution. A breach of Environmental Laws may result in the imposition of fines, penalties, restrictive orders or other enforcement actions. In addition, certain types of operations require the submission and approval of environmental impact assessments or other environmental authorizations. Environmental Laws are evolving toward stricter standards, and enforcement, fines and penalties for non-compliance are becoming more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and their directors, officers and employees. The cost of compliance with such changes to Environmental Laws has a potential to adversely impact the Company's future cash flows, earnings, results of operations and financial condition.

The Company's operation is subject to environmental regulations which are enforced primarily by the Department of Environment, Climate Change and Municipalities (Newfoundland and Labrador), the Ministry of the Environment and the Fight against Climate Change (Quebec), Fisheries and Oceans Canada, and Environment and Climate Change Canada.

Reclamation Costs and Related Liabilities

The Company is required to submit for government approval a reclamation plan in connection with certain mining sites, to submit financial warranties covering the anticipated cost of completing the work required under such a plan, and to pay for the reclamation work upon the completion or cessation of certain mining activities. Any significant increases over the Company's current estimates of future cash outflows for reclamation costs could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

Government Regulation

Exploration, development and mining of minerals are subject to extensive federal, provincial and local laws and regulations governing acquisition of mining interests, prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, water use, land use, land claims of aboriginal peoples and local people, environmental protection and remediation, endangered and protected species, mine safety and other matters.

RISK FACTORS

Operational Risks (continued)

Potential First Nations Land Claims

The Company conducts its operations in the Province of Quebec and in the Province of Newfoundland and Labrador, which areas are subject to conflicting First Nations land claims. Aboriginal claims to lands, and the conflicting claims to traditional rights between Aboriginal groups, may have an impact on the Company's ability to develop its properties. The boundaries of traditional territorial claims by these groups, if established, may impact the areas which constitute the Company's properties. Mining licences and mineral claims and their renewals may be affected by land and resource rights negotiated as part of new agreements that may be entered into by governments with First Nations.

Pursuant to section 35 of The Constitution Act of 1982, the Federal and Provincial Crowns (including those of the Provinces of Quebec and Newfoundland and Labrador) have in some circumstances a duty to consult and a duty to accommodate Aboriginal peoples. When development is proposed in an area to which an Aboriginal group asserts Aboriginal rights or Aboriginal title, and a credible claim to such rights or title has been made, a developer may also be required by the Crown to conduct consultations with Aboriginal groups which may be affected by the proposed project and, in some circumstances, accommodate them. The outcome of such consultations may significantly delay or even prevent the development of the Company's properties.

The development and the operation of the Company's properties may require the entering into of impact and benefits agreements ("IBAs") or other agreements with the affected First Nations. As a result of such IBAs or other agreements, the Company may incur significant financial or other obligations to affected First Nations.

On April 12, 2017, the Company, through QIO, entered into an IBA with the Uashaunnuat, Innu of Uashat and of Mani-Utenam, the Innu TakuaiKAN Uashat Mak Mani-Utenam Band No. 80 and the Innu TakuaiKAN Uashat Mak Mani-Utenam Band Council with respect to future operations at Bloom Lake (the "Bloom Lake IBA").

The Bloom Lake IBA is a LOM agreement and provides for real participation in Bloom Lake for the Uashaunnuat in the form of training, jobs and contract opportunities and ensures that the Innu of TakuaiKAN Uashat Mak Mani-Utenam receive fair and equitable financial and socio-economic benefits. The Bloom Lake IBA also contains provisions which recognize and support the culture, traditions and values of the Innu of TakuaiKAN Uashat Mak Mani-Utenam, including recognition of their bond with the natural environment.

The negotiation of any IBA required in the future for other projects may significantly delay the development of the properties. There can be no assurance that the Company will be successful in reaching an IBA or other agreement with First Nation groups asserting Aboriginal rights or Aboriginal title or who may have a claim which affects the Kami Project, the CFLN project, Quinto Claims or any of the Company's other projects.

No Assurance of Titles

The acquisition of title to mineral projects is a very detailed and time consuming process. Although the Company has taken precautions to ensure that legal title to its property interests is properly recorded in the name of the Company or, where applicable, in the name of its joint venture partners, there can be no assurance that such title will ultimately be secured. Furthermore, there is no assurance that the interests of the Company in any of its properties may not be challenged or impugned.

RISK FACTORS

Operational Risks (continued)

Permits and Licenses

The operations of the Company require licenses and permits from various governmental authorities. The Company believes that it presently holds all necessary licenses and permits required to carry out the activities which it is currently conducting under applicable laws and regulations, and the Company believes it is presently complying in all material respects with the terms of such licenses and permits. However, there can be no assurance that the Company will be able to obtain all necessary licenses and permits required in the future to carry out exploration, development and mining operations at its projects on acceptable terms, in a timely manner or at all. The costs and delays associated with obtaining necessary permits and complying with these permits and applicable laws and regulations could stop or materially delay or restrict the Company from proceeding with the development of an exploration project or the operation or further development of a mine, which could have a material and adverse effect on the Company's future cash flows, earnings, results of operations and financial condition. There can be no guarantee that the Company will be able to obtain or maintain all necessary licenses and permits that may be required to explore and develop its properties, commence construction or operation of mining facilities or to maintain continued operations that economically justify the cost.

Climate Change

Champion recognizes that climate change is a global challenge that will affect its business in a range of possible ways. Champion's mining and processing operations are energy intensive, resulting in a carbon footprint either directly or through the purchase of fossil-fuel based energy. As a result, the Company is impacted by current and emerging policy and regulations relating to the greenhouse gas emission levels, energy efficiency and reporting of climate change related risks. While some of the costs associated with reducing emissions may be offset by increased energy efficiency and technological innovation, the current regulatory trend may result in additional transition costs at Champion's operations. In addition, the physical risks of climate change may also have an adverse effect on Champion's business and operations. These may include increased incidence of extreme weather events and conditions, resource shortages, changes in rainfall and storm patterns and intensities and changing temperatures. Associated with these physical risks is an increasing risk of climate-related litigation (including class actions) and the associated costs. Stakeholders are seeking enhanced disclosure of the material risks, opportunities, financial impacts and governance processes related to climate change. Adverse publicity or climate-related litigation could have an adverse effect on Champion's reputation, financial condition or results of operations.

Public Health Crises

The Company's business, operations and financial condition could be materially and adversely affected by outbreaks of epidemics or pandemics or other health crises, including the recent outbreak of COVID-19. On January 30, 2020, the World Health Organization declared the outbreak a public health event of international concern, and on March 11, 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. On March 13, 2020, the Government of Quebec declared a public health emergency. On March 23, 2020, the Government of Quebec mandated companies involved in the mining industry to reduce mining activities in the Province of Quebec to a minimum. As a result, the Company announced on March 24, 2020 that it was ramping down operations. Although, as announced by the Company on April 23, 2020 following the Quebec Government's announcement that mining activities were to be considered a "priority service" in the Province of Quebec effective April 15, 2020, the operations gradually ramped up and although early actions implemented by management of the Company in response to the COVID-19 pandemic minimized its impacts on the Company and its operations, there is no certainty that there will be no further reductions or disruptions to the Company's mining and operating activities.

RISK FACTORS

Operational Risks (continued)

Public Health Crises (continued)

Since the beginning of the outbreak of COVID-19, there have been a large number of temporary business closures, quarantines and a general reduction in consumer activity worldwide. The COVID-19 outbreak has caused companies and various international jurisdictions to impose significant travel, gathering and other public health restrictions. The impact of COVID-19 on global supply chains, and in particular its impact on the mining industry, is still evolving. The speed and extent of the spread of COVID-19 (which for purposes of this AIF, where applicable, includes any variants thereof), and the duration and intensity of resulting business disruption, local and international, and related financial and social impact, are uncertain. Further, the extent and manner to which COVID-19, and measures taken by governments, the Company or others to attempt to reduce the spread of COVID-19, may affect the Company cannot be predicted with certainty. The Company cannot estimate whether any additional restrictions will be imposed on its activities or whether any additional measures will be taken by governments (including measures that result in the suspension or reduction of mining operations) and the potential financial and operational impact thereof, including impact on employee health, workforce productivity and availability, travel restrictions, contractor availability, supply availability, ability to sell or deliver iron ore and the availability of insurance and the cost thereof.

Such public health crises can result in volatility and disruptions in the supply and demand for metals and minerals, global supply chains and financial markets, as well as declining trade and market sentiment and reduced mobility of people, all of which could affect commodity prices, interest rates, credit ratings, credit risk and inflation. The risks to the Company of such public health crises also include risks to employee health and safety, a slowdown or temporary suspension of operations, increased labour, shipping and fuel costs, regulatory changes, political or economic instabilities or civil unrest. Similarly, the Company's ability to obtain financing and the ability of the Company's vendors, suppliers, consultants and partners to meet their obligations to the Company may be impacted as a result of the COVID-19 outbreak and efforts to contain the virus. Consequently, the COVID-19 outbreak or potential future public health crises may have a material adverse effect on the Company's business, results of operations and financial condition. The extent to which COVID-19 and any other pandemic or public health crisis impacts the Company's business, affairs, operations, financial condition, liquidity, availability of credit and results of operations will depend on future developments that are highly uncertain and cannot be accurately predicted, including new information which may emerge concerning the severity of and the actions required to contain the COVID-19 pandemic or remedy its impact.

Infrastructure and Reliance on Third Parties for Transportation of the Company's Iron Ore Concentrate

Some of the Company's properties are located in relatively remote areas at some distance from existing infrastructure. Active mineral exploitation at any such properties would require building, adding or extending infrastructure, which could add to time and cost required for mine development.

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. In order to develop mines on its properties, the Company has entered into various agreements for various infrastructure requirements, including for rail transportation, power and port access with various industry participants, including external service and utility providers. These are important determinants affecting capital and operating costs. The Company has concluded agreements with the relevant rail companies and port authorities necessary for the transportation and handling of the Company's production of Bloom Lake iron ore, and disruptions in their services could affect the operation and profitability of the Company.

In addition, there is no certainty that the Company will be able to continue to access sources of power on economically feasible terms for all of its projects and requirements and this could have a material adverse effect on the Company's results of operations and financial condition.

Reliance on Small Number of Significant Customers

The Company currently relies on a small number of significant customers in connection with the sale of its iron ore. As a result of this reliance on the limited number of customers, the Company could be subject to adverse consequences if any of these customers breaches their purchase commitments.

RISK FACTORS

Operational Risks (continued)

Availability of Reasonably Priced Raw Materials and Mining Equipment

The Company requires and will continue to require a variety of raw materials in its business as well as a wide variety of mining equipment. To the extent these materials or equipment are unavailable or available only at significantly increased prices, the Company's production and financial performance could be adversely affected. It is also expected that if the Company proceeds with the Phase II expansion project at Bloom Lake, such project will require significant financing.

Dependence on Third Parties

The Company has relied upon consultants, engineers and others and intends to rely on these parties for development, construction and operating expertise. Substantial expenditures are required to construct mines, to establish Mineral Resources and Mineral Reserves through drilling, to carry out environmental and social impact assessments, to develop metallurgical processes to extract the metal from the ore and, in the case of new properties, to develop the exploration and plant infrastructure at any particular site. If such parties' work is deficient or negligent or is not completed in a timely manner, it could have a material adverse effect on the Company.

Reliance on Information Technology Systems

The Company's operations are dependent upon information technology systems. These systems are subject to disruption, damage or failure from a variety of sources. Failures in the Company's information technology systems could translate into production downtimes, operational delays, compromising of confidential information or destruction or corruption of data. Accordingly, any failure in the Company's information technology systems could materially adversely affect its financial condition and results of operation. Information technology systems failures could also materially adversely affect the effectiveness of the Company's internal controls over financial reporting.

Cybersecurity Threats

The Company's operations depend, in part, on how well it and its suppliers protect networks, technology systems and software against damage from a number of threats, including viruses, security breaches and cyber-attacks. Cybersecurity threats include attempts to gain unauthorized access to data or automated network systems and the manipulation or improper use of information technology systems. A failure of any part of the Company's information technology systems could, depending on the nature of such failure, materially adversely impact the Company's reputation, financial condition and results of operations. Although to date the Company has not experienced any material losses relating to cyber-attacks or other information security breaches, there can be no assurance that it will not incur such losses in the future. The risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any system vulnerabilities.

Litigation

All industries, including the mining industry, are subject to legal claims, with and without merit. The Company has in the past been, and may in the future be, involved in various legal proceedings. While the Company is not aware of any pending or contemplated legal proceedings the outcome of which could have a material adverse effect on the Company's financial condition and results of operations, the Company may become subject to legal proceedings in the future, the outcome of which is uncertain, and may incur defense costs in connection therewith, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, there can be no assurance that the resolution of any particular or several combined legal proceedings will not have a material adverse effect on the Company's financial condition and results of operations.

RISK FACTORS

Other Risks

Volatility of Stock Price

In recent years, the securities markets in Australia and Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. It may be anticipated that any quoted market for the Ordinary Shares will be subject to market trends generally, notwithstanding any potential success of the Company in creating revenues, cash flows or earnings and that the value of the Ordinary Shares will be affected by such volatility.

Reputational Risk

As a result of the increased usage and the speed and global reach of social media and other web-based tools used to generate, publish and discuss user-generated content and to connect with other users, companies today are at much greater risk of losing control over how they are perceived socially and in the marketplace. Damage to Champion's reputation can result from the actual or perceived occurrence of any number of events, including any negative publicity (for example with respect to Champion's handling of environmental matters or its relations with stakeholders), whether true or not. Champion places a great emphasis on protecting its image and reputation by managing its social media and other web-based platforms, but it does not ultimately have direct control over how it is perceived by others. Reputation loss may lead to increased challenges in developing and maintaining community relations, ability to secure labour and ability to finance, decreased investor confidence and impediments to Champion's overall ability to advance its projects, thereby having a material adverse impact on its financial performance, cash flows, operations and growth prospects.

Internal Controls and Procedures

Management of the Company has established processes to provide them with sufficient knowledge to support representations that they have exercised reasonable diligence to ensure that (i) the financial statements of the Company do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented thereby, and (ii) the financial statements of the Company fairly present in all material respects the financial condition, results of operations and cash flow of the Company, as of the date of and for the periods presented. The Company files certifications of annual and interim filings, signed by the Company's Chief Executive Officer and Chief Financial Officer, as required by National Instrument 52-109 – Issuers' Annual and Interim Filings. In such certifications, the Company's Chief Executive Officer and Chief Financial Officer certify the appropriateness of the financial disclosure in the Company's filings with the securities regulators, the design and effectiveness of the Company's disclosure controls and procedures and the design and effectiveness of internal controls over financial reporting at the respective financial period end. The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in the certificate.

Internal controls over financial reporting are procedures designed to provide reasonable assurance that transactions are properly authorized, assets are safeguarded against unauthorized or improper use and transactions are properly recorded and reported. They are not a guarantee of perfection. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance with respect to the reliability of financial reporting and financial statements preparation.

RISK FACTORS

Other Risks (continued)

Insurance and Uninsured Risks

The Company currently maintains insurance to protect it against certain risks related to its current operations (including, among others, directors' and officers' liability insurance) in amounts that it believes are reasonable depending upon the circumstances surrounding each identified risk. However, the Company is unable to maintain insurance to cover all risks at economically feasible premiums, and in certain cases, insurance coverage may not be available or may not be adequate to cover any resulting liability (such as, for example, matters relating to environmental losses and pollution). Consequently, the Company may elect not to insure against certain risks due to high premiums or for various other reasons. Accordingly, insurance maintained by the Company does not cover all of the potential risks associated with its operations. In addition, no assurance can be given that the current insurance maintained by the Company will continue to be available at economically feasible premiums or at all, that the Company will obtain or maintain such insurance or that such insurance will provide sufficient coverage for any future losses. As a result, the Company's property, liability and other insurance may not provide sufficient coverage for losses related to the risks identified in this AIF or other risks or hazards. Should liabilities arise as a result of insufficient or non-existent insurance, any future profitability could be reduced or eliminated and delays, increases in costs and legal liability could result, each of which could have a material adverse impact upon the Company's cash flows, earnings, results of operations and financial condition.

Potential Conflicts of Interest

The directors and officers of the Company may serve as directors or officers of other companies involved in the mining industry or have significant shareholdings in such companies. Situations may arise in connection with potential acquisitions and investments where the other interests of these directors and officers may conflict with the interests of the Company. In the event that such a conflict of interest arises, a director is required to disclose the conflict of interest and to abstain from voting on the matter.

Dependence on Management and Key Personnel

The Company is dependent on the services of key executives, including a small number of highly skilled and experienced executives and personnel. The Company's development to date has largely depended, and in the future will continue to depend, on the efforts of management and other key personnel to develop its projects. Loss of any of these people, particularly to competitors, could have a material adverse impact upon the Company. In addition, the Company may need to recruit and retain other qualified managerial and technical employees to build and maintain its operations. If the Company requires such persons and is unable to successfully recruit and retain them, its development and growth could be significantly curtailed.

Employee Relations

Champion's ability to achieve its future goals and objectives is dependent, in part, on maintaining good relations with its employees, minimizing employee turnover and attracting new skilled workforce. Work stoppages, prolonged labor disruptions or other industrial relations events at Champion's major capital projects, as well as inability to recruit and retain qualified employees, could lead to project delays or increased costs and have a material adverse impact on Champion's projects, the completion, including the timing thereof, of the Bloom Lake Phase II expansion project, the Company's cash flows, earnings, results of operations and financial condition.

Competitive Conditions

There is aggressive competition within the mineral exploration and mining industry for the discovery and acquisition of properties considered to have commercial potential and for management and technical personnel. The Company's ability to acquire projects in the future is highly dependent on its ability to operate and develop its current assets and its ability to obtain or generate the necessary financial resources. The Company will compete in each of these respects with other parties, many of which have greater financial resources than the Company. Accordingly, there can be no assurance that any of the Company's future acquisition efforts will be successful or that it will be able to attract and retain required personnel. There is no assurance that the Company will continue to be able to compete successfully with its competitors in acquiring such properties or prospects.

RISK FACTORS

Other Risks (continued)

Dilution and Future Sales

The Company may from time to time undertake offerings of its Ordinary Shares or of securities convertible into Ordinary Shares, and it may also enter into acquisition agreements under which it may issue Ordinary Shares in satisfaction of certain required payments. An increase in the number of Ordinary Shares issued and outstanding and the prospect of issuance of Ordinary Shares upon conversion of convertible securities may have a depressive effect on the price of Ordinary Shares. In addition, as a result of such additional Ordinary Shares, the voting power and equity interests of the Ordinary Shareholders will be diluted. Furthermore, sales of a large number of Ordinary Shares in the public markets, or the potential for such sales, could decrease the trading price of the Ordinary Shares and could impair the Company's ability to raise capital through future sales of Ordinary Shares.

Joint Ventures and Option Agreements

From time to time, several companies may participate in the acquisition, exploration and development of natural resource properties through options, joint ventures or other structures, thereby allowing for their participation in larger programs, permitting involvement in a greater number of programs and reducing financial exposure in respect of any one program. It may also be the case that a particular company will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the company making the assignment. In determining whether or not the Company will participate in a particular program, the structure of its participation and the interest therein to be acquired by it, the directors of the Company will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time. In some of those arrangements, a failure of a participant to fund its proportionate share of the ongoing costs could result in its proportionate share being diluted and possibly eliminated.

From time to time, the Company may enter into option agreements and joint ventures as a means of gaining property interests and raising funds. Any failure of any option or joint venture partner to meet its obligations to the Company or other third parties, or any disputes with respect to third parties' respective rights and obligations, could have a material adverse effect on such agreements. In addition, the Company may be unable to exert direct influence over strategic decisions made in respect of properties that are subject to the terms of these agreements.

Ability to Support the Carrying Value of Non-Current Assets

As of March 31, 2021, the carrying value of Champion's non-current assets was approximately \$689.4 million, or approximately 46.1% of Champion's total assets. Non-current assets are tested for impairment when events or changes in circumstances indicate that the carrying value of these assets may not be recoverable. If indication of impairment exists, a non-current asset's recoverable amount is estimated. Such estimation is subjective and it involves making estimates and assumptions with respect to a number of factors, including, but not limited to, mine design, estimates of production levels and timing, Mineral Reserves and Mineral Resources, ore characteristics, operating costs and capital expenditures, as well as economic factors beyond management's control, such as iron ore prices, discount rates and observable net asset value multiples. If the recoverable amount is lower than the carrying value, Champion may be required to record an impairment loss on the non-current asset, which will reduce the Company's earnings. The timing and amount of such impairment charges are uncertain.



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09

FORWARD- LOOKING STATEMENTS

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report contains certain information and statements, which may be deemed “forward-looking statements” within the meaning of applicable securities laws (collectively referred to herein as “forward-looking statements”). All statements in this Annual Report, other than statements of historical fact, that address future events, developments or performance that Champion expects to occur including management’s expectations regarding (i) the Company’s ability to advance the Phase II expansion project and its construction and completion timeline, funding, impact on nameplate capacity, expected capital expenditures, production volume and project economics; (ii) decarbonization initiatives; (iii) laboratory testing and development of cold pelletizing technologies to reposition the Company’s product offering; (iv) the revision of the Kami Project feasibility study; (v) the mitigation of risks related to COVID-19 and the impact of COVID-19 on the overall economy, the operations and cash flows of the Company; (vi) the impact of iron ore prices fluctuations; (vii) global macroeconomics and iron ore industry conditions; (viii) the Company’s growth; (ix) the Company’s operational improvement; (x) the LoM of the Bloom Lake Mine; (xi) the R&D program which aims to develop new technologies and products; (xii) the Company’s ability to increase its customer base; (xiii) the Company’s cash requirements for the next twelve months; (xiv) the fluctuations of the ocean freight costs in connection with the fluctuations of the iron ore prices; (xv) the impact of exchange rate fluctuations on the Company and its financial results; (xvi) the cold agglomeration technology and its potential to reduce emissions; (xvii) job creation; (xviii) the recovery rates; (xix) the Company’s or the SFPPN’s operational improvement; (xx) the potential Phase II expansion of the Bloom Lake mine, including its funding, its expected capital expenditures, NPV, Iritis LoM, construction timeline, its growth to the company’s shareholders and its positive impact on the region and its communities; (xxi) the estimated future operation capacity of the Bloom Lake Mine and the potential doubling of production; (xxii) the completion of the construction for a potential expansion of the Bloom Lake Mine; (xxiii) the potential job creation related to the Bloom Lake Mine; (xxiv) the possibility of reconsidering domiciliation and related future savings; (xxv) the potential impacts on Champion’s business, financial condition and financial results of the outbreak of the COVID-19 pandemic; (xxvi) new measures to reduce environmental impact and airborne emissions; and (xxvii) the expected reduction in sustaining capital required for tailings management are forward-looking statements. Statements relating to “reserves” or “resources” are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated and that the reserves can be profitably produced in the future. Actual reserves may be greater than or less than the estimates provided herein. Forward-looking statements are statements that are not historical facts and are generally, but not always, identified by the use of words such as “plans”, “expects”, “is expected”, “budget”, “scheduled”, “estimates”, “continues”, “forecasts”, “projects”, “predicts”, “intends”, “anticipates”, “aims”, “targets”, or “believes”, or variations of, or the negatives of, such words and phrases or state that certain actions, events or results “may”, “could”, “would”, “should”, “might” or “will” be taken, occur or be achieved. including, without limitation, the results of the feasibility study with regards to the potential expansion of the Bloom Lake Mine. Although Champion believes the expectations expected in such forward-looking statements are based on reasonable assumptions, such forward-looking statements involve known and unknown risks, uncertainties and other factors, most of which are beyond the control of the Company, which may cause the Company’s actual results, performance or achievements to differ materially from those expressed or implied by such forward-looking statements. Factors that could cause the actual results to differ materially from those in forward-looking statements include, without limitation: the results of feasibility studies; project delays; continued availability of capital and financing and general economic, market or business conditions; general economic, competitive, political and social uncertainties; future prices of iron ore; failure of plant, equipment or processes to operate as anticipated; delays in obtaining governmental approvals, necessary permitting or in the completion of development or construction activities, impact of COVID-19 on the global economy, the iron ore market and Champion Iron Limited’s operations as well as those factors discussed in the section entitled “Risk Factors” of the Company’s 2021 Annual Information Form available on SEDAR at www.sedar.com. The forward-looking statements in this Annual Report are based on assumptions management believes to be reasonable and speak only as of the date of this Annual Report or as of the date or dates specified in such statements. Champion cautions that the foregoing list of risks and uncertainties is not exhaustive. Investors and others should carefully consider the above factors as well as the uncertainties they represent and the risk they entail. Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company’s ability to predict or control. The forward-looking statements contained herein are made as of the date hereof, or such other date or dates specified in such statements. Champion Iron undertakes no obligation to update publicly or otherwise revise any forward-looking statements contained herein whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements.

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10

COMPANY DIRECTORY



COMPANY DIRECTORY

DIRECTORS	<p>Michael O’Keeffe (Executive Chairman) - Non-independent</p> <p>Gary Lawler (Non-Executive Director) - Independent</p> <p>Andrew Love (Non-Executive Director) - Independent</p> <p>Michelle Cormier (Non-Executive Director) - Independent</p> <p>Wayne Wouters (Non-Executive Director) - Independent</p> <p>Jyothish George (Non-Executive Director) - Independent</p> <p>Louise Grondin (Non-Executive Director) - Independent</p> <p>David Cataford (Executive Director and Chief Executive Officer) - Non-independent</p>
COMPANY SECRETARY - AUSTRALIA	Pradip Devalia
CORPORATE SECRETARY	Steve Boucraite
REGISTERED OFFICE	<p>Level 1, 91 Evans Street Rozelle NSW 2039, Australia</p> <p>Telephone: +61 2 9810 7816 Facsimile: +61 2 8065 5017</p> <p>Website: www.championiron.com ACN 119 770 142</p>
PRINCIPLE ADMINISTRATIVE OFFICE	<p>1100 René-Lévesque Blvd. West, Suite 610 Montreal, QC, H3B 4N4, Canada</p> <p>Telephone: +1 514 316 4858 Facsimile: +1 514 819 8100</p>
AUDITORS	<p>Ernst & Young 200 George Street Sydney 2000 NSW, Australia</p>
SHARE REGISTRIES	<p>Automic Pty Ltd (“Automic Group”) Level 5, 126 Phillip Street Sydney NSW 2000, Australia</p> <p>Telephone: +61 2 9698 5414 Facsimile: +61 2 8583 3040</p> <p>TSX Trust Company 301 - 100 Adelaide Street West Toronto, ON, Canada, M5H 4H1</p> <p>Telephone: (416) 361-0930 Facsimile: (416) 361-0470</p>
STOCK EXCHANGES	The Company’s shares are listed on the Australian Stock Exchange (ASX), Toronto Stock Exchange (TSX) under the symbol CIA. The Company’s shares are also available to trade on the OTCQX Best Market under symbol CIAFF.
ASX CODE & TSX SYMBOL	CIA (Fully Paid Ordinary Shares)

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