

APPENDIX 4D

For the half-year ended September 30, 2021

This Appendix should be read in conjunction with the Director's Report and the consolidated financial statements ("Financial Statements") for the half-year ended September 30, 2021.

1. Name of Entity

Champion Iron Limited

ACN 119 770 142

2. Reporting Period

Reporting period: For the half-year ended September 30, 2021

Previous corresponding period: For the half-year ended September 30, 2020

3. Results for Announcement to the Market

	Half-Year Ended September 30,		Up/(Down)	% Movement
	2021	2020		
	(in thousands of CA\$)	(in thousands of CA\$)	(in thousands of CA\$)	
Revenue from ordinary activities	876,414	555,568	320,846	58%
Profit from ordinary activities after tax attributable to members	338,935	187,720	151,215	81%
Net profit attributable to members	338,935	187,720	151,215	81%

4. Dividends

No interim dividend has been declared for the half-year ended September 30, 2021 (half-year ended September 30, 2020: nil). Dividends paid by subsidiaries are not included.

5. Net Tangible Assets per Security

	As at September 30,	
	2021	2020
	(CA\$ per share)	(CA\$ per share)
Net tangible assets per security	2.03	1.17

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 Directors' Report and the Financial Statements that accompany this Appendix.

8. Status of Review

This report is based on Financial Statements for the half-year ended September 30, 2021, which have been reviewed by Ernst & Young.

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CHAMPION IRON 

FINANCIAL REPORT

FOR THE HALF-YEAR ENDED
SEPTEMBER 30, 2021

DIRECTORS' REPORT

Operating and Financial Review

The following Champion Iron Limited ("Champion" or the "Company") Directors' Report has been prepared as of October 28, 2021. This Directors' Report is intended to supplement the condensed interim consolidated financial statements for the three and six-month periods ended September 30, 2021 and related notes thereto ("Financial Statements"), which have been prepared in accordance with AASB 134/IAS 34, *Interim Financial Reporting*, and should be read in conjunction with the Company's audited annual financial statements and Annual Report for the year ended March 31, 2021. 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 (kilometres), m (metres) and EPS (earnings per share). The terms "Champion" or the "Company" refer to Champion Iron Limited and/or one, or more, or all of its subsidiaries, as applicable.

This Directors' Report contains forward-looking statements. Particular attention should be given to the risk factors described in the "Risk Factors" sections of the Company's 2021 Annual Information Form and the Annual Report for the fiscal year ended March 31, 2021 and to the "Cautionary Note Regarding Forward-Looking Statements" section of this Directors' Report.

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, 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 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.

1. Description of Business

Champion was incorporated under the laws of Australia in 2006 and is listed on the Toronto Stock Exchange (TSX: CIA), the Australian Securities Exchange (ASX: CIA) and is available to trade on the OTCQX Best Market (OTCQX: CIAFF).

Champion Iron Limited, through its subsidiary Quebec Iron Ore Inc. ("QIO"), owns and operates the Bloom Lake Mining Complex ("Bloom Lake" or "Bloom Lake Mine"), located on the south end of the Labrador Trough, approximately 13 km north of Fermont, Québec. Bloom Lake is an open-pit operation with a concentrator that primarily sources energy from renewable hydroelectric power. The Bloom Lake Phase I plant has a nameplate capacity of 7.4 Mtpa and produces a low contaminant high-grade 66.2% Fe iron ore concentrate and proved its ability to produce a 67.5% Fe direct reduction quality concentrate, which has attracted a premium to the IODEX 62% Fe CFR China Index ("P62") iron ore benchmark. The Company ships iron ore concentrate from Bloom Lake by rail, to a ship loading port in Sept-Îles, Québec, and sells its iron ore concentrate to customers globally, including in China, Japan, the Middle East, Europe, South Korea, India and Canada. In addition to the ongoing construction to complete the Bloom Lake Phase II expansion project ("Phase II"), Champion owns a portfolio of exploration and development projects in the Labrador Trough, including the Kamistiatuset project (the "Kami Project") located a few kilometres south-east of Bloom Lake, and the Consolidated Fire Lake North iron ore project, located approximately 40 km south of Bloom Lake.

Champion Iron Limited

Directors' Report - Operating and Financial Review

(Expressed in Canadian dollars, except where otherwise indicated)

2. Financial and Operating Highlights

	Three Months Ended September 30,			Six Months Ended September 30,		
	2021	2020	Variance	2021	2020	Variance
Iron ore concentrate produced (wmt)	2,089,100	2,268,800	(8%)	4,025,100	4,067,600	(1%)
Iron ore concentrate sold (dmt)	1,953,900	2,063,400	(5%)	3,928,600	3,822,200	3%
Financial Data (in thousands of dollars, except per share amounts)						
Revenues	331,006	310,994	6%	876,414	555,568	58%
Gross profit	210,685	199,909	5%	625,288	328,205	91%
EBITDA ¹	200,013	198,972	1%	605,752	329,134	84%
EBITDA margin ¹	60 %	64 %	(6%)	69 %	59 %	17%
Net income	114,596	112,164	2%	338,935	187,720	81%
Adjusted net income ¹	118,312	113,759	4%	343,421	191,763	79%
Basic earnings per share	0.23	0.24	(4%)	0.67	0.40	68%
Adjusted earnings per share ¹	0.23	0.24	(4%)	0.68	0.41	66%
Net cash flow from operations	374,141	131,426	185%	361,512	206,714	75%
Cash and cash equivalents	491,333	408,500	20%	491,333	408,500	20%
Total assets	1,773,545	1,072,906	65%	1,773,545	1,072,906	65%
Total non-current financial liabilities	232,023	219,965	5%	232,023	219,965	5%
Statistics (in dollars per dmt sold)						
Gross average realized selling price	218.8	162.8	34%	249.4	156.6	59%
Net average realized selling price ¹	169.4	150.7	12%	223.1	145.4	53%
Total cash cost ¹ (C1 cash cost)	56.2	48.5	16%	58.2	53.1	10%
All-in sustaining cost ¹	73.6	57.2	29%	73.1	60.7	20%
Cash operating margin ¹	95.8	93.5	2%	150.0	84.7	77%
Statistics (in US dollars per dmt sold)						
Gross average realized selling price	174.6	122.2	43%	201.6	115.6	74%
Net average realized selling price ¹	134.7	113.2	19%	180.4	107.3	68%
Total cash cost ¹ (C1 cash cost)	44.6	36.4	23%	46.8	39.1	20%
All-in sustaining cost ¹	58.4	42.9	36%	58.8	44.7	32%
Cash operating margin ¹	76.3	70.3	9%	121.6	62.6	94%

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

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(Expressed in Canadian dollars, except where otherwise indicated)

3. Quarterly and Year-to-Date Highlights

Health & Safety and Sustainability

- No serious injuries reported and no major environmental issues during the period; awareness campaigns are in place and continuous improvement efforts are deployed throughout the organization;
- Fully operational COVID-19 testing laboratory and prevention measures maintained in line with the Government of Québec's (the "Government") directives to mitigate risks related to COVID-19;
- In line with our Company's values, and out of respect and in recognition of the ancestral landholders' bond with the natural environment, the Company organized workshops aimed at familiarizing its employees with the Innu culture. Additionally, the Company participated and contributed to the commemoration activities that took place in the Uashat mak Mani-utenam community for the inaugural National Day for Truth and Reconciliation on September 30, 2021;
- Launch of the women's mentoring program dedicated to improve the integration and recruitment of more women into the Company's workforce; and
- Completion of the Company's 2021 Modern Slavery Statement and its 2020 Sustainability Report, both available on the Company's website at www.championiron.com.

Financial

- Revenues of \$331.0M and \$876.4M for the three and six-month periods ended September 30, 2021, respectively, compared to \$311.0M and \$555.6M for the same periods in 2020;
- EBITDA¹ of \$200.0M for the three-month period ended September 30, 2021, compared to \$199.0M for the same period in 2020. EBITDA¹ of \$605.8M for the six-month period ended September 30, 2021, compared to \$329.1M for the same period in 2020;
- Net income of \$114.6M for the three-month period ended September 30, 2021 (EPS of \$0.23), compared to \$112.2M for the same period in 2020 (EPS of \$0.24). Net income of \$338.9M for the six-month period ended September 30, 2021 (EPS of \$0.67), compared to \$187.7M for the same period in 2020 (EPS of \$0.40);
- Net cash flow from operations of \$374.1M for the three-month period ended September 30, 2021, representing an operating cash flow per share¹ of \$0.74, compared to \$131.4M or \$0.28 for the same period in 2020. Net cash flow from operations of \$361.5M for the six-month period ended September 30, 2021, representing an operating cash flow per share¹ of \$0.71, compared to \$206.7M or \$0.44 for the same period in 2020;
- Full redemption of the remaining \$125.0M balance of the total \$185.0M of the Company's subsidiary, QIO, preferred shares held by Caisse de dépôt et placement du Québec ("CDPQ") which terminated preferred share dividend payments and reduced the overall cost of capital;
- Drawdown of \$20.0M on the loan agreement with Investissement Québec, supported by the Fonds du développement économique ("IQ Loan") to finance the upgrade of Société Ferroviaire et Portuaire de Pointe-Noire's ("SFPPN") existing port and transboarding infrastructures; and
- Cash on hand¹ and restricted cash of \$567.5M as at September 30, 2021, compared to \$466.7M as at June 30, 2021 and \$680.5M 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.

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(Expressed in Canadian dollars, except where otherwise indicated)

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

Operations

- Production of 2,089,100 wmt of high-grade 66.3% iron ore ("Fe") concentrate for the three-month period ended September 30, 2021, compared to 2,268,800 wmt of high-grade 66.1% Fe concentrate for the same period in 2020. Production of 4,025,100 wmt of high-grade 66.3% Fe concentrate for the six-month period ended September 30, 2021, compared to 4,067,600 wmt of high-grade 66.3% for the same period in 2020;
- Fe recovery rate of 83.3% and 83.1% for the three and six-month periods ended September 30, 2021, respectively, compared to a Fe recovery rate of 85.2% and 83.8%, respectively, for the same periods in 2020; and
- Total cash cost¹ of \$56.2/dmt (US\$44.6/dmt) (C1) and \$58.2/dmt (US\$46.8/dmt) for the three and six-month periods ended September 30, 2021, respectively, compared to \$48.5/dmt (US\$36.4/dmt) and \$53.1/dmt (US\$39.1/dmt), respectively, for the same periods in 2020.

Growth and Development

- Commencement of a feasibility study, following laboratory work testing, to evaluate the reprocessing and infrastructure required for the commercial production of a 69% Fe Direct Reduction ("DR") pellet feed product;
- Advances in work related to the Kami Project's updated feasibility study, which is expected to be completed in the second half of 2022, in connection with the Company's strategy to evaluate its growth alternatives within its property portfolio;
- Completion of the Lac Lamêlée South property acquisition and the 1.5% net smelter return royalty on the Company's Moiré Lake property and Fermont Properties portfolio, which includes the Consolidated Fire Lake North project;
- Collaboration with Caterpillar Inc. ("Caterpillar") and Toromont Cat to develop, test and implement advanced drilling technologies aimed at optimizing Bloom Lake's operational productivity and reducing energy consumption;
- Receipt of a \$6.2M government grant during the three-month period ended September 30, 2021, as part of a grant of up to \$21.8M, related to the Company's greenhouse gas emissions and energy consumption reduction initiatives;
- In anticipation of the Phase II growth project completion, the Company amended terms of its marketing agreements to maintain existing relationships and develop new ones with customers globally; and
- Agreement for a freight contract signed for one vessel per month, from August 2021 to December 2022. The freight contract is expected to reduce the Company's freight premium volatility with a certain agreed-upon price premium above the average C3 Baltic Capesize Index ("C3") per tonne plus a seasonal additional premium for the winter condition.

Phase II Milestones

- Several critical construction items completed, including the major tie-in between Phase I and Phase II, enabling the Company to evaluate a potential accelerated completion schedule for the project currently expected by mid-2022;
- Advancing remaining work programs, in challenging times, with more than 400 individuals actively working on the project to maintain or accelerate the expected completion schedule; and
- Capital expenditures and start-up costs of \$110.5M and advance payments to SFPPN totalling \$14.1M incurred in the three-month period ended September 30, 2021, with \$413.2M invested to date.

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.

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(Expressed in Canadian dollars, except where otherwise indicated)

4. Response to the COVID-19 Pandemic

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 Government guidelines.

In a collective effort to improve immunity against COVID-19, including the Company's ongoing participation in the Côte-Nord Industry Vaccination Center, the Québec vaccination campaign is progressing rapidly. According to daily data published on the website of the *Institut National de Santé Publique du Québec*¹, approximately 79% of Québec's total population (90% of its eligible population) has received a first dose of vaccine and 76% of the total population (87% of its eligible population) are considered adequately vaccinated as at October 20, 2021. On September 1, 2021, a COVID-19 vaccination passport became effective in the province of Québec for non-essential businesses, which is anticipated to help limit the spread of the pandemic.

Although the Company is managing its operations to mitigate risks related to COVID-19, significant uncertainties remain regarding the ultimate impact that the pandemic may have on the overall economy and the demand for iron ore products. The pandemic's future impact on the Company, including operations and cash flows, remains uncertain and will depend on future developments, such as the duration of the pandemic, the emergence of variants, the efficacy and availability of vaccines and regulatory actions to contain the virus.

There has been no material change to the estimated impacts of the COVID-19 pandemic on the Company's ongoing and future operations and results since the filing of the 2021 Annual Report on May 27, 2021. Refer to section 3 of the Directors' Report for the year ended March 31, 2021. The Company's full COVID-19 plan is available on its website at www.championiron.com.

5. Bloom Lake Phase II Update

The Phase II project 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 built 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. On June 20, 2019, the Company announced the findings of the Bloom Lake Feasibility Study (the "Feasibility Study"), including proven and probable mineral reserve estimates of 807.0 Mt (346.0 Mt of proven reserves and 461.0 Mt of probable reserves) at an average grade of 29.0% Fe.

Bloom Lake Phase II reserves are based on the technical report entitled "Bloom Lake Mine – Feasibility Study Phase II", 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) 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.

During the three-month period ended September 30, 2021, \$110,532,000 in capital expenditures and start-up costs and \$14,104,000 in advance payments were incurred for the Phase II project, with \$413,216,000 invested to date, including \$69,653,000 in advance payments related to existing port, rail and transboarding infrastructures.

As at September 30, 2021, the Company had total cash on hand² and restricted cash of \$567,514,000.

The Company maintains a total undrawn credit facility (the "Senior Debt") of US\$220,000,000, a financing agreement for an undrawn amount of US\$75,000,000 in connection with the funding of Phase II mining equipment and a seven-year loan agreement with Fonds de Solidarité des Travailleurs du Québec ("FTQ") of \$75,000,000, of which \$45,000,000 remains undrawn as at September 30, 2021. Additionally, the Company's investment of \$85,000,000 related to upgrades at SFPPN and budgeted in the overall Phase II capital expenditures, is partially financed through a term loan of up to \$70,000,000, signed on July 21, 2021 with Investissement Québec and supported by Fonds du développement économique. As at September 30, 2021, \$50,000,000 of the IQ Loan remained undrawn. The IQ Loan annual interest rate is 3.7%. Accordingly, as at September 30, 2021, the Company had a total \$470,860,000 of undrawn available financing. Refer to section 12 - Financial Position.

¹ <https://mobile.inspq.qc.ca/covid-19/donnees/vaccination>

² 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.

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(Expressed in Canadian dollars, except where otherwise indicated)

5. Bloom Lake Phase II Update (continued)

Based on the foregoing and the utilization of ongoing operational cash flows, the Company is fully funded for the remaining Phase II construction project, which is currently scheduled for completion by mid-2022, with an estimated \$220,584,000 remaining to be spent, including deposits.

Milestones

The progression of construction works accelerated significantly in August and reached its peak during the three-month period ended September 30, 2021. With several critical construction work programs completed, including the major tie-in between the Phase I and Phase II projects, the Company is evaluating a potential accelerated completion schedule for the project currently expected by mid-2022. The Company continues to advance remaining work programs, in challenging times, with more than 400 individuals actively working on the project. Project milestones that were achieved and related works undertaken during the three-month period ended September 30, 2021 include:

- Completion of 97% of the detailed engineering;
- Steel structure erection in the concentrator, along with equipment installation, progressed as planned;
- Mechanical installation of the load-out conveyors from the concentrator to the train loading station completed;
- New overhead line electrical distribution for the mine continued; and
- Completion and handover of the Mamu accommodations complex, hosting a total capacity of 300 people.

6. Decarbonization Initiatives

Product Research and Development

The Company believes that the steel industry is undergoing a structural shift in its production methods, including an increased focus on reducing greenhouse gas emissions from the iron and steelmaking processes. This dynamic is expected to create a rising demand for higher-grade raw materials and a shift towards reduction technologies used to produce liquid iron, such as the use of direct reduced iron ("DRI") in electric arc furnaces ("EAF") instead of blast furnaces-basic oxygen furnaces ("BF-BOF") for liquid iron production.

Accordingly, the Company advanced its Research and Development ("R&D") program which aims to develop technologies and products to support the steelmaking transition from the BF-BOF method to the DRI-EAF method, while supporting emissions reduction in the BF-BOF process.

During the three and six-month periods ended September 30, 2021, the Company incurred product R&D expenses of \$1,519,000 and \$2,872,000, respectively (\$514,000 for the three and six-month periods ended September 30, 2020). The expenses incurred focused on two main areas:

1. Development of an iron ore pellet feed consisting of more than 69% Fe; and
2. Development of a cold pelletizing technology.

Additionally, during the six-month period ended September 30, 2021, and as part of its commitment to participate in the iron and steel industry's decarbonization, the Company invested in and actively collaborates with a European-based company which holds a proprietary cold agglomeration technology. The objective of the cold pelletizing technology is to substantially reduce 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 test the potential of cold pelletizing technologies, towards industrial trials, jointly with this European-based company.

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(Expressed in Canadian dollars, except where otherwise indicated)

6. Decarbonization Initiatives (continued)

Advanced Drilling Technologies

On August 16, 2021, the Company signed a Letter of Intent with Caterpillar Inc. to implement artificial intelligence based Advanced Drilling Technologies (the "Technologies") on Cat equipment at its Bloom Lake Mine.

The project will progressively implement a remote-controlled, semi-autonomous and fully autonomous Cat electric drilling fleet, utilizing the Technologies engineered, designed, and /or integrated by Caterpillar. With Champion contributing its experienced workforce, and Caterpillar's independent dealer, Toromont Cat, its aftermarket support, the collaboration will aim to optimize Bloom Lake's operational productivity and reduce energy consumption, while demonstrating the capabilities of Caterpillar's advanced drilling technologies. A Drill-to-Mill strategy ("D2M") is expected to be deployed based on a series of tightly integrated systems, driven by Cat® MineStar™ solutions, designed to optimize drilling, loading and hauling processes. D2M is focused on delivering improved milling performance by supplying optimized mill feed, while contending with dynamic operational conditions.

Using real-time data, artificial intelligence and analytics, Caterpillar's integrated technology will support Champion's ability to assess the status of machines, technologies, and material to enable more timely and accurate operational decisions and consistent execution across Champion's entire mining value chain. The goal of the collaborative effort will be to deliver a fully integrated drill-to-mill technology solution powered by data connectivity and advanced analytics to ultimately improve workflow between the mine and plant, providing a more efficient end-to-end enterprise process that delivers more consistent raw material for final product specification requirements.

Direct Reduction Grade Concentrate > 67.5% Fe

During the 2021 fiscal year, the Company received confirmation from DR pellet producers and DR plant operators that its initial commercial production test of 132,000 wmt of 67.98% Fe high-grade iron ore (with a combined silica plus alumina content of 2.6%), completed during the 2020 fiscal year, qualified as DR iron ore concentrate. With this confirmed product specification, during the 2021 fiscal year, the Company produced an additional 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%.

DR grade concentrate that is greater than 67.5% Fe is produced from modifying the operating conditions of the Company's existing plant with no additional required infrastructure. This demonstrates the Company's ability to produce and sell higher-quality iron ore products. The ability to produce DR quality iron ore strategically positions the Company to potentially increase its customer base. It also confirms that Bloom Lake is one of the few deposits globally that can transition its product offering in response to a likely shift in steelmaking methods in the coming years from traditional Blast Furnaces ("BF") and BOF to DRI and EAF.

Direct Reduction Pellet Feed > 69% Fe

Since the fourth quarter of the 2021 fiscal year, the Company has advanced ongoing laboratory work and testing on DR pellet feed to produce an iron ore concentrate higher than 69% Fe with an average combined silica and alumina content below 1%. Preliminary results indicate that the Company could upgrade the Bloom Lake iron ore concentrate to a higher grade with lower contaminants by using additional processes, including mild regrinding and a silica flotation stage. This new DR pellet feed product is expected to be finer than the Company's existing products and rank as one of the highest-quality pellet feed products available on the seaborne market.

As commercial production of DR pellet feed products would require additional reprocessing and infrastructure, the Company initiated a feasibility study to evaluate the required investments. Achieving DR pellet feed commercial production would enable the Company to further engage with DRI-EAF based iron and steel producers, potentially benefit from higher product pricing and position the Company for additional participation in reducing emissions in the steelmaking process.

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7. Key Drivers

A. Iron Ore Concentrate Price

The price of iron ore concentrate is one of the most significant factors 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% Fe iron ore concentrate, the Company's iron ore product has proven to 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 based on the high-grade CFR China Index ("P65"). 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 per tonne of steel in the steelmaking process.

Sixty to seventy-five percent 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 balance of iron ore sales not subject to provisional pricing are based on backward-looking iron ore prices known at the time of shipment.

During the three-month period ended September 30, 2021, iron ore prices and high-grade iron ore premiums experienced increased volatility. The Company believes that the iron ore price correction during the quarter can likely be attributed to several factors, including the various domestic crude steel production restrictions as well as power rationing measures enforced by the government of China. In addition, both Australia and Brazil increased output and exports of iron ore throughout the period, partially attributable to seasonality factors, contributing to a more balanced market. Although various uncertainties resulted from China's restricted steel production, the high-grade iron ore premium remained elevated due to ongoing global efforts to reduce carbon emissions in the steel industry.

Despite restrictions in China affecting domestic crude steel output, the global crude steel production decline was offset by a robust recovery ex-China in the three-month period ended September 30, 2021. In fact, the World Steel Association¹ reported that global crude steel production decreased by 3.5% in the three-month period ended September 30, 2021, compared to the same period in 2020. While China witnessed a decline of 14.2% in crude steel output year-over-year for the period, the global output was partially offset by a robust recovery of 12.6% year-over-year in crude steel output ex-China.

During the three-month period ended September 30, 2021, the P65 index for high-grade iron ore fluctuated from a high of US\$256.1/dmt to a low of US\$121.7/dmt. The P65 index average price for the period was US\$189.9/dmt, a decrease of 18% from the previous quarter, resulting in an average premium of 16.6% over the P62 reference price of US\$162.9/dmt. The Company's gross average realized selling price for the quarter was US\$174.6/dmt, before provisional sales adjustments on tonnes in transit at the end of the previous quarter and ocean freight costs. The gross average realized selling price of US\$174.6/dmt was impacted by sales provisionally priced using an average forward price of US\$141.5/dmt at quarter-end, which was at a significant discount compared to the average P65 index for the period. This factor was partially offset by the positive impact of sales based on fixed backward-looking iron ore prices, when prices were substantially higher than the P65 index average for the period. Taking into account sales adjustments and sea freight costs, the Company's net realized FOB price was US\$134.7/dmt compared to US\$113.2/dmt for the same period in 2020. The Company believes that it remains well positioned to benefit from iron ore prices which continue to offer an attractive operating margin as it has no fixed price contracts in place, and the Bloom Lake Mine is not subject to royalties.

During the six-month period ended September 30, 2021, the P65 index price of high-grade iron ore fluctuated from a high of US\$264.2/dmt to a low of US\$121.7/dmt. The P65 index average price for the period was US\$210.8/dmt, an increase of 77% from the same period in 2020, resulting in a premium of 16.3% over the P62 index reference price of US\$181.2/dmt. The gross average realized selling price for the period was US\$201.6/dmt, before provisional sales adjustments and ocean freight costs. The lower gross realized price compared to the P65 index average is attributable to sales provisionally priced using an average forward price of US\$141.5/dmt at quarter-end, which is at a significant discount compared to the average P65 index for the six-month period. Taking into account the latter, and sea freight costs, the net realized FOB price was US\$180.4/dmt, compared to US\$107.3/dmt for the same period in 2020.

¹ <https://www.worldsteel.org/>

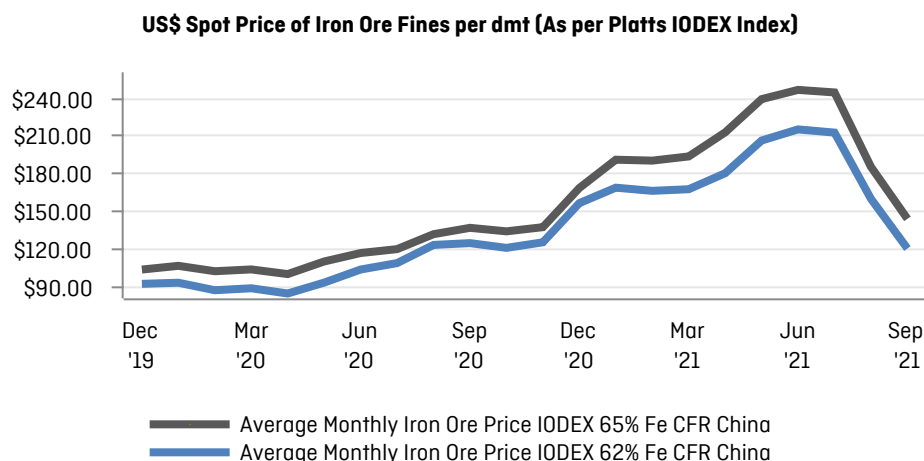
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(Expressed in Canadian dollars, except where otherwise indicated)

7. Key Drivers (continued)

A. Iron Ore Concentrate Price (continued)



As detailed above, a significant portion 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 of 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 P65 forward iron ore 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 September 30, 2021, a final price of US\$237.1 was established for the 1,156,100 tonnes of iron ore that were in transit as at June 30, 2021 and which were previously evaluated using an average expected price of US\$245.8. Accordingly, during the three-month period ended September 30, 2021, negative pricing adjustments were recorded for tonnes subject to provisional prices as at June 30, 2021 and this negatively impacted revenues in the current quarter by US\$8.7/dmt for the 1,156,100 tonnes of iron ore that were in transit as at June 30, 2021. Over the total volume sold during the current period, the negative adjustments represent US\$5.2/dmt. As at September 30, 2021, 781,900 tonnes of iron ore sales remained subject to provisional pricing adjustments, with the final price to be determined in the subsequent reporting period (September 30, 2020: 1,188,000 tonnes). A gross forward provisional price of US\$141.5/dmt has been used as at September 30, 2021, to estimate the sales of the Company that remain subject to final price setting.

The following table details the Company's exposure, as at September 30, 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 September 30,
		2021
Tonnes (dmt) subject to provisional pricing adjustments		781,900
10% increase in iron ore prices		11,061
10% decrease in iron ore prices		(11,061)

The sensitivities demonstrate the monetary impact on ore sales revenues resulting from a 10% increase and 10% decrease in realized selling prices as at September 30, 2021, while holding all other variables constant, including foreign exchange rates. The relationship between iron ore prices and exchange rates is complex, and movements in exchange rates can impact commodity prices. The above sensitivities should therefore be used with caution.

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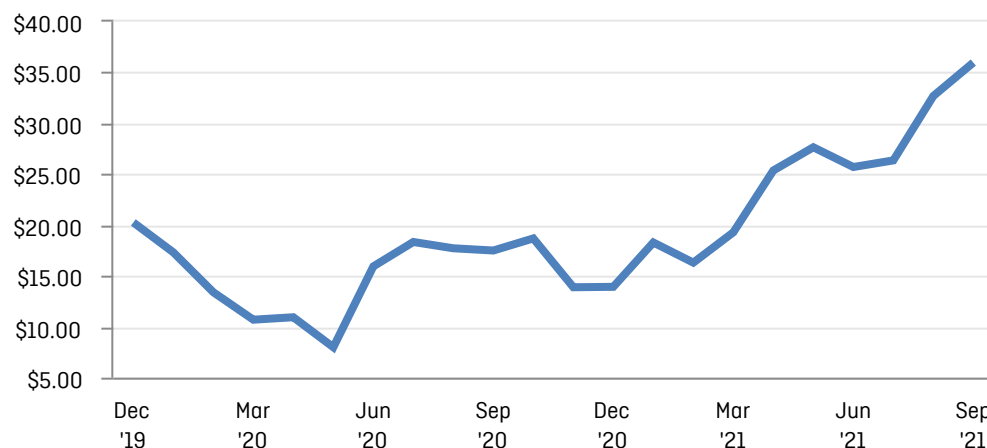
(Expressed in Canadian dollars, except where otherwise indicated)

7. Key Drivers (continued)

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. 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 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)



The industry has identified a historical 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 over time. As the freight cost for ocean transport between Sept-Îles and China is largely influenced by the C3 cost, a decrease in iron ore prices typically results in lower ocean freight costs for the Company, resulting in a natural hedge for one of the Company's largest operating costs. With recent events impacting the seaborne iron ore supply and other freight rates, this historical relationship has experienced a disconnect. Assuming a return to normal, and based on this observed historical correlation, when the price of iron ore fluctuates, the ocean freight cost usually follows the same pattern.

During the three-month period ended September 30, 2021, the C3 index averaged US\$31.7/t. The C3 index reached levels not seen since 2009 and maintained an upward trend throughout the entire period. A combination of factors contributed to the rising price of the freight index, including port congestion caused by COVID-19 quarantine measures in China and adverse weather, increased supply of raw materials used for steelmaking as major iron ore producers exported higher volumes of iron ore during the period, and rising fuel prices. Despite these conditions influencing freight pricing, during the period, the Company secured a long-term freight contract for one vessel per month from August 2021 to December 2022. This long-term freight contract is expected to reduce the Company's freight premium volatility with a certain agreed upon price premium above the average C3 index plus a seasonal premium for winter conditions. The freight contract pricing is expected to provide additional protection for the Company's freight pricing premium, which is subject to the spot market.

Due to its distance from main shipping hubs, Champion typically contracts vessels three to four weeks 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 uniformly throughout the year.

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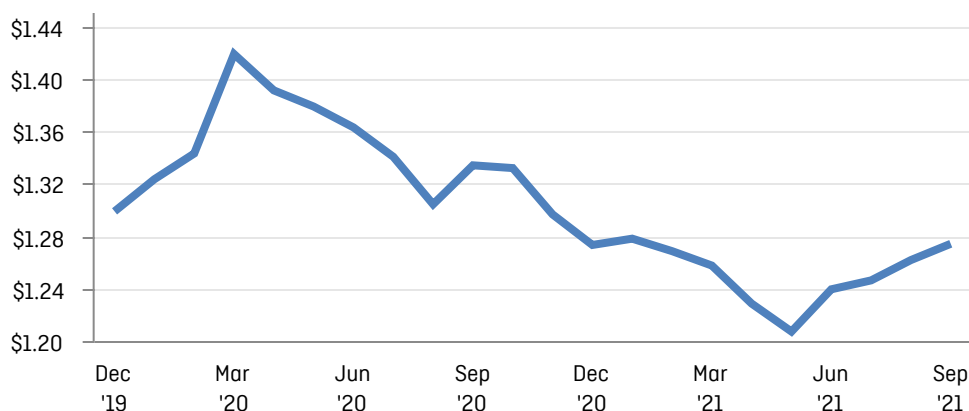
7. Key Drivers (continued)

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 Senior Debt are denominated in U.S. dollars. As such, the Company benefits from a natural hedge between its revenues and 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. During the six-month period ended September 30, 2021, the Company entered into forward foreign exchange contracts to reduce the risk of variability of future cash flows resulting from forecasted sales and comply with its Senior Debt covenants.

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 majority of 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%.

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



Exchange rates are as follows:

	CA\$ / US\$					
	Average			Closing		
	FY2022	FY2021	Variance	FY2022	FY2021	Variance
Q1	1.2282	1.3853	(11)%	1.2394	1.3628	(9)%
Q2	1.2600	1.3321	(5)%	1.2741	1.3339	(4)%
Q3	—	1.3030	— %	—	1.2732	— %
Q4	—	1.2660	— %	—	1.2575	— %
Year-end as at March 31	—	1.3219	— %	—	1.2575	— %

Apart from these key drivers, the potential impact of the COVID-19 pandemic and the risk factors that are described in the "Risk Factors" sections of the Company's 2021 Annual Information Form and the Annual Report for the fiscal year ended March 31, 2021, 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.

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(Expressed in Canadian dollars, except where otherwise indicated)

8. Bloom Lake Mine Operating Activities

	Three Months Ended September 30,			Six Months Ended September 30,		
	2021	2020	Variance	2021	2020	Variance
Operating Data						
Waste mined and hauled (wmt)	5,299,600	4,114,400	29%	9,999,100	6,727,200	49%
Ore mined and hauled (wmt)	5,713,900	6,070,000	(6%)	11,357,800	10,752,600	6%
Material mined and hauled (wmt)	11,013,500	10,184,400	8%	21,356,900	17,479,800	22%
Strip ratio	0.93	0.68	37%	0.88	0.63	40%
Ore milled (wmt)	5,679,800	5,562,600	2%	10,907,000	10,167,200	7%
Head grade Fe (%)	29.1	30.9	(6%)	29.4	31.1	(5%)
Fe recovery (%)	83.3	85.2	(2%)	83.1	83.8	(1%)
Product Fe (%)	66.3	66.1	—%	66.3	66.3	—%
Iron ore concentrate produced (wmt)	2,089,100	2,268,800	(8%)	4,025,100	4,067,600	(1%)
Iron ore concentrate sold (dmt)	1,953,900	2,063,400	(5%)	3,928,600	3,822,200	3%
Financial Data (in thousands of dollars)						
Revenues	331,006	310,994	6%	876,414	555,568	58%
Cost of sales	110,884	102,739	8%	231,730	210,077	10%
Other expenses	20,313	10,426	95%	34,873	19,967	75%
Net finance costs	1,012	4,530	(78%)	5,399	5,675	(5%)
Net income	114,596	112,164	2%	338,935	187,720	81%
EBITDA ¹	200,013	198,972	1%	605,752	329,134	84%
Statistics (in dollars per dmt sold)						
Gross average realized selling price	218.8	162.8	34%	249.4	156.6	59%
Net average realized selling price ¹	169.4	150.7	12%	223.1	145.4	53%
Total cash cost (C1 cash cost) ¹	56.2	48.5	16%	58.2	53.1	10%
All-in sustaining cost ¹	73.6	57.2	29%	73.1	60.7	20%
Cash operating margin ¹	95.8	93.5	2%	150.0	84.7	77%

Operational Performance

Second Quarter of the 2022 Fiscal Year vs Second Quarter of the 2021 Fiscal Year

In the three-month period ended September 30, 2021, 11,013,500 tonnes of material were mined and hauled, compared to 10,184,400 tonnes for the same period in 2020, an increase of 8%. The increase in waste mined and hauled is attributable to a higher strip ratio, as per the mine plan in connection with the preparation for Phase II project operations. The increase in material movement was enabled by the Company's ongoing mining equipment rebuild program and equipment maintenance, which provided a higher equipment utilization rate and additional equipment availability.

The iron ore head grade for the three-month period ended September 30, 2021 was 29.1%, compared to 30.9% for the same period in 2020. The decrease in head grade, when compared to the prior year period, was anticipated and is attributable to the presence of lower-grade ore sourced and blended from different pits, and is in line with the mining plan and the LoM head grade average.

Bloom Lake produced 2,089,100 wmt of 66.3% Fe high-grade iron ore concentrate during the three-month period ended September 30, 2021, a decrease of 8%, compared to 2,268,800 wmt of 66.1% Fe for the same period in 2020. The lower production is attributable to lower head grade, which was partially compensated by higher throughput.

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.

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(Expressed in Canadian dollars, except where otherwise indicated)

8. Bloom Lake Mine Operating Activities (continued)

First Six Months of the 2022 Fiscal Year vs First Six Months of the 2021 Fiscal Year

On March 24, 2020, the Company announced the ramp-down of its operations following Government directives in response to the COVID-19 pandemic. Operations gradually ramped up following the Government's announcement in April 2020 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 its impact on the Company and its operations.

The Company mined and hauled 21,356,900 tonnes of material during the six-month period ended September 30, 2021, compared to 17,479,800 tonnes for the same period in 2020. This increase in material mined and hauled is attributable to the negative impact of the COVID-19 pandemic on several of the Company's other activities in the comparative period and to a higher strip ratio in the current period, as per the mine plan in connection with the preparation for the Phase II expansion project's operations. This increase in material movement is the result of a higher equipment utilization rate and additional equipment availability. The Company benefited from its previous and continuous investments in the mining equipment rebuild program, enabling it to maximize productivity.

The strip ratio increased to 0.88 for the six-month period ended September 30, 2021, compared to 0.63 for the same period in 2020. The strip ratio is consistent with the mine plan for this period of the year.

The plant processed 10,907,000 tonnes of ore during the six-month period ended September 30, 2021, an increase of 7% over the same period in 2020. The higher throughput is attributable to the combination of the COVID-19 imposed ramp-down in the comparative period and the higher mill throughput rate for the current period. The continuous improvements and operational innovations allowed the Company to increase throughput stability and reach a higher level of mill productivity.

The iron ore head grade of 29.4% for the six-month period ended September 30, 2021 was attributable to different sourcing pits, compared to 31.1% for the same period in 2020 and is consistent with the LoM.

Iron ore concentrate produced remained stable during the six-month period ended September 30, 2021, compared to the same period in 2020.

9. Financial Performance

A. Revenues

	Three Months Ended September 30,			Six Months Ended September 30,		
	2021	2020	Variance	2021	2020	Variance
(in U.S. dollars per dmt sold)						
Index P62	162.9	118.2	38%	181.2	106.0	71%
Index P65	189.9	128.9	47%	210.8	118.8	77%
US\$ Gross average realized selling price	174.6	122.2	43%	201.6	115.6	74%
Freight and other costs	(34.7)	(19.6)	77%	(31.3)	(18.3)	71%
Provisional pricing adjustments	(5.2)	10.6	(149%)	10.1	10.0	1%
US\$ Net average realized FOB selling price¹	134.7	113.2	19%	180.4	107.3	68%
Foreign exchange rate conversion	34.7	37.5	(7%)	42.7	38.1	12%
CA\$ Net average realized FOB selling price¹	169.4	150.7	12%	223.1	145.4	53%

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

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(Expressed in Canadian dollars, except where otherwise indicated)

9. Financial Performance (continued)

A. Revenues (continued)

Second Quarter of the 2022 Fiscal Year vs Second Quarter of the 2021 Fiscal Year

During the three-month period ended September 30, 2021, 1,953,900 tonnes of high-grade iron ore concentrate were sold at the CFR China gross average realized price of US\$174.6/dmt, before provisional sales adjustments and shipping costs. The gross average realized selling price of US\$174.6/dmt represents a premium of 7.2% over the benchmark P62 price, compared to a premium of 3.4% for the same period in 2020. The gross average realized selling price reflects the sales at a determined price based on the average forward price of US\$141.5 at the expected settlement date for 781,900 tonnes which were in transit at the end of the period. The forward price was at a significant discount compared to the average P65 index for the period. This factor was partially offset by the positive impact of sales based on backward-looking iron ore prices, when prices were substantially higher than the P65 index average for the period.

The Company believes that global carbon emissions reduction efforts will support the demand for high-grade raw materials, including iron concentrates and pellets. The Company has the ability to fully benefit from the premium pricing of its high-grade product.

During the three-month period ended September 30, 2021, the global economic recovery, rising fuel prices and decreased vessel availability due to high levels of port congestion in Asian ports, contributed to the rising sea freight index, when compared to the previous comparative period. As a result, the Company paid higher freight costs in the three-month period ended September 30, 2021, compared to the same period in 2020. The freight costs variation relative to the C3 index during the period is mainly due to the timing of the vessels' booking.

Although higher than the comparative period, the net average realized selling price¹ for the three-month period ended September 30, 2021, was negatively impacted by the increase in the C3 index. Freight and other costs represented 20% of the gross average realized selling price for the period, compared to 16% for the same period in 2020, which represents a variation of US\$15.1/dmt. Provisional pricing adjustments on previous sales, which were directly correlated to the rapid and significant decrease in the P65 index in the quarter, also contributed to reducing the net average realized selling price¹. During the three-month period ended September 30, 2021, the final price was established for the 1,156,100 tonnes of iron ore that were in transit as at June 30, 2021. Accordingly, during the three-month period ended September 30, 2021, net negative provisional pricing adjustments were recorded as a reduction in revenues for the 1,156,100 tonnes, representing a negative impact of US\$5.2/dmt for the period, compared to a positive impact of US\$10.6/dmt for the same period in 2020.

After taking into account sea freight costs of US\$34.7/dmt and the negative provisional sales adjustment of US\$5.2/dmt, the Company obtained a net average realized selling price¹ of US\$134.7/dmt (CA\$169.4/dmt) for its high-grade iron ore delivered to the end customer. Revenues totalled \$331,006,000 for the three-month period ended September 30, 2021 compared to \$310,994,000 for the same period in 2020. The increase is attributable to a higher net average realized selling price¹, partially offset by lower tonnages of iron ore concentrate being sold.

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.

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(Expressed in Canadian dollars, except where otherwise indicated)

9. Financial Performance (continued)

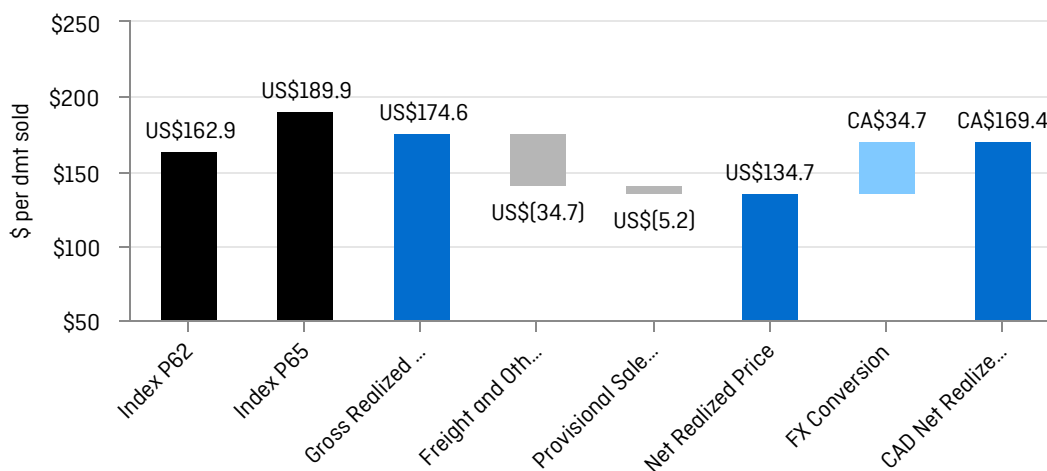
A. Revenues (continued)

First Six Months of the 2022 Fiscal Year vs First Six Months of the 2021 Fiscal Year

For the six-month period ended September 30, 2021, the Company sold 3,928,600 tonnes of iron ore concentrate to customers in China, Japan and South Korea. While the high-grade iron ore P65 index price fluctuated between a low of US\$121.7/dmt and a high of US\$264.2/dmt during the six-month period ended September 30, 2021, the Company sold its product at a gross average realized selling price of US\$201.6/dmt. The variation between the gross average realized selling price and the average P65 high-grade index of US\$210.8/dmt for the period is attributable to the forward price of US\$141.5 utilized for the sales in transit at the end of the period, which was significantly lower than the average P65 index for the period.

Combining the gross average realized selling price with the provisional sales adjustment of US\$10.1/dmt, the Company sold its high-grade iron ore material at a price of US\$211.7/dmt during the six-month period ended September 30, 2021, compared to the P65 high-grade index average of US\$210.8/dmt. Deducting sea freight costs of US\$31.3/dmt, the Company obtained a net average realized selling price¹ of US\$180.4/dmt (CA\$223.1/dmt) for its high-grade iron ore. The increase in freight and other costs in the six-month period ended September 30, 2021, compared to the same period in 2020, negatively impacted the net average realized selling price¹ for the period by US\$13.0/dmt. As a result, revenues totalled \$876,414,000 for the six-month period ended September 30, 2021, compared to \$555,568,000 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 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.

Q2 FY2022 Net Realized Selling Price



B. Cost of Sales

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

For the three-month period ended September 30, 2021, the cost of sales totalled \$110,884,000, compared to \$102,739,000 for the same period in 2020. During the three-month period ended September 30, 2021, the total cash cost¹ or C1 cash cost¹ per tonne, excluding specific and incremental costs related to COVID-19, totalled \$56.2/dmt, compared to \$48.5/dmt for the same period in 2020. The lower head grade and lower recovery as per the mine plan, resulted in lower volume of concentrate sold, which negatively impacted the total cash cost¹. Additionally, the advancement of maintenance work on Crusher 2 and increased mining and land transportation costs, resulting from fuel price increases contributed to a higher total cash cost¹.

The six-month period ended September 30, 2021 total cash cost¹ amounted to \$58.2/dmt, compared to \$53.1/dmt for the same period in 2020. The variation is due to the same factors that affected the total cash cost¹ for the three-month period ended September 30, 2021, except that total cash cost¹ is, partially offset by higher iron ore concentrate sold.

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.

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(Expressed in Canadian dollars, except where otherwise indicated)

9. Financial Performance (continued)

C. Gross Profit

The gross profit for the three-month period ended September 30, 2021 totalled \$210,685,000, compared to \$199,909,000 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 \$169.4/dmt for the three-month period ended September 30, 2021, compared to \$150.7/dmt for the same period in 2020, partially offset by higher production costs. The slight increase in gross profit compared to the same period in 2020 is due to the negative impact of the increase in the C3 index during the period and an unfavorable provisional price adjustment on previous sales.

The gross profit for the six-month period ended September 30, 2021 totalled \$625,288,000, compared to \$328,205,000 for the same period in 2020. The increase is largely driven by the higher net average realized selling price¹ of \$223.1/dmt for the six-month period ended September 30, 2021, compared to \$145.4/dmt for the same period in 2020. The higher revenues were partially offset by higher production costs.

D. Other Expenses

	Three Months Ended September 30,			Six Months Ended September 30,		
	2021	2020	Variance	2021	2020	Variance
(in thousands of dollars)						
Share-based payments	2,553	489	422 %	3,842	1,374	180 %
G&A expenses	7,548	5,695	33 %	15,352	10,879	41 %
Sustainability and other community expenses	4,080	3,728	9 %	8,194	7,200	14 %
Product R&D expenses	1,519	514	196 %	2,872	514	459 %
Bloom Lake Phase II start-up costs	4,613	—	— %	4,613	—	— %
	20,313	10,426	95 %	34,873	19,967	75 %

The increase in share-based payments for the three and six-month periods ended September 30, 2021, compared to the same periods in 2020, mainly reflects the costs associated with an increase in the numbers of performance share units granted, compared to the previous periods, as well as the granting of additional awards to key employees at Bloom Lake, as part of the Company's remuneration policy to retain talented employees and provide alignment of interests between such key employees and the Company's shareholders. These awards granted do not have significant dilution impact on its current shareholders.

The variation in G&A expenses in the three and six-month periods ended September 30, 2021, compared to the same periods in 2020, is due to higher salaries and benefits from a higher headcount in administration and an increase in insurance costs.

During the three and six-month periods ended September 30, 2021, the Company incurred pre-commercial start-up costs for the Phase II project, mainly related to staff mobilization and training costs. These expenses are part of the construction budget of \$633.8M.

During the three and six-month periods ended September 30, 2021, the Company incurred R&D expenses of \$1,519,000 and \$2,872,000, respectively, compared to \$514,000 for the same periods in 2020, in connection with its strategy to develop technologies and products supporting emissions reduction. R&D expenses are mainly comprised of consultant fees and salaries and benefits, as detailed in section 6 — Decarbonization Initiatives. In addition, higher sustainability and other community expenses in the three and six-month periods ended September 30, 2021 reflected the Company's increased focus on sustainability.

E. Net Finance Costs

Second Quarter of the 2022 Fiscal Year vs Second Quarter of the 2021 Fiscal Year

Net finance costs decreased to \$1,012,000 for the three-month period ended September 30, 2021, compared to \$4,530,000 for the same period in 2020 mainly as a result of higher capitalization of borrowing costs during the construction period of Phase II, increased foreign exchange gain, which was partially offset by higher standby commitment fees.

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.

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(Expressed in Canadian dollars, except where otherwise indicated)

9. Financial Performance (continued)

E. Net Finance Costs (continued)

Second Quarter of the 2022 Fiscal Year vs Second Quarter of the 2021 Fiscal Year (continued)

The Company benefits from a natural hedge between its revenues generated in U.S. dollars and its U.S. denominated Senior Debt. During the three-month period ended September 30, 2021, the foreign exchange gain amounted to \$1,878,000, compared to a foreign exchange loss of \$1,424,000 in the same period in 2020. Higher realized and unrealized foreign exchange gain is due to the revaluation of its net monetary assets denominated in U.S. dollars, following a depreciation of the Canadian dollar against the U.S. dollar as at September 30, 2021, compared to June 30, 2021. The depreciation of the Canadian dollar contributed to an unrealized foreign exchange gain on its accounts receivable and cash on hand¹ denominated in U.S. dollars, partially offset by a foreign exchange loss on the Company's Senior Debt.

Interest expenses on long-term debt decreased in the three-month period ended September 30, 2021, compared to the same period in 2020, due to the progress on the Phase II project and the build-up of qualifying assets, resulting in a higher capitalization rate being used to determine the amount of borrowing costs eligible for capitalization. Standby commitment fees, which are not eligible for capitalization totalled \$1,357,000 in the three-month period ended September 30, 2021, compared to \$36,000 due to higher undrawn available long-term debt balance.

First Six Months of the 2022 Fiscal Year vs First Six Months of the 2021 Fiscal Year

Net finance costs for the six-month period ended September 30, 2021 remained stable, compared to the same period in 2020, whereas lower interest on long-term debt is offset by higher standby commitment fees. Lower interest expenses on long-term debt is attributable to the progress on the Phase II project and the build-up of qualifying assets, resulting in a higher capitalization rate being used to determine the amount of borrowing costs eligible for capitalization. Higher standby commitment fees on long-term debt is due to higher undrawn available long-term debt balances.

F. Other Income (Expense)

During the three and six-month periods ended September 30, 2021, other income totalled \$204,000 and other expenses amounted to \$4,059,000, respectively, and is mainly comprised of the non-cash unrealized gain or loss on derivative liabilities as the Company entered into forward foreign exchange contracts to reduce the variability risk of future cash flows resulting from forecasted sales to comply with its Senior Debt covenants. The Company did not apply hedge accounting on these contracts. For the same periods in 2020, other income of \$1,143,000 and \$3,610,000, respectively represents the change in fair value of non-current investments resulting from a share price increase of its equity investments during the periods.

G. 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 three and six-month periods ended September 30, 2021 (2020: 26.50%).

During the three and six-month periods ended September 30, 2021, current income and mining tax expenses totalled \$71,157,000 and \$231,911,000, respectively, compared to \$69,305,000 and \$112,747,000, respectively, for the same periods in 2020. The variation is mainly due to higher taxable profit associated with higher iron ore prices, especially for the six-month period ended September 30, 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.

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9. Financial Performance (continued)

G. Income Taxes (continued)

During the three and six-month periods ended September 30, 2021, deferred income and mining tax expenses totalled \$3,811,000 and \$10,111,000, respectively, compared to \$4,627,000 and \$5,706,000, respectively, for the same periods in 2020. The increase for the six-month period is mainly due to the application of a higher tax rate of 19% on the temporary differences, as per the progressive mining tax rates schedule detailed above, resulting from the Company's higher mining profit.

Combining the provincial, federal statutory tax and mining taxes, the Company's effective tax rates ("ETR") were 40% and 42%, respectively, for the three and six-month periods ended September 30, 2021, compared to 40% and 39%, respectively, for the same periods in 2020. Higher ETR for the six-month period ended September 30, 2021 was due to the Company's higher mining profit resulted in the application of a higher tax rate, as per the progressive mining tax rates schedule detailed above.

During the six-month period ended September 30, 2021, the Company paid \$332,032,000 in income and mining taxes, of which \$191,542,000 was for mining and income taxes for the period of April 1, 2020 to March 31, 2021, and \$140,490,000 was for tax installments. Since monthly tax installments are based on the previous fiscal year's taxable income, which was lower due to the iron ore concentrate price increase during the six-month period ended September 30, 2021, the current income and mining taxes of \$231,911,000 exceed the tax installments paid of \$140,490,000, resulting in an income and mining taxes payable of \$91,421,000 as at September 30, 2021.

H. Net Income & EBITDA¹

Second Quarter of the 2022 Fiscal Year vs Second Quarter of the 2021 Fiscal Year

For the three-month period ended September 30, 2021, the Company generated a net income of \$114,596,000 (EPS of \$0.23), compared to \$112,164,000 (EPS of \$0.24) for the same period in 2020. Despite a higher gross average iron ore price during the period, the net income has been affected by higher sea freight costs and negative provisional adjustments compared to the same period last year.

For the three-month period ended September 30, 2021, the Company generated EBITDA¹ of \$200,013,000, including non-cash share-based compensation and pre-commercial start-up costs for the Phase II totalling \$4,613,000 representing an EBITDA margin¹ of 60%, compared to \$198,972,000, representing an EBITDA margin¹ of 64% for the same period in 2020. The slight increase in EBITDA¹ period over period is primarily due to the greater revenue from higher net average realized selling price¹.

First Six Months of the 2022 Fiscal Year vs First Six Months of the 2021 Fiscal Year

For the six-month period ended September 30, 2021, the Company generated a net income of \$338,935,000 (EPS of \$0.67), compared to \$187,720,000 (EPS of \$0.40) for the same period in 2020. The increase in net income is mainly due to higher gross profit.

For the six-month period ended September 30, 2021, the Company generated an EBITDA¹ of \$605,752,000, representing an EBITDA margin¹ of 69%, compared to \$329,134,000, representing an EBITDA margin¹ of 59% for the same period in 2020. This increase in EBITDA¹ is mainly attributable to the increase in the net average realized selling price¹ and slightly higher volumes of iron ore concentrate sold, partially offset by higher production costs and higher other expenses.

I. All-In Sustaining Cost¹ and Cash Operating Margin¹

During the three-month period ended September 30, 2021, the Company realized an AISC¹ of \$73.6/dmt, compared to \$57.2/dmt for the same period in 2020. The variation is due to higher total cash cost¹, higher sustaining capital expenditures related to higher stripping and mining activities, higher investments made in tailings lifts and higher mining equipment rebuild, combined with the negative impact of lower iron ore concentrate sold.

Overall, the sustaining capital expenditures were higher in the three and six-month periods ended September 30, 2021, compared to the same periods in 2020 since investments made last year were delayed as a result of the COVID-19 pandemic when the Company was experiencing a ramp-down of its operations and implementing substantial safety measures.

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.

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(Expressed in Canadian dollars, except where otherwise indicated)

9. Financial Performance (continued)

I. All-In Sustaining Cost¹ and Cash Operating Margin¹ (continued)

During the three-month period ended September 30, 2021, the Company expended \$14,174,000 on preventative work on dykes in its tailings system. The remaining work on the dykes will be completed early in the next quarter. During the 2021 fiscal year, lower investments in tailings were made since an accelerated \$30M work program for the raising of the tailings containment dam to ensure safe tailings deposition was completed in the 2020 fiscal year. Refer to section 11 - Cash Flows (Investing - i. Purchase of Property, Plant and Equipment).

Deducting the AISC¹ of \$73.6/dmt from the net average realized selling price¹ of \$169.4/dmt, the Company generated a cash operating margin¹ of \$95.8/dmt for each tonne of high-grade iron ore concentrate sold during the three-month period ended September 30, 2021, compared to \$93.5/dmt for the same period in 2020. The variation, when compared to the three-month period ended June 30, 2021, is associated with the decrease of \$106.8/dmt in the net average realized price.

During the six-month period ended September 30, 2021, the Company recorded an AISC¹ of \$73.1/dmt, compared to \$60.7/dmt for the same period in 2020. The variation is due to higher total cash costs¹ and higher sustaining capital expenditures. The cash operating margin¹ totalled \$150.0/dmt for the six-month period ended September 30, 2021, compared to \$84.7/dmt for the same period in 2020. The variation is mainly due to a higher net average realized selling price¹.

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.

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10. Exploration Activities and Regional Growth

Exploration Activities

During the three and six-month periods ended September 30, 2021, the Company maintained all of its properties in good standing and did not enter into any farm-in/farm-out arrangements. During the three and six-month periods ended September 30, 2021, \$1,983,000 and \$2,726,000 in exploration and evaluation expenditures were incurred, respectively, compared to \$188,000 and \$264,000 for the same periods in 2020.

During the three and six-month periods ended September 30, 2021, the exploration expenditures mainly consisted of \$1,300,000 in acquisition costs for the Lac Lamêlée South property and costs associated with minor exploration work and preliminary work related to updating the Kami Project feasibility study for \$103,000 and \$366,000, respectively, and claim renewal fees. In the comparative periods, the exploration expenditures mainly consisted of fees required to maintain the Company's exploration properties, exploration expenses related to drilling and geophysical work at the Company's Gullbridge-Powderhorn property, located in Northern Central Newfoundland, and the staking costs for additional exploration claims.

Acquisition of Exploration Property from Fancamp Exploration Ltd. ("Fancamp")

On July 12, 2021, the Company completed the acquisition of the Lac Lamêlée South property and a 1.5% net smelter royalty interest on the Company's Moiré Lake property and the Company's Fermont property portfolio, including the O'Keefe-Purdy, Harvey-Tuttle, and Consolidated Fire Lake North properties from Fancamp.

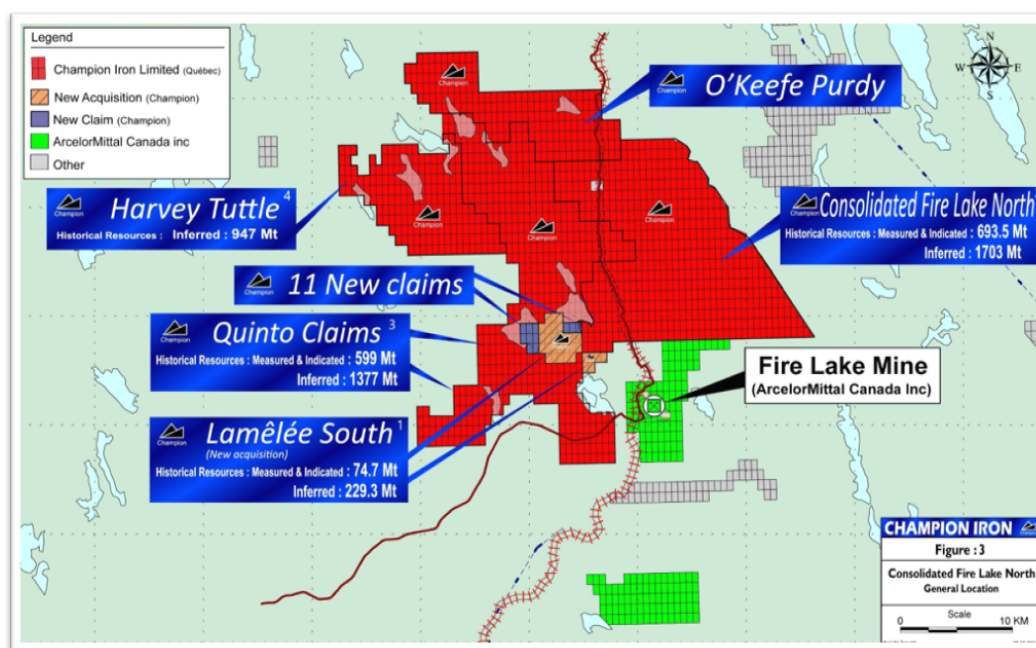
The Lac Lamêlée South property adds an additional 74.7 Mt¹ of historical indicated resources and 229.3 Mt¹ of historical inferred resources, with the project located adjacent to the Company's existing development properties south of Bloom Lake. The historical mineral resources mentioned are strictly 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.

Consideration paid to Fancamp included \$1,300,000 in cash, an undertaking in favour of Fancamp to make future finite production payments on a fixed amount of future iron ore production payable once certain production thresholds have been reached with respect to the Lac Lamêlée South, Moiré Lake and Fermont property portfolio properties.

Concurrently with the transaction, the Company also staked 11 additional claims directly adjacent to the Lac Lamêlée South property.

¹ The historical Lac Lamêlée resource estimates are based on the NI 43-101 technical report entitled "NI 43-10 Technical Report and Mineral Resource Estimate on the Lac Lamêlée South Resources Quebec - Canada" by Met-Chem, a division of DRA Americas Inc. dated July 28, 2017 and having an effective date of January 26, 2017. 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 mineralizations have not been prepared in accordance with the JORC Code (2012 edition) and the ASX Listing Rules.

10. Exploration Activities and Regional Growth (continued)



Notes

1. The historical Lac Lamêlée South resource estimates are based on the NI 43-101 technical report entitled "NI 43-10 Technical Report and Mineral Resource Estimate on the Lac Lamêlée South Resources Quebec - Canada" by Met-Chem, a division of DRA Americas Inc. dated July 28, 2017 and having an effective date of January 26, 2017. 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 mineralization have not been prepared in accordance with the JORC Code (2012 edition) and the ASX Listing Rules.
2. The historical Consolidated Fire Lake 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 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 Iron Limited 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 Champion Iron Limited's existing mining tenements and therefore the reports on these mineralization have not been prepared in accordance with the JORC Code (2012 edition) and the ASX Listing Rules.
3. The historical Quinto Claims resource estimates are based on the NI 43-101 technical reports entitled "Mineral Resource Technical Report, Peppler Project, Quebec" (as regards Peppler Lake), "Mineral Resource Technical Report, Lamêlée Project, Quebec" (as regards Lamêlée) and "Mineral Resource Technical Report, Hobdab Project, Quebec" (as regards Hobdab), each prepared 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 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 Iron Limited 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 Champion Iron Limited's existing mining tenements and therefore the reports on these mineralization have not been prepared in accordance with the JORC Code (2012 edition) and the ASX Listing Rules.
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 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 Iron Limited 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 Champion Iron Limited's existing mining tenements and therefore the reports on these mineralization have not been prepared in accordance with the JORC Code (2012 edition) and the ASX Listing Rules.
5. Certain resources mentioned are foreign estimates from an Australian perspective.

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10. Exploration Activities and Regional Growth (continued)

Acquisition of the Kami Project

On April 1, 2021, the Company completed the acquisition of the Kami Project and certain related contracts. The Kami Project and related mining properties are located in the Labrador Trough geological belt in southwestern Newfoundland, near the Québec border. Refer to note 5 - Acquisition of the Kami Project in the Financial Statements.

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 Iron Ore Corp. ("Alderon"), the Kami Project's former owner, 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", "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 reserves¹.

Alderon completed an updated feasibility study on the Kami Project in September 2018. The Company is currently revising the Kami Project's scope and has initiated work intended to update the feasibility study, which is expected to be completed in the second half of 2022, as part of the Company's strategy to evaluate its growth alternatives within its property portfolio.

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 mineralizations 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.

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11. Cash Flows

The following table summarizes cash flow activities:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2021	2020	2021	2020
(in thousands of dollars)				
Operating cash flows before working capital	128,646	126,365	377,094	208,885
Changes in non-cash operating working capital	245,495	5,061	(15,582)	(2,171)
Net cash flow from operating activities	374,141	131,426	361,512	206,714
Net cash flow used in investing activities	(168,867)	(31,283)	(332,655)	(54,980)
Net cash flow used in financing activities	(109,045)	(16,920)	(144,051)	(14,502)
Net increase (decrease) in cash and cash equivalents	96,229	83,223	(115,194)	137,232
Effects of exchange rate changes on cash and cash equivalents	1,547	(4,938)	(2,789)	(10,095)
Cash and cash equivalents, beginning of period	393,557	330,215	609,316	281,363
Cash and cash equivalents, end of period	491,333	408,500	491,333	408,500
Operating cash flow per share¹	0.74	0.28	0.71	0.44

Operating

During the three-month period ended September 30, 2021, the Company generated operating cash flows of \$128,646,000 before working capital items, compared to \$126,365,000 for the same period in 2020. Changes in working capital items for the period were affected by the timing of supplier payments and customer receipts such as the \$192,416,000 cash receipt from iron concentrate sales, including three vessels from last quarter's sales that were not yet collected. Based on the foregoing, the operating cash flow per share¹ for the three-month period ended September 30, 2021 was \$0.74 compared to an operating cash flow per share¹ of \$0.28 for the same period in 2020.

During the six-month period ended September 30, 2021, the Company's operating cash flows before working capital items totalled \$377,094,000, compared to \$208,885,000 for the same period in 2020. The variation is largely driven by a higher net average realized selling price¹ and slightly higher volumes of iron ore concentrate sold. In addition to the payment of \$191,542,000 for mining and income taxes for the period of April 1, 2020 to March 31, 2021, changes in working capital items for the period were affected by the timing of supplier payments and customer receipts. After working capital items, the operating cash flow per share¹ for the period totalled \$0.71, compared to \$0.44 for the same period in 2020.

As iron ore concentrate prices remained elevated during the 2021 fiscal year, compared to the same period in 2020, it resulted in a higher taxable income in the current fiscal year. Since monthly tax installments are based on the previous fiscal year's taxable income, which was lower, the amount of income and mining taxes payable as at September 30, 2021 totalled \$91,421,000, as currently reflected in the Company's statements of financial position. If the taxable income remains at the current level through the year, the amount will be payable in May 2022.

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.

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11. Cash Flows (continued)

Investing

i. Purchase of Property, Plant and Equipment

During the three and six-month periods ended September 30, 2021, the Company invested \$153,653,000 and \$263,592,000, respectively, in addition to property, plant and equipment, compared to \$27,610,000 and \$50,406,000, respectively, for the same periods in 2020. The following table details these investments:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2021	2020	2021	2020
(in thousands of dollars)				
Tailings lifts	14,174	6,349	20,512	6,903
Stripping and mining activities	8,684	4,415	17,218	7,045
Mining equipment rebuild	3,603	1,413	5,498	4,175
Sustaining capital expenditures	26,461	12,177	43,228	18,123
Phase II	105,919	13,328	183,844	19,167
Other capital development expenditures at Bloom Lake	21,273	2,105	36,520	13,116
Purchase of property, plant and equipment as per cash flows	153,653	27,610	263,592	50,406

Sustaining Capital Expenditures

Early in the 2021 fiscal year, the Company ramped-down its operations following Government directives in response to the COVID-19 pandemic and implemented several measures in its efforts to mitigate the risks related to the spread of the virus. As a result, the overall sustaining capital expenditures were lower and delayed in the 2021 fiscal year, compared to the 2022 fiscal year.

The increase in tailings-related investments for the three and six-month periods ended September 30, 2021, compared to the same periods in 2020, is due to preventive work performed on the dykes. As part of the Company's ongoing and thorough tailings infrastructure monitoring and inspections, the Company continues to invest in its safe tailings strategy. Preventive and corrective interventions on two specific dykes were scheduled for the 2022 fiscal year, with \$20,512,000 spent to date, to correct identified discrepancies on specific dykes from their original designs compared to work completed by the asset's previous owner. The remaining work on the dykes will be completed early in the next quarter. The extent of investments in tailings were anticipated to be lower in the 2021 fiscal year since an accelerated \$30M work program for the raising of the tailings containment dam to ensure safe tailings deposition was completed during the 2020 fiscal year.

Stripping activities for the three-month period ended September 30, 2021 were higher, as anticipated in connection with the preparation for Phase II project operations, compared to the same period in 2020. Refer to Section 8 - Bloom Lake Mine Operating Activities. The increase in stripping and mining activities during the six-month period ended September 30, 2021, compared to the same period in 2020, is also attributable to the ramp-down of operations in the first quarter of the 2021 fiscal year, mandated by the Government's COVID-19 containment directives, whereby operations were negatively affected in the comparable period.

The Company's mining equipment rebuild program reflects the work planned and undertaken during the three and six-month periods ended September 30, 2021.

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11. Cash Flows (continued)

Investing (continued)

i. Purchase of Property, Plant and Equipment (continued)

Phase II

Following the Board of Directors' final approval on November 12, 2020, to complete the Phase II expansion, the Company advanced several work programs and expects to incur additional expenditures until the project's completion, which is scheduled for mid-2022. For the six-month period ended September 30, 2021, \$183,844,000 were spent in capital expenditures. As at September 30, 2021, the Phase II project advanced considerably with \$413,216,000 invested by that date, including \$69,653,000 in advance payments related to existing port, rail and transboarding infrastructures and start-up costs.

Major milestones achieved during the six-month period ended September 30, 2021 include: the completion of the load-out conveyors' mechanical installation from the concentrator to the train loading station, structural steel erection in the concentrator, milling and screening area, continuation of piping installation inside the plant, mechanical and electrical installation of the mill recirculation conveyors, completion of the Mamu accommodations complex construction with a total capacity of 300 people, progression of the new overhead line electrical distribution for the mine, as well as the progression of the Jean River crossing and civil works for the extension of the second rail track. In the same period in 2020, detailed engineering work was advanced, spirals were produced and equipment was transported on-site for the installation of the spirals.

Other Capital Development Expenditures at Bloom Lake

During the three and six-month periods ended September 30, 2021, other capital development expenditures at Bloom Lake totalled \$21,273,000 and \$36,520,000, respectively.

During the three-month period ended September 30, 2021, other capital development expenditures at Bloom Lake consisted of \$7,970,000 in deposits for production equipment to be commissioned and financed in the future through the finance agreement with Caterpillar Finance Services, an investment of \$10,454,000 to improve mill and other infrastructure capacity and \$3,816,000 in borrowing costs capitalized during the development period of the Phase II project.

During the six-month period ended September 30, 2021, cash outflows include an additional investment of \$3,800,000 in lodging infrastructure at the mine site, in order to accommodate the increasing workforce, a total of \$12,438,000 in deposits for production equipment to be commissioned, an investment of \$14,554,000 to increase mill capacity and other infrastructure improvements and capitalized borrowing costs of \$6,529,000 related to the Phase II project. During the three and six-month periods ended September 30, 2021, other capital development expenditures were offset by the reception of a government grant totalling \$6,234,000, related to the Company's greenhouse gas emissions and energy consumption reduction initiatives. The Company qualified for a grant of up to \$21,817,000.

During the six-month period ended September 30, 2020, other capital development expenditures at Bloom Lake consisted of infrastructure upgrades at the mine, the commissioning of new service equipment and the acquisition of 100 additional used railcars at a cost of \$5,500,000.

ii. Acquisition of the Kami Project

During the six-month period ended September 30, 2021, the Company completed the acquisition of the Kami Project and certain related contracts. Refer to note 5 - Acquisition of the Kami Project in the Financial Statements. The consideration included a cash payment of \$15,000,000 in addition to transaction costs of \$444,000.

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11. Cash Flows (continued)

Investing (continued)

iii. Other Investing Activities

During the three-month period ended September 30, 2021, the Company fully disposed of one of its marketable securities investments for proceeds of \$3,647,000, compared to nil for the same period in 2020. During the six-month period ended September 30, 2021, the Company also partially disposed of one of its marketable securities investments for proceeds, which was partially offset by the acquisition of a private entity's common shares in connection with its cold pelletizing R&D activities, resulting in net proceeds on disposal of non-current investments of \$9,468,000, compared to nil for the same period in 2020.

Finally, during the three and six-month periods ended September 30, 2021, the Company made advance payments totalling \$14,104,000 and \$54,442,000, respectively, for infrastructure upgrades required to accommodate the anticipated increased Phase II production volumes and for Phase II rail access (three and six-month periods ended September 30, 2020: \$3,077,000)

Financing

During the three-month period ended September 30, 2021, the Company drew down \$20,000,000 related to the IQ Loan to finance the increase in transshipment capacity by SFPPN for an amount up to \$70,000,000, of which \$50,000,000 remained undrawn. During the six-month period ended September 30, 2021, in addition to the IQ Loan of \$20,000,000, the Company made a drawdown of \$30,000,000 related to the FTQ loan, of which \$45,000,000 remained undrawn. During the three and six-month periods ended September 30, 2020, no long-term debt was drawn.

During the three and six-month periods ended September 30, 2020, 300,000 and 5,453,000 stock options, respectively, were exercised for proceeds totalling \$307,000 and \$2,958,000, respectively. During the six-month period ended September 30, 2021, 100,000 stock options were exercised for proceeds totalling \$500,000, whereas no options were exercised for the three-month period ended September 30, 2021.

During the three-month period ended September 30, 2021, the Company's subsidiary, QIO, completed the redemption of 125,000,000 of its preferred shares held by CDPQ, at par value, for a consideration of \$125,000,000, having previously redeemed 60,000,000 QIO preferred shares in the previous quarter, also at par value, for a consideration of \$60,000,000. The redemption of the QIO preferred shares terminated the preferred shares dividend payments and reduced the overall cost of capital for the Company. The consideration for the redemption of preferred shares totalled \$185,000,000 in the six-month period ended September 30, 2021.

During the three and six-month periods ended September 30, 2021, QIO also declared and paid the accumulated dividends on its preferred shares for a total disbursement of \$2,204,000 and \$6,470,000, respectively, pursuant to the current 9.25% dividend rate. During the three and six-month periods ended September 30, 2020, the Company also declared and paid the accumulated dividends on QIO's preferred shares for a total disbursement of \$16,980,000, representing the dividend rate of 9.25%.

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12. Financial Position

As at September 30, 2021, the Company held \$567,514,000 in cash on hand¹ and restricted cash. The Company is well positioned to fund all of its cash requirements for the next 12 months with its existing cash balance, forecasted cash flows from operations, available portion of the US\$220,000,000 undrawn Senior Debt, master lease agreement with SMBC Rail Services Canada ULC to finance Phase II railcars, undrawn US\$75,000,000 finance agreement with Caterpillar Financial Services Limited, FTQ loan of which \$45,000,000 was undrawn, and IQ Loan with a remaining undrawn amount of \$50,000,000 as at September 30, 2021. The following table summarizes the undrawn available financings:

	As at September 30, 2021
(in thousands of dollars)	
Senior Debt	280,302
Caterpillar Financial Services Limited	95,558
FTQ loan	45,000
IQ Loan	50,000
	470,860

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

- Remaining expenditures in relation to the Phase II expansion project;
- Payment of mining and income taxes;
- First two principal repayments of the Senior Debt, scheduled for June 30, 2022 and September 30, 2022; and
- The first principal repayment of the IQ Loan, scheduled for April 1, 2022.

The following table details the changes to the statement of financial position as at September 30, 2021 compared to March 31, 2021:

	As at September 30, 2021	As at March 31, 2021	Variance
(in thousands of dollars)			
Cash and cash equivalents	491,333	609,316	(19%)
Short-term investments	31,588	27,200	16%
Cash on hand¹	522,921	636,516	(18%)
Receivables	96,433	98,755	(2%)
Other current assets	87,707	72,268	21%
Total current assets	707,061	807,539	(12%)
Restricted cash	44,593	44,012	1%
Property, plant and equipment	793,981	504,985	57%
Exploration and evaluation assets	106,825	76,106	40%
Other non-current assets	121,085	64,264	88%
Total assets	1,773,545	1,496,906	18%
Total current liabilities	321,972	293,767	10%
Long-term debt	232,023	214,951	8%
Rehabilitation obligation	88,385	45,074	96%
Other non-current liabilities	105,076	90,097	17%
Total liabilities	747,456	643,889	16%
Total equity	1,026,089	853,017	20%
Total liabilities and equity	1,773,545	1,496,906	18%

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.

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12. Financial Position (continued)

The Company's cash and cash equivalents balance on September 30, 2021 decreased from the amount held on March 31, 2021 and is attributable to the payment of \$191,542,000 in mining and income taxes for the period of April 1, 2020 to March 31, 2021, investments related to Phase II project capital expenditures and the redemption of Q10 preferred shares for \$185,000,000, partially offset by net cash flow from operating activities.

The increase in non-current assets is mainly attributable to the significant progress made on the Phase II expansion project, the acquisition of assets related to the Kami Project, the deposits and advance payments made in connection with Phase II and the increase in the asset rehabilitation obligation of \$43,011,000, following an updated rehabilitation study. Refer to note 11 - Rehabilitation obligations in the Financial Statements.

Higher total current liabilities are mainly due to increased accounts payable balances, as the Phase II project continues to advance substantially and the payable balance on sale adjustments of \$31,860,000 attributable to forward iron ore prices being below provisional prices as at September 30, 2021. In addition, higher total current liabilities are also due to the change in classification of the Senior Debt's first two principal payments totalling US\$24,000,000 into a current liability, and the current portion of the IQ Loan which is due on April 1, 2022. The increase in total current liabilities is partially offset by lower income and mining taxes payable of \$91,421,000 as at September 30, 2021, as income and mining taxes payable for the 2021 fiscal year were paid in May 2021.

The increase in long-term debt is mainly due to the \$30,000,000 drawdown in relation to the loan agreement with FTQ during the first quarter of the 2022 fiscal year and the \$20,000,000 drawdown of the IQ Loan in the three-month period ended September 30, 2021. This is partially offset by the classification to current liability of the IQ Loan's first principal payment and the Senior Debt's first two principal repayments totalling US\$24,000,000 scheduled for June 30, 2022 and September 30, 2022.

The increase in the rehabilitation obligation is due to a new rehabilitation obligation study completed during the three-month period ended September 30, 2021 due to the upcoming Phase II completion.

The increase in total equity is mainly attributable to an increase in retained earnings through the net income during the six-month period ended September 30, 2021, partially offset by the redemption of 185,000,000 Q10 preferred shares.

13. Financial Instruments

The nature and extent of risks arising from the Company's financial instruments are summarized in note 25 of the annual 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.

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

Contractual Obligations and Commitments

The following are the contractual maturities of the Company's liabilities, with estimated future interest payments, segmented by period, and the future minimum payments of the commitments, as at September 30, 2021:

(in thousands of dollars)	Less than a year	1 to 5 years	More than 5 years	Total
Accounts payable and other	193,993	—	—	193,993
Long-term debt, including capital and future interest payment	23,592	220,136	—	243,728
Lease liabilities, including future interest	362	1,161	374	1,897
Commitments as per note 19 of the Financial Statements	233,595	74,358	248,735	556,688
	451,542	295,655	249,109	996,306

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

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

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

Other Off-Balance Sheet Arrangements

The undrawn portion of the Senior Debt totalled US\$220,000,000, which is composed of a term facility of US\$170,000,000 that is only available during the pre-completion period of Phase II, and a revolving credit facility of US\$50,000,000; both are subject to standby commitment fees.

The undrawn portion of the FTQ loan amounted to \$45,000,000 as at September 30, 2021 and is subject to standby commitment fees.

The finance agreement with Caterpillar Financial Services has not yet been drawn down and the undrawn amount was US\$75,000,000 as at September 30, 2021, which may be increased at Caterpillar Financial Services' discretion up to an amount no greater than US\$125,000,000. The finance agreement is subject to standby commitment fees.

The undrawn portion of the IQ Loan amounted to \$50,000,000 as at September 30, 2021.

Based on the foregoing, as at September 30, 2021, the Company is benefiting from undrawn available financings totalling \$470,860,000, which will allow the Company to fund all its cash requirements for the next 12 months.

16. Critical Accounting Estimates and Judgments

The Company's significant accounting judgments, estimates and assumptions are summarized in note 2 of the Company's audited annual 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 three and six-month periods ended September 30, 2021.

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18. New Accounting Standards Issued to be adopted at a later date

The new accounting standards issued but not yet in effect are disclosed in note 2 to the Financial Statements for the three and six-month periods ended September 30, 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 Company's audited annual financial statements for the year ended March 31, 2021. No significant changes occurred during the period beginning on April 1, 2021 and ended on September 30, 2021 in connection with the nature of related party transactions.

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. 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 a total cash cost per dmt sold. Other companies may calculate this measure differently.

The total cash cost excludes 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 and incremental costs. 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. The Company will continue to deploy measures to mitigate the risks from COVID-19 on site and at the local community level.

	Three Months Ended September 30,		Six Months Ended September 30,	
	2021	2020	2021	2020
Per tonne sold				
Iron ore concentrate sold (dmt)	1,953,900	2,063,400	3,928,600	3,822,200
(in thousands of dollars except per tonne)				
Cost of sales	110,884	102,739	231,730	210,077
Less: Incremental costs related to COVID-19	(1,099)	(2,671)	(3,167)	(7,233)
Total cash cost (per dmt sold)	56.2	48.5	58.2	53.1

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20. Non-IFRS Financial Performance Measures (continued)

B. 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 does not include product R&D expenses and exploration expenses that are not sustainable in nature, income and mining tax expenses, working capital, defined as current assets less current liabilities, or interest costs. The AISC excludes the incremental costs related to COVID-19.

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

	Three Months Ended September 30,		Six Months Ended September 30,	
	2021	2020	2021	2020
Per tonne sold				
Iron ore concentrate sold (dmt)	1,953,900	2,063,400	3,928,600	3,822,200
(in thousands of dollars except per tonne)				
Cost of sales	110,884	102,739	231,730	210,077
Less: Incremental costs related to COVID-19	(1,099)	(2,671)	(3,167)	(7,233)
Sustaining capital expenditures	26,461	12,177	43,228	18,123
G&A expenses	7,548	5,695	15,352	10,879
	143,794	117,940	287,143	231,846
AISC (per dmt sold)	73.6	57.2	73.1	60.7

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20. Non-IFRS Financial Performance Measures (continued)

C. 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 September 30,		Six Months Ended September 30,	
	2021	2020	2021	2020
Per tonne sold				
Iron ore concentrate sold (dmt)	1,953,900	2,063,400	3,928,600	3,822,200
(in thousands of dollars except per tonne)				
Revenues	331,006	310,994	876,414	555,568
Net average realized selling price (per dmt sold)	169.4	150.7	223.1	145.4
AISC (per dmt sold)	73.6	57.2	73.1	60.7
Cash operating margin (per dmt sold)	95.8	93.5	150.0	84.7
Cash profit margin	57%	62%	67%	58%

D. 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 and capital expenditures, as well as service debt obligation. EBITDA margin represents EBITDA divided by 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, pre-commercial start-up costs for the Phase II project or COVID-19-related expenditures. Other companies may calculate EBITDA differently.

	Three Months Ended September 30,		Six Months Ended September 30,	
	2021	2020	2021	2020
(in thousands of dollars)				
Income before income and mining taxes	189,564	186,096	580,957	306,173
Net finance costs	1,012	4,530	5,399	5,675
Depreciation	9,437	8,346	19,396	17,286
EBITDA	200,013	198,972	605,752	329,134
Revenues	331,006	310,994	876,414	555,568
EBITDA margin	60%	64%	69%	59%

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20. Non-IFRS Financial Performance Measures (continued)

E. Adjusted Net Income 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 that 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.

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. The COVID-19 safety measures 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 three and six-month periods ended September 30, 2021, the Company reported a gain on disposal of non-current investments and start-up costs related to Phase II. The Company incurred pre-commercial start-up costs for the Phase II project, mainly related to staff mobilization and training costs and are part of the construction budget of \$633.8M. 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 September 30, 2021		Six Months Ended September 30, 2021	
	Net Income	EPS	Net Income	EPS
Unadjusted	114,596	0.23	338,935	0.67
Cash items				
Loss (gain) on disposal of non-current investments	232	—	(176)	—
Incremental costs related to COVID-19	1,099	—	3,167	0.01
Bloom Lake Phase II start-up costs	4,613	0.01	4,613	0.01
	5,944	0.01	7,604	0.02
Tax effect of adjustments listed above	(2,228)	(0.01)	(3,118)	(0.01)
Adjusted	118,312	0.23	343,421	0.68

	Three Months Ended September 30, 2020		Six Months Ended September 30, 2020	
	Net Income	EPS	Net Income	EPS
Unadjusted	112,164	0.24	187,720	0.40
Cash item				
Incremental costs related to COVID-19	2,671	—	7,233	0.02
	2,671	—	7,233	0.02
Tax effect of adjustment listed above	(1,076)	—	(3,190)	(0.01)
Adjusted	113,759	0.24	191,763	0.41

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20. Non-IFRS Financial Performance Measures (continued)

F. 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 September 30,		Six Months Ended September 30,	
	2021	2020	2021	2020
Net cash flow from operating activities	374,141	131,426	361,512	206,714
Weighted average number of ordinary shares outstanding - Basic	506,429,000	473,120,000	506,351,000	472,179,000
Operating cash flow per share	0.74	0.28	0.71	0.44

G. 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 September 30,	As at March 31,
	2021	2021
Cash and cash equivalents	491,333	609,316
Short-term investments	31,588	27,200
Cash on hand	522,921	636,516

21. Share Capital Information

The Company's share capital consists of ordinary shares without par value. As of October 27, 2021, there are 506,491,876 ordinary shares issued and outstanding.

In addition, there are 5,841,502 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.

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22. Summary of Quarterly Results

The following information is derived from and should be read in conjunction with the Financial Statements for the three and six-month periods ended September 30, 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, 2021.

The Company's fiscal year ends on March 31. All financial data is stated in millions of dollars except for the earnings per share and adjusted earnings per share¹.

	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020
Financial Data (\$ millions)								
Revenues	331.0	545.4	396.7	329.5	311.0	244.6	175.7	171.1
Operating income	190.4	400.0	262.5	203.3	189.5	118.8	52.1	53.3
EBITDA ¹	200.0	405.7	275.8	214.6	199.0	130.2	60.7	57.7
Net income	114.6	224.3	155.9	120.8	112.2	75.6	18.4	30.2
Adjusted net income ¹	118.3	225.1	155.5	123.4	113.8	78.0	18.4	30.2
Earnings per share - basic	0.23	0.44	0.32	0.25	0.24	0.16	0.04	0.07
Earnings per share - diluted	0.22	0.43	0.30	0.24	0.22	0.15	0.04	0.06
Adjusted earnings per share - basic ¹	0.23	0.44	0.31	0.26	0.24	0.17	0.04	0.07
Net cash flow (used in) from operations	374.1	(12.6)	228.6	188.2	131.4	75.3	84.6	28.1
Operating Data								
Waste mined and hauled (thousands of wmt)	5,300	4,700	3,796	4,958	4,114	2,613	3,180	3,409
Ore mined and hauled (thousands of wmt)	5,714	5,644	5,636	5,183	6,070	4,683	5,413	4,905
Strip ratio	0.93	0.83	0.67	0.96	0.68	0.56	0.59	0.70
Ore milled (thousands of wmt)	5,680	5,227	5,238	5,194	5,563	4,605	4,880	4,639
Head grade Fe (%)	29.1	29.6	30.7	29.7	30.9	31.3	31.7	32.0
Fe recovery (%)	83.3	82.9	82.6	83.6	85.2	82.3	82.3	81.7
Product Fe (%)	66.3	66.3	66.5	66.4	66.1	66.5	66.5	66.4
Iron ore concentrate produced (thousands of wmt)	2,089	1,936	2,011	1,922	2,269	1,799	1,892	1,833
Iron ore concentrate sold (thousands of dmt)	1,954	1,975	1,971	1,891	2,063	1,759	1,888	1,922
Statistics (in dollars per dmt sold)								
Gross average realized selling price	218.8	279.7	220.0	194.8	162.8	149.2	130.5	140.1
Net average realized selling price ¹	169.4	276.2	201.3	174.2	150.7	139.1	93.1	89.0
Total cash cost ¹	56.2	60.1	54.4	56.2	48.5	58.4	53.9	54.2
All-in sustaining cost ¹	73.6	72.6	65.1	64.8	57.2	64.8	59.8	62.2
Cash operating margin ¹	95.8	203.6	136.2	109.4	93.5	74.3	33.3	26.8
Statistics (in US dollars per dmt sold)								
Gross average realized selling price	174.6	228.3	173.9	150.3	122.2	107.8	96.9	106.2
Net average realized selling price ¹	134.7	225.5	159.3	134.5	113.2	100.3	69.7	67.4
Total cash cost ¹ (C1 cash cost)	44.6	48.9	43.0	43.1	36.4	42.2	40.1	41.1
All-in sustaining cost ¹	58.4	59.1	51.4	49.7	42.9	46.8	44.5	47.1
Cash operating margin ¹	76.3	166.4	107.9	84.6	70.1	53.5	25.2	20.3

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)

23. Risk Factors

Champion is subject to several risks and uncertainties which could have a material adverse impact on its operations, its financial condition and the trading price of its shares. This section presents information about the Company's exposure to each of the described risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

The Board oversees Management's establishment and execution of the Company's risk management framework. Management has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to market conditions and the Company's activities.

Refer to the Company's 2021 Annual Information Form and the Annual Report for the fiscal year ended March 31, 2021, available on SEDAR at www.sedar.com, the ASX at www.asx.com.au and the Company's website at www.championiron.com to see the principal risk factors that apply to the Company and that may have a material adverse effect on its financial condition, results of operations or the trading price of the Company's shares.

Champion Iron Limited

Directors' Report - Operating and Financial Review

(Expressed in Canadian dollars, except where otherwise indicated)

24. 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 loss of their entire investment. Furthermore, an investment in the Company's securities should not constitute a major portion of an investor's portfolio.

25. 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.

26. 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 Directors' 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*.

27. Cautionary Note Regarding Forward-Looking Statements

This Directors' Report includes certain information and statements that may constitute "forward-looking information" under applicable Canadian securities legislation. All statements other than statements of historical facts included in this Directors' Report that address future events, developments or performance that Champion expects to occur, including Management's expectations regarding (i) the mitigation of risks related to COVID-19 and the impact of COVID-19 on the overall economy, the demand for iron ore concentrate and operations and cash flows of Champion; (ii) the feasibility study to evaluate the reprocessing and infrastructure required for commercial production of a higher than 69% Fe DR pellet feed product; (iii) the revision of the Kami Project scope and related feasibility study including the timing thereof; (iv) the Company's strategy to evaluate its growth alternatives within its property portfolio; (v) the collaboration with Caterpillar and Toromont Cat to develop, test and implement advanced drilling technologies aimed at optimizing Bloom Lake's operational productivity and reducing energy consumption; (vi) the Company's Phase II expansion project and its construction and completion timeline, funding, impact on nameplate capacity, expected capital expenditures and production volume; (vii) rising demand for higher grade raw materials and shift towards reduction technologies used to produce liquid iron, such as the use of DRI in EAFs instead of BF-BOF for liquid iron production and the related R&D program of the Company to develop technologies and products to support the steelmaking transition from the BF-BOF method to the DRI-EAF method, while supporting emissions reduction in the BF-BOF process; (viii) the impact of iron ore prices fluctuations on net cash flow from operations and the Company's development; (ix) the fluctuations of the ocean freight costs in connection with the fluctuations of the iron ore prices and the impact of securing long-term freight contracts; (x) the impact of exchange rate fluctuations on the Company and its financial results; (xi) the Company's cash requirements for the next twelve months, the Company's positioning to fund such cash requirements and estimated future interest payments; (xii) legal actions and the impact thereof; and (xiii) the LoM of the Bloom Lake Mine 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 and resources described exist in the quantities predicted or estimated and that the reserves can be profitably mined in the future. Actual reserves and resources may be greater 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. Although Champion believes the expectations expressed 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 expressed in forward-looking statements include, without limitation: the results of feasibility studies; changes in the assumptions used to prepare 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; future transportation costs, 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; the effects of catastrophes and public health crises, including impact of COVID-19 on the global economy, the iron ore market and Champion's operations, as well as those factors discussed in the section entitled "Risk Factors" of the Company's 2021 Annual Information Form and the Annual Report for the fiscal year ended March 31, 2021, all of which are available on SEDAR at www.sedar.com, the ASX at www.asx.com.au and the Company's website at www.championiron.com. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such forward-looking information. Accordingly, readers should not place undue reliance on forward-looking information.

All of Champion's forward-looking information contained in this Directors' Report is given as of the date hereof or such other date or dates specified in such statements and is based upon the opinions and estimates of Champion's Management and information available to Management as at the date hereof. Champion disclaims any intention or obligation to update or revise any of its forward-looking information, whether as a result of new information, future events or otherwise, except as 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. 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 risks they entail. Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company's ability to predict or control.

DIRECTORS' REPORT

Specific and General Information

The Board of Directors of Champion Iron Limited present herewith the consolidated financial report of the entity for the half-year ended September 30, 2021. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

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 page 3 to page 40 and forms part of this Directors' Report.

Events Occurring After the Reporting Period

There are no significant matters, circumstances or events that have arisen since the end of the financial half-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 half-year ended September 30, 2021.

Directors

The Directors of the Company at any time during or since the end of the half-year are:

Director	Position	Note
Michael O'Keeffe	Executive Chairman	Non-independent
Andrew Love	Lead Director	Independent director
David Cataford	Executive Director and Chief Executive Officer	Non-independent
Michelle Cormier	Non-executive Director	Independent director
Jyothish George	Non-executive Director	Independent director
Gary Lawler	Non-executive Director	Independent director
Wayne Wouters	Non-executive Director	Independent director
Louise Grondin	Non-executive Director	Independent director

Auditor's Independence Declaration

Ernst & Young are the auditors of the Company. A copy of their auditor's independence declaration for the half-year ended September 30, 2021 as required under section 307C of the Corporations Act 2001 is set out on page 42 and forms part of this Directors' 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 half-year 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 made pursuant to section 306(3) of the Corporations Act 2001.

/s/ Michael O'Keeffe
Michael O'Keeffe, Executive Chairman

/s/ Andrew Love
Andrew Love, Lead Director

Dated on October 28, 2021

AUDITOR'S INDEPENDENCE DECLARATION



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

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
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Auditor's independence declaration to the directors of Champion Iron Limited

As lead auditor for the review of the half-year financial report of Champion Iron Limited for the half-year ended September 30, 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 review; and
- b. No contraventions of any applicable code of professional conduct in relation to the review.

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

A stylized, handwritten signature in black ink that reads 'Ernst + Young'.

Ernst & Young

A handwritten signature in black ink that appears to read 'Scott Nichols'.

Scott Nichols
Partner
Sydney
October 28, 2021

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Champion Iron Limited, I state that:

In the Opinion of the Directors:

1. the Financial Statements and notes of the Company are in accordance with the *Corporations Act 2001*, including:
 - a. giving a true and fair view of the Company's consolidated financial position as at September 30, 2021 and the performance for the half-year ended on that date; and
 - b. complying with Accounting Standard AASB 134: *"Interim Financial Reporting"*.
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors

/s/ Michael O'Keeffe

Michael O'Keeffe, Executive Chairman
Sydney, New South Wales

/s/ Andrew Love

Andrew Love, Lead Director

Dated on October 28, 2021

Champion Iron Limited

(ACN: 119 770 142)

Condensed Interim Consolidated Financial Statements

For the Three and Six-Month Periods Ended September 30, 2021 and 2020

(Expressed in thousands of Canadian dollars - unaudited)

Independent auditor's review report to the members of Champion Iron Limited

Conclusion

We have reviewed the accompanying half-year financial report of Champion Iron Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at September 30, 2021, the consolidated statements of income and comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group does not comply with the *Corporations Act 2001*, including:

- a. Giving a true and fair view of the consolidated financial position of the Group as at September 30, 2021 and of its consolidated financial performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibilities for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at September 30, 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

A handwritten signature in black ink, appearing to read 'Ernst + Young'.

Ernst & Young

A handwritten signature in black ink, appearing to read 'Scott Nichols'.

Scott Nichols
Partner
Sydney
October 28, 2021

Champion Iron Limited

Interim Consolidated Statements of Financial Position

(Expressed in thousands of Canadian dollars - unaudited)

		As at September 30, 2021	As at March 31, 2021
	Notes		
Assets			
Current			
Cash and cash equivalents		491,333	609,316
Short-term investments		31,588	27,200
Receivables	3	96,433	98,755
Prepaid expenses and advances		14,736	5,454
Inventories	4	72,971	66,814
		707,061	807,539
Non-current			
Restricted cash	10	44,593	44,012
Non-current investments		1,283	8,761
Advance payments	6	110,793	49,246
Intangible assets	7	9,009	6,257
Property, plant and equipment	8	793,981	504,985
Exploration and evaluation assets	9	106,825	76,106
Total assets		1,773,545	1,496,906
Liabilities			
Current			
Accounts payable and other		194,198	102,225
Derivative liabilities	18	3,775	—
Income and mining taxes payable		91,421	191,542
Current portion of long-term debt	10	32,578	—
		321,972	293,767
Non-current			
Long-term debt	10	232,023	214,951
Deferred grant	10	3,088	—
Lease liabilities		1,302	1,401
Rehabilitation obligation	11	88,385	45,074
Other long-term liabilities		6,042	4,163
Deferred tax liabilities		94,644	84,533
Total liabilities		747,456	643,889
Shareholders' equity			
Share capital	12	379,395	515,970
Contributed surplus		25,253	22,309
Warrants	12	29,973	29,973
Foreign currency translation reserve		513	530
Retained earnings		590,955	284,235
Total equity		1,026,089	853,017
Total liabilities and equity		1,773,545	1,496,906
Commitments and contingencies	19		

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

Approved on October 28, 2021 on behalf of the directors

/s/ Michael O'Keeffe
Executive Chairman

/s/ Andrew Love
Lead Director

Champion Iron Limited

Interim Consolidated Statements of Income

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

		Three Months Ended September 30,		Six Months Ended September 30,	
	Notes	2021	2020	2021	2020
Revenues	13	331,006	310,994	876,414	555,568
Cost of sales	14	(110,884)	(102,739)	(231,730)	(210,077)
Depreciation		(9,437)	(8,346)	(19,396)	(17,286)
Gross profit		210,685	199,909	625,288	328,205
Other expenses					
Share-based payments	12	(2,553)	(489)	(3,842)	(1,374)
General and administrative expenses		(7,548)	(5,695)	(15,352)	(10,879)
Sustainability and other community expenses		(4,080)	(3,728)	(8,194)	(7,200)
Product research and development expenses		(1,519)	(514)	(2,872)	(514)
Bloom Lake Phase II start-up costs		(4,613)	—	(4,613)	—
Operating income		190,372	189,483	590,415	308,238
Net finance costs	15	(1,012)	(4,530)	(5,399)	(5,675)
Other income (expense)	16	204	1,143	(4,059)	3,610
Income before income and mining taxes		189,564	186,096	580,957	306,173
Current income and mining taxes		(71,157)	(69,305)	(231,911)	(112,747)
Deferred income and mining taxes		(3,811)	(4,627)	(10,111)	(5,706)
Net income		114,596	112,164	338,935	187,720
Earnings per share					
Basic	17	0.23	0.24	0.67	0.40
Diluted	17	0.22	0.22	0.65	0.38
Weighted average number of common shares outstanding					
Basic		506,429,000	473,120,000	506,351,000	472,179,000
Diluted		523,879,000	498,656,000	524,238,000	493,674,000

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

Champion Iron Limited

Interim Consolidated Statements of Comprehensive Income

(Expressed in thousands of Canadian dollars - unaudited)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2021	2020	2021	2020
Net income	114,596	112,164	338,935	187,720
Other comprehensive income (loss)				
Item that may be reclassified subsequently to the consolidated statements of income:				
Net movement in foreign currency translation reserve	(37)	27	(17)	70
Total other comprehensive income (loss)	(37)	27	(17)	70
Total comprehensive income	114,559	112,191	338,918	187,790

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

Champion Iron Limited

Interim Consolidated Statements of Equity

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

Attributable to Champion Shareholders										
	Notes	Share Capital				Contributed Surplus	Warrants	Foreign Currency Translation	Retained Earnings (Accumulated Deficit)	Total
		Ordinary Shares		Preferred Shares						
		Shares ⁽¹⁾	\$	Shares	\$					
Balance - March 31, 2021		502,116,000	356,463	185,000,000	159,507	22,309	29,973	530	284,235	853,017
Net income		—	—	—	—	—	—	—	338,935	338,935
Other comprehensive loss		—	—	—	—	—	—	(17)	—	(17)
Total comprehensive income (loss)		—	—	—	—	—	—	(17)	338,935	338,918
Exercise of stock options	12	100,000	715	—	—	(215)	—	—	—	500
Release of restricted share units	12	76,000	167	—	—	(358)	—	—	(252)	(443)
Issuance of common shares for the acquisition of the Kami project ²	5, 12	4,200,000	22,050	—	—	—	—	—	—	22,050
Redemption of preferred shares	12	—	—	(185,000,000)	(159,507)	—	—	—	(25,493)	(185,000)
Dividends on preferred shares	12	—	—	—	—	—	—	—	(6,470)	(6,470)
Share-based payments	12	—	—	—	—	3,517	—	—	—	3,517
Balance - September 30, 2021		506,492,000	379,395	—	—	25,253	29,973	513	590,955	1,026,089
Balance - March 31, 2020		467,689,000	272,049	185,000,000	159,507	21,100	75,336	381	(151,751)	376,622
Net income		—	—	—	—	—	—	—	187,720	187,720
Other comprehensive income		—	—	—	—	—	—	70	—	70
Total comprehensive income		—	—	—	—	—	—	70	187,720	187,790
Exercise of stock options	12	5,453,000	4,568	—	—	(1,610)	—	—	—	2,958
Dividends on preferred shares	12	—	—	—	—	—	—	—	(16,980)	(16,980)
Share-based payments	12	—	—	—	—	1,374	—	—	—	1,374
Balance - September 30, 2020		473,142,000	276,617	185,000,000	159,507	20,864	75,336	451	18,989	551,764

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

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

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

Champion Iron Limited

Interim Consolidated Statements of Cash Flows

[Expressed in thousands of Canadian dollars - unaudited]

		Three Months Ended September 30,		Six Months Ended September 30,	
	Notes	2021	2020	2021	2020
Cash provided by Operating Activities					
Net income		114,596	112,164	338,935	187,720
Adjustments for non-cash items					
Depreciation	20	9,437	8,346	19,396	17,286
Share-based payments	12	2,553	489	3,842	1,374
Unrealized (gain) loss on derivative liabilities	18	(1,442)	—	3,775	—
Change in fair value and related loss (gain) on disposal of non-current investments	16	238	(1,143)	(716)	(3,610)
Unrealized foreign exchange (gain) loss		(1,728)	1,392	200	(637)
Deferred income and mining taxes		3,811	4,627	10,111	5,706
Other		1,181	490	1,551	1,046
		128,646	126,365	377,094	208,885
Changes in non-cash operating working capital	20	245,495	5,061	(15,582)	(2,171)
Net cash flow from operating activities		374,141	131,426	361,512	206,714
Investing Activities					
Acquisition of short-term investments		(2,709)	—	(5,406)	—
Acquisition of the Kami Project	5	—	—	(15,444)	—
Net proceeds on disposal of non-current investments		3,647	—	9,468	—
Purchase of intangible assets	7	(65)	(408)	(513)	(1,233)
Purchase of property, plant and equipment	8, 20	(153,653)	(27,610)	(263,592)	(50,406)
Increase in advance payments	6	(14,104)	(3,077)	(54,442)	(3,077)
Investment in exploration and evaluation assets	9	(1,983)	(188)	(2,726)	(264)
Net cash flow used in investing activities		(168,867)	(31,283)	(332,655)	(54,980)
Financing Activities					
Issuance of long-term debt	10	20,000	—	50,000	—
Transaction costs on long-term debt	10	(1,261)	—	(2,242)	—
Exercise of stock options	12	—	307	500	2,958
Withholding taxes paid pursuant to the settlement of RSUs	12	(443)	—	(443)	—
Redemption of preferred shares	12	(125,000)	—	(185,000)	—
Payment of lease liabilities		(137)	(247)	(396)	(480)
Dividends paid on preferred shares	12	(2,204)	(16,980)	(6,470)	(16,980)
Net cash flow used in financing activities		(109,045)	(16,920)	(144,051)	(14,502)
Net increase (decrease) in cash and cash equivalents		96,229	83,223	(115,194)	137,232
Cash and cash equivalents, beginning of the period		393,557	330,215	609,316	281,363
Effects of exchange rate changes on cash and cash		1,547	(4,938)	(2,789)	(10,095)
Cash and cash equivalents, end of the period		491,333	408,500	491,333	408,500
Interest paid		2,621	5,039	4,991	5,335
Income and mining taxes paid		70,299	97,042	332,032	97,042

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

Champion Iron Limited

Notes to the Condensed Interim Consolidated Financial Statements

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

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

Champion Iron Limited, through its subsidiary Quebec Iron Ore Inc. ("QIO"), owns and operates the Bloom Lake Mining Complex ("Bloom Lake" or "Bloom Lake Mine"), located on the south end of the Labrador Trough, approximately 13 km north of Fermont, Québec. Bloom Lake is an open-pit operation with a concentrator and primarily sources energy from renewable hydroelectric power. The Bloom Lake Phase I plant has a nameplate capacity of 7.4M tonnes per annum ("Mtpa") and produces a low contaminant high-grade 66.2% Fe iron ore concentrate and proved its ability to produce 67.5% Fe direct reduction quality concentrate, which has attracted a premium to the Platts IODEX 62% Fe iron ore benchmark. The Company ships iron ore concentrate from Bloom Lake by rail, to a ship loading port in Sept-Îles, Québec, and sells its iron ore concentrate to customers globally, including in China, Japan, the Middle East, Europe, South Korea, India and Canada. In addition to the ongoing construction to complete the Bloom Lake Phase II project ("Phase II"), Champion owns a portfolio of exploration and development projects in the Labrador Trough, including the Kamistatusset Project (refer to note 5 - Acquisition of the Kami Project) located a few kilometres south-east of Bloom Lake, and the Consolidated Fire Lake North iron ore project, located approximately 40 km south of Bloom Lake.

2. Significant Accounting Policies and Future Accounting Changes

A. Basis of preparation

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

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

B. Statement of compliance

These financial statements have been prepared for a for-profit enterprise in accordance with the requirements of the Corporations Act 2001 and AASB 134/IAS 34, Interim Financial Reporting. These financial statements do not include certain information and disclosures normally included in the audited annual consolidated financial statements prepared in accordance with Australian Accounting Standards ("AAS") and International Financial Reporting Standards ("IFRS") and should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended March 31, 2021.

The accounting policies used in these financial statements are consistent with those disclosed in the Company's audited consolidated financial statements for the year ended March 31, 2021, except for accounting policies adopted resulting from transactions during the reporting, and new accounting standards issued and adopted by the Company, which are described below.

These financial statements were approved and authorized for issue by the Board of Directors ("the Board") on October 28, 2021.

C. Significant accounting policies

The following accounting policies were adopted following transactions that occurred during the reporting period:

Acquisition of a group of assets

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

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

Champion Iron Limited

Notes to the Condensed Interim Consolidated Financial Statements

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

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

C. Significant accounting policies (continued)

Derivative financial instruments

Derivative financial instruments are mainly used to manage the Company's exposure to foreign exchange generally through forward foreign exchange contracts. Derivative financial instruments include derivatives that are embedded in financial or non-financial contracts that are not closely related to the host contracts. Derivative financial instruments are classified as fair value through profit and loss, unless they are designated as hedging instruments for which hedge accounting is applied. Changes in the fair value of derivative financial instruments not designated in a hedging relationship, excluding embedded derivatives, are recognized in other income (expense), based on the nature of the exposure.

Embedded derivatives of the Corporation include prepayment options which are not closely related to the host contract and are measured at fair value, with the initial value recognized as an increase of the related long-term debt and amortized to income using the effective interest method. Subsequent changes in fair value of embedded derivatives are recorded in other income (expense).

Cash-settled share-based payments

Cash-settled share-based payments are measured at fair value at the grant date with a corresponding liability. Until the liability is settled, the fair value of the liability is remeasured at the end of each reporting period and at the date of settlement, with any changes in fair value recognized in net income. The fair value of the compensation is measured based on the closing share price of the Company on the Toronto Stock Exchange adjusted to take into account the terms and conditions upon which the shares were granted, if any, and the awards, that are expected to vest.

Government grants

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

Financial instruments

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

Bloom Lake Phase II start-up costs

Start-up costs are pre-commercial expenses related to the Phase II project and include all costs related to staff mobilization and training. Start-up costs are expensed as incurred.

D. Significant accounting judgments, estimates and assumptions

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

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

A rehabilitation obligations study was completed in the three-month period ended September 30, 2021. The financial impact of the study is described in note 11 of these consolidated financial statements.

Champion Iron Limited

Notes to the Condensed Interim Consolidated Financial Statements

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

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

E. New accounting amendments issued and adopted by the Company

The following amendments to existing standards have been adopted by the Company on April 1, 2021:

Earlier Adoption of the Amendments to AASB 101 (IAS 1), Presentation of Financial Statements ("IAS 1")

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

Earlier Adoption of the Amendments to AASB 108 (IAS 8), Accounting Policies, Changes in Accounting and Errors ("IAS 8")

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

Interest Rate Benchmark Reform - Phase 2, which amends AASB 9 (IFRS 9), Financial Instruments ("IFRS 9"), AASB 139 (IAS 39), Financial Instruments: Recognition and Measurement ("IAS 39"), AASB 7 (IFRS 7), Financial Instruments: Disclosures ("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.

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

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

Except for the following amendment, there has been no change to amendments to standards issued but not yet in effect for annual periods beginning on April 1, 2022 and thereafter since the filing of the Company's audited annual consolidated financial statements for the year ended March 31, 2021.

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

The amendments specify how entities should account for deferred income taxes on transactions such as leases and decommissioning obligations. In specified circumstances, entities are exempt from recognizing deferred income taxes when they recognize assets or liabilities for the first time. The amendments clarify that the exemption does not apply to transactions such as leases and decommissioning obligations and that entities are required to recognize deferred income taxes on such transactions. The amendment is applicable for the annual period beginning on April 1, 2023.

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

Champion Iron Limited

Notes to the Condensed Interim Consolidated Financial Statements

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

3. Receivables

	As at September 30, 2021	As at March 31, 2021
Trade receivables	74,193	73,341
Sales tax	19,617	24,359
Grant receivable	987	—
Other receivables	1,636	1,055
	96,433	98,755

As at September 30, 2021, the trade receivables, subject to provisional pricing, amounted to a payable balance of \$17,259,000 and are presented in Accounts payable and other in the consolidated statements of financial position (March 31, 2021: receivable of \$550,000).

4. Inventories

	As at September 30, 2021	As at March 31, 2021
Stockpiled ore	13,971	13,050
Concentrate inventories	19,595	18,860
Supplies and spare parts	39,405	34,904
	72,971	66,814

For the three and six-month periods ended September 30, 2021, the amount of inventories recognized as an expense totalled \$120,321,000 and \$251,126,000, respectively (three and six-month periods ended September 30, 2020: \$111,085,000 and \$227,363,000, respectively). For the three and six-month periods ended September 30, 2021, no specific provision was recorded on any of the Company's inventories (three and six-month periods ended September 30, 2020: nil).

Champion Iron Limited

Notes to the Condensed Interim Consolidated Financial Statements

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

5. Acquisition of the Kami Project

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.

At the acquisition date, on April 1, 2021, Champion paid \$15,000,000 in cash and purchased and extinguished the secured debt between Alderon and Sprott Private Resource Lending (Collector), LP ("Sprott") through the issuance of 4,200,000 ordinary shares to Sprott and Altius Resources Inc. ("Altius"). 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. Refer to note 19 - Commitments and Contingencies.

The transaction has been determined and recorded as an acquisition of a group of assets. The total purchase price was allocated to the assets acquired based on their relative fair values at the acquisition date.

The purchase price and the allocation to the assets were calculated as follows:

	Notes	As at April 1, 2021
Purchase price		
Cash consideration		15,000
4,200,000 ordinary shares issued		22,050
Transaction costs		444
		37,494
Assets acquired		
Advance payment (Port agreement)	6	5,988
Intangible asset (access to Port)	7	3,513
Exploration and evaluation assets (mining property rights)	9	27,993
		37,494
Reconciliation of the acquisition of the Kami Project to the net cash flow used in investing activities		
Cash consideration		15,000
Transaction costs paid		444
		15,444

Champion Iron Limited

Notes to the Condensed Interim Consolidated Financial Statements

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

6. Advance Payments

	As at September 30, 2021	As at March 31, 2021
Port	22,482	17,920
Railway and port facilities	72,212	23,724
Other long-term advance	16,099	7,602
	110,793	49,246

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. Pursuant to the agreement, the Company made an advance payment on its future shipping, wharfage and equipment fees. As at September 30, 2021, the remaining advance payment amounted to \$16,909,000 (March 31, 2021: \$17,920,000).

On April 1, 2021, the Company acquired the Kami Project, along with related contracts, which included an advance payment and take-or-pay advance payments as an advance on its future shipping, wharfage and equipment fees, previously made by Alderon in respect of the Port agreement totalling \$5,988,000. Refer to note 5 - Acquisition of the Kami Project.

Both agreements with the Port have an initial term of 20 years maturing in 2032 with options to renew for 4 additional 5-year terms. The current portion of the advances 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.

In addition, the Company entered into a construction agreement with SFPPN and made advances to increase the transshipment capacity and support the Company's plans to increase production with the Phase II project, which totalled \$44,653,000 as at September 30, 2021 (March 31, 2021: \$15,211,000).

On April 16, 2021, the Company entered into an agreement to expand the existing long-term rail contract to accommodate the anticipated increased Phase II production volumes. In connection with this agreement, the Company made an advance during the six-month period ended September 30, 2021. The current portion of the advance is presented under Prepaid expenses and advances in the consolidated statements of financial position.

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 and amounts paid for capital maintenance expenditures on SFPPN's assets.

Champion Iron Limited

Notes to the Condensed Interim Consolidated Financial Statements

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

7. Intangible Assets

	Port Access	Software	Total
Cost			
March 31, 2021	—	9,410	9,410
Additions	3,513	513	4,026
September 30, 2021	3,513	9,923	13,436
Accumulated depreciation			
March 31, 2021	—	3,153	3,153
Depreciation	—	1,274	1,274
September 30, 2021	—	4,427	4,427
Net book value - September 30, 2021	3,513	5,496	9,009

	Port Access	Software	Total
Cost			
March 31, 2020	—	7,705	7,705
Additions	—	1,705	1,705
March 31, 2021	—	9,410	9,410
Accumulated depreciation			
March 31, 2020	—	1,635	1,635
Depreciation	—	1,518	1,518
March 31, 2021	—	3,153	3,153
Net book value - March 31, 2021	—	6,257	6,257

On April 1, 2021, in connection with the acquisition of the Kami Project, the Company acquired a Port agreement for the rights and entitlements to reserve annual loading capacity of 8 million metric tonnes of iron ore for an initial term of 20 years maturing in 2032 with options to renew for 4 additional 5-year terms. The related port access is amortized straight-line over the life of mine starting at the commercial production of Phase II. Refer to note 5 - Acquisition of the Kami Project.

Champion Iron Limited

Notes to the Condensed Interim Consolidated Financial Statements

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

8. Property, Plant and Equipment

	Mining and Processing Equipment	Locomotives, Railcars and Rails	Tailings Dykes	Assets under Construction ⁽¹⁾ ₍₂₎	Mining Development and Stripping Asset ⁽³⁾	Asset Rehabilitation Obligation and Other	Subtotal	Right-of-use Assets	Total
Cost									
March 31, 2021	172,460	43,663	81,549	176,079	67,831	32,223	573,805	10,335	584,140
Additions	2,900	—	—	241,604	22,108	43,274	309,886	—	309,886
Transfers and disposals	22,058	—	351	(23,628)	—	—	(1,219)	—	(1,219)
Foreign exchange and other	—	566	—	—	—	—	566	—	566
September 30, 2021	197,418	44,229	81,900	394,055	89,939	75,497	883,038	10,335	893,373
Accumulated depreciation									
March 31, 2021	56,018	6,967	8,212	—	1,799	3,519	76,515	2,640	79,155
Depreciation	15,453	939	2,356	—	696	836	20,280	585	20,865
Transfers and disposals	(740)	—	—	—	—	—	(740)	—	(740)
Foreign exchange and other	—	112	—	—	—	—	112	—	112
September 30, 2021	70,731	8,018	10,568	—	2,495	4,355	96,167	3,225	99,392
Net book value -									
September 30, 2021	126,687	36,211	71,332	394,055	87,444	71,142	786,871	7,110	793,981

	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	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
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

¹ During the development period of the Bloom Lake Phase II expansion project, the amount of borrowing costs capitalized for the three and six-month periods ended September 30, 2021 was \$3,816,000 and \$6,529,000, respectively (three and six-month periods ended September 30, 2020: \$562,000 and \$1,493,000, respectively). Borrowing costs consisted of interest expense and transaction costs on the long-term debt (note 10). The capitalization rate used to determine the amount of borrowing costs eligible for capitalization for the three and six-month periods ended September 30, 2021 was 5.9% and 5.8%, respectively (three and six-month periods ended September 30, 2020: 3.8% and 3.9%, respectively).

² The Company qualified for a government grant up to \$21,817,000, payable in multiple advances, in relation to energy consumption reduction initiatives under certain conditions. The Company must reach gas emissions reduction targets over a period of 10 years and must complete the construction before August 5, 2025. The grant was recognized as a reduction of property, plant and equipment. Refer to note 20 - Financial Information Included in the Consolidated Statements of Cash Flows.

³ For the three and six-month periods ended September 30, 2021, the addition to the stripping asset includes: i) production expenses capitalized amounting to \$7,532,000 and \$13,678,000, respectively, (three and six-month periods ended September 30, 2020: \$3,398,000 and \$4,573,000, respectively) and ii) allocated depreciation of property, plant and equipment amounting to \$1,392,000 and \$2,528,000, respectively (three and six-month periods ended September 30, 2020: \$578,000 and \$823,000, respectively).

Champion Iron Limited

Notes to the Condensed Interim Consolidated Financial Statements

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

9. Exploration and Evaluation Assets

	Labrador Trough	Newfoundland	Total
March 31, 2021	73,423	2,683	76,106
Additions	29,917	402	30,319
September 30, 2021	103,340	3,085	106,425

	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

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.

On April 1, 2021, in connection with the acquisition of the Kami Project, the Company acquired mining property rights of \$27,993,000. Refer to note 5 - Acquisition of the Kami Project.

10. Long-Term Debt

	As at September 30, 2021 (six-month period)	As at March 31, 2021 (twelve-month period)
Opening balance	214,951	275,968
Advances	50,000	—
Market value adjustment	(3,088)	—
Capital repayment	—	(25,262)
Transaction costs	(2,242)	(7,888)
Amortization of transaction costs	1,992	2,398
Foreign exchange loss (gain)	2,988	(32,128)
Non-cash loss on debt refinancing	—	1,863
	264,601	214,951
Less current portion	(32,578)	—
Ending balance	232,023	214,951

	As at September 30, 2021	As at March 31, 2021
Debt	276,251	226,350
Unamortized transaction costs	(11,650)	(11,399)
Long-term debt, net of transaction costs	264,601	214,951

Senior Debt

QIO entered into a lending arrangement with various lenders to fund the completion of Phase II, which is comprised of a US\$350,000,000 non-revolving credit facility (the "Term Facility") and a US\$50,000,000 revolving credit facility (the "Revolving Facility") (collectively the "Senior Debt"), maturing on December 23, 2025 and December 23, 2023, respectively. As at September 30, 2021, the undrawn portion of the Senior Debt totalled US\$220,000,000. The repayment of the Term Facility commences 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.

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

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

10. Long-Term Debt (continued)

Senior Debt (continued)

The Senior Debt required the Company to deposit US\$35,000,000 of cash as contingent funds to cover potential cost overruns of Phase II. As at September 30, 2021, this deposit of \$44,593,000 was classified as a non-current restricted cash in the consolidated statements of financial position (March 31, 2021: \$44,012,000).

FTQ Loan

On May 21, 2021, QIO entered into an unsecured loan agreement with Fonds de Solidarité des Travailleurs du Québec ("FTQ Loan") to fund the completion of Phase II for an amount up to \$75,000,000, maturing on May 21, 2028. During the six-month period ended September 30, 2021, the Company drew on \$30,000,000. The FTQ Loan includes an option to prepay in whole or in part at anytime, but not prior to the second anniversary by paying a premium that varies from 2% to 6% based the prepayment date.

IQ Loan

On July 21, 2021, QIO entered into an unsecured loan agreement with Investissement Québec ("IQ Loan") to finance the Company's share of the increase in transshipment capacity by SFPPN for an amount up to \$70,000,000 maturing on April 1, 2032. The repayment commences on April 1, 2022 in ten equal annual installments of the principal balance outstanding. The agreement comprises an option to prepay the loan at anytime without penalty. During the six-month period ended September 30, 2021, the Company drew on \$20,000,000. The loan bearing interest at 3.70% was determined to be at below-market rate. The fair value of the first advance was estimated at \$16,912,000 and was determined based on the prevailing market interest rate for a similar instrument. The residual amount of \$3,088,000 was recognized as a government grant and presented as a deferred grant in the consolidated statements of financial position.

The Senior Debt and the FTQ Loan are subject to operational and financial covenants, all of which have been met as at September 30, 2021. The undrawn portion of the Senior Debt and the FTQ Loan is subject to standby commitment fees varying from 0.35% to 1.38% during the pre-completion of Phase II.

During the three and six-month periods ended September 30, 2021, the weighted average interest rate was 4.6% and 4.5%, respectively (three and six-month periods ended September 30, 2020: 3.8% and 3.9%).

11. Rehabilitation Obligation

	As at September 30, 2021 (six-month period)	As at March 31, 2021 (twelve-month period)
Opening balance	45,074	42,836
Increase due to reassessment of the rehabilitation obligation	43,011	994
Accretion expense	44	72
Effect of change in discount rate	256	1,172
Ending balance	88,385	45,074

In the three-month period ended September 30, 2021, a new rehabilitation obligation study was completed due to the upcoming Phase II completion. The estimated rehabilitation obligation increased by \$43,011,000.

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 0.25% as at September 30, 2021 (March 31, 2021: 0.28%). The undiscounted amount related to the rehabilitation obligation is estimated at \$92,076,000 as at September 30, 2021 (March 31, 2021: \$47,268,000).

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Notes to the Condensed Interim Consolidated Financial Statements

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12. Share Capital and Reserves

a) Authorized

The Company's share capital consists of authorized:

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

b) Ordinary share issuances

	Six Months Ended September 30,	
	2021	2020
	(in thousands)	(in thousands)
Shares		
Opening balance	502,116	467,689
Shares issued for exercise of options - incentive plan	100	5,453
Shares issued for release of restricted share units - incentive plan	76	—
Shares issued for the acquisition of the Kami Project	4,200	—
Ending balance	506,492	473,142

On April 1, 2021, the Company issued 4,200,000 ordinary shares to Sprott and Altius as partial consideration for the acquisition of the Kami Project. Refer to note 5 - Acquisition of the Kami Project.

c) Preferred share issuances

	Six Months Ended September 30,	
	2021	2020
	(in thousands)	(in thousands)
Shares		
Opening balance	185,000	185,000
Redemption of preferred shares	(185,000)	—
Ending balance	—	185,000

On August 16, 2019, QIO issued preferred shares for consideration of \$185,000,000 to CDP Investissements Inc. ("CDPI"). Transaction costs of \$3,205,000 were incurred for this transaction, resulting in net proceeds of \$181,795,000. The preferred shares 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 three and six-month periods ended September 30, 2021, the Company declared and paid dividends on the preferred shares amounting to \$2,204,000 and \$6,470,000, or \$0.01 and \$0.03 per preferred shares, respectively, which represented the accumulated dividends for the April 1, 2021 to August 16, 2021 period, inclusively. During the six-month period ended September 30, 2021, the Company's subsidiary, QIO, redeemed 185,000,000 of its preferred shares. The redemption was settled for \$185,000,000 and the excess of the repurchase price over the book value of \$25,493,000 was recorded in retained earnings for the six-month period ended September 30, 2021.

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

12. Share Capital and Reserves (continued)

d) Share-based payments

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

Stock option awards and RSU awards vest annually in three equal tranches from the date of grant. DSU awards vest at the date of the grant. PSU awards vest i) at the end of three years from the date of grant or ii) over a 32-month period for Phase II construction. Vesting is subject to key performance indicators established by the Board. A portion of the PSUs granted with performance criteria based on Phase II milestones is settled in cash.

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

	Three Months Ended September 30,		Six Months Ended September 30,	
	2021	2020	2021	2020
Stock option costs	404	60	726	134
DSU costs	253	—	253	61
RSU costs	397	191	766	703
PSU costs	1,499	238	2,097	476
	2,553	489	3,842	1,374

e) Stock options

As at September 30, 2021, the Company is authorized to issue 50,649,000 stock options and share rights (September 30, 2020: 47,314,000) equal to 10% (September 30, 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:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2021		2020	
	Number of Stock Options (in thousands)	Weighted Average Exercise Price	Number of Stock Options (in thousands)	Weighted Average Exercise Price
Opening balance	1,920	4.85	6,814	0.83
Forfeited	(200)	5.00	—	—
Exercised	(100)	5.00	[5,453]	0.59
Ending balance	1,620	4.82	1,361	1.78
Options exercisable - end of the period	620	4.52	964	1.80

During the six-month period ended September 30, 2021, no new stock options were granted to executive officers of the Company. During the six-month period ended September 30, 2021, a total of 100,000 stock options were exercised and the weighted average share price at the exercise date was \$6.00.

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

Champion Iron Limited

Notes to the Condensed Interim Consolidated Financial Statements

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

12. Share Capital and Reserves (continued)

e) Stock options (continued)

A summary of the Company's outstanding and exercisable stock options as at September 30, 2021 is presented below:

Exercise Price	Weighted Average Remaining Life (Years)	Number of Stock Options	
		Outstanding	Exercisable
		(in thousands)	(in thousands)
\$2.53	0.64	120	120
\$5.00	3.35	1,500	500
		1,620	620

f) Restricted share units

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

	Six Months Ended September 30,		Six Months Ended September 30,	
	2021		2020	
	Number of RSUs	Weighted Average Share Price	Number of RSUs	Weighted Average Share Price
	(in thousands)		(in thousands)	
Opening balance	1,010	2.24	598	2.18
Granted	316	6.16	412	2.33
Forfeited	(25)	2.30	—	—
Released through the issuance of ordinary shares	(76)	4.73	—	—
Withheld as payment of withholding taxes	(86)	4.73	—	—
Ending balance	1,139	3.33	1,010	2.24
Vested - end of the period	428	2.22	536	2.22

During the six-month period ended September 30, 2021, 316,000 RSUs were granted to key management personnel (six-month period ended September 30, 2020: 412,000). They will vest annually in three equal tranches from the date of grant.

During the six-month period ended September 30, 2021, the Company issued 76,000 ordinary shares to an executive at a weighted average share price of \$4.73. Withholding taxes of \$443,000 were paid pursuant to the issuance of these RSUs resulting in the Company not issuing an additional 86,000 RSUs.

Champion Iron Limited

Notes to the Condensed Interim Consolidated Financial Statements

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

12. Share Capital and Reserves (continued)

g) Performance share units

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

	Six Months Ended September 30,		Six Months Ended September 30,	
	2021		2020	
	Number of PSUs	Weighted Average Share Price	Number of PSUs	Weighted Average Share Price
	(in thousands)		(in thousands)	
Opening balance	1,272	2.25	653	2.17
Granted	1,635	6.16	619	2.33
Forfeited	(74)	2.28	—	—
Ending balance	2,833	4.51	1,272	2.25
Vested - end of the period	—	—	—	—

During the six-month period ended September 30, 2021, 1,635,000 PSUs were granted to key management personnel (six-month period ended September 30, 2020: 619,000). Out of the PSUs granted during the period, a portion is payable in cash representing a fair value of \$325,000 for the six-month period ended September 30, 2021 and presented in the other long-term liabilities in the consolidated statements of financial position.

h) Warrants

	Six Months Ended September 30,		Six Months Ended September 30,	
	2021		2020	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
	(in thousands)		(in thousands)	
Opening balance	25,281	1.91	53,014	1.50
Exercised	—	—	—	—
Ending balance	25,281	1.91	53,014	1.50

A summary of the Company's outstanding and exercisable warrants as at September 30, 2021 and 2020 is presented below:

Exercise Price	Holder	Expiry Date	Outstanding and Exercisable	
			As at September 30,	As at September 30,
			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. There has been no change to the details of the warrants as disclosed in the Company's audited annual consolidated financial statements for the year ended March 31, 2021.

During the six-month period ended September 30, 2021, no warrants were exercised (six-month period ended September 30, 2020: nil)

Champion Iron Limited

Notes to the Condensed Interim Consolidated Financial Statements

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

13. Revenues

	Three Months Ended September 30,		Six Months Ended September 30,	
	2021	2020	2021	2020
Iron ore revenue	342,235	282,014	826,748	503,453
Provisional pricing adjustments	(11,229)	28,980	49,666	52,115
	331,006	310,994	876,414	555,568

Provisional pricing adjustments represent any difference between the revenue recognized at the end of the previous period and the final settlement price. Previous periods sales that were subject to provisional pricing as at June 30, 2021, and for which the final price was determined during the current quarter, were recorded within the "provisional pricing adjustments" line in the current period. Current period sales subject to provisional pricing as at September 30, 2021 were recorded within the "iron ore revenue" line in the current period and the adjustment upon determining the final price will be recorded as "provisional pricing adjustments" in the future periods.

During the three-month period ended September 30, 2021, a final price was established for the 1.2 million tonnes of iron ore that were in transit as at June 30, 2021. Accordingly, during the three-month period ended September 30, 2021, negative provisional pricing adjustments of \$11,229,000 were recorded as reduction of revenues for the 1.2 million tonnes. As at September 30, 2021, 0.8 million tonnes of iron ore sales remained subject to provisional pricing, with the final price to be determined in the subsequent reporting periods (September 30, 2020: 1.2 million tonnes).

14. Cost of Sales

	Three Months Ended September 30,		Six Months Ended September 30,	
	2021	2020	2021	2020
Land transportation	40,026	39,244	82,022	80,389
Operating supplies and parts	27,784	24,085	58,684	45,698
Salaries, benefits and other employee expenses	26,282	24,805	51,779	45,598
Sub-contractors	16,786	15,588	37,563	31,031
Other production costs	7,258	3,187	13,635	6,864
Change in inventories	(819)	(3,443)	(1,442)	(2,163)
Production expenses capitalized as stripping asset	(7,532)	(3,398)	(13,678)	(4,573)
Incremental costs related to COVID-19	1,099	2,671	3,167	7,233
	110,884	102,739	231,730	210,077

For the three and six-month periods ended September 30, 2021, the amount recognized as an expense for defined contribution plans was \$2,306,000 and \$3,546,000, respectively, (three and six-month periods ended September 30, 2020: \$1,191,000 and \$2,500,000, respectively) and was included in salaries, benefits and other employee expenses.

Champion Iron Limited

Notes to the Condensed Interim Consolidated Financial Statements

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

15. Net Finance Costs

	Three Months Ended September 30,		Six Months Ended September 30,	
	2021	2020	2021	2020
Interest on long-term debt	14	2,040	522	3,842
Realized and unrealized foreign exchange (gain) loss	(1,878)	1,424	149	(350)
Amortization of transaction costs	169	490	507	974
Interest expense on lease liabilities	18	30	40	64
Standby commitment fees on long-term debt	1,357	36	2,629	36
Other	1,332	510	1,552	1,109
	1,012	4,530	5,399	5,675

During the development period of the Bloom Lake Phase II expansion project, the amount of borrowing costs capitalized for the three and six-month periods ended September 30, 2021 was \$3,816,000 and \$6,529,000, respectively (three and six-month periods ended September 30, 2020: \$562,000 and \$1,493,000, respectively). Borrowing costs consisted of interest expense and transaction costs on the long-term debt.

16. Other Income (Expense)

	Note	Three Months Ended September 30,		Six Months Ended September 30,	
		2021	2020	2021	2020
Unrealized (loss) gain on non-current investments		(6)	1,143	540	3,610
(Loss) gain on disposal of non-current investments		(232)	—	176	—
Unrealized gain (loss) on derivative liabilities	18	1,442	—	(3,775)	—
Impairment loss on non-financial asset		(1,000)	—	(1,000)	—
		204	1,143	(4,059)	3,610

17. Earnings per Share

Earnings per share amounts are calculated by dividing the net income attributable to Champion shareholders for the three and six-month periods ended September 30, 2021 and 2020 by the weighted average number of shares outstanding during the year.

	Three Months Ended September 30,		Six Months Ended September 30,	
	2021	2020	2021	2020
Net income attributable to Champion shareholders	114,596	112,164	338,935	187,720
Weighted average number of common shares outstanding - Basic	506,429,000	473,120,000	506,351,000	472,179,000
Dilutive share options, warrants and equity settled awards	17,450,000	25,536,000	17,887,000	21,495,000
Weighted average number of outstanding shares - Diluted	523,879,000	498,656,000	524,238,000	493,674,000
Basic earnings per share	0.23	0.24	0.67	0.40
Diluted earnings per share	0.22	0.22	0.65	0.38

Champion Iron Limited

Notes to the Condensed Interim Consolidated Financial Statements

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

18. 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 or financial liabilities at fair value through profit and loss ("FVPL"), financial assets at amortized cost, and financial liabilities at amortized cost. The following tables show the carrying values and the fair value of assets and liabilities for each of these categories as at September 30, 2021 and 2020:

As at September 30, 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	—	491,333	—	491,333
Short-term investments	Level 1	—	31,588	—	31,588
Trade receivables	Level 2	74,193	—	—	74,193
Other receivables (excluding sales tax)	Level 2	—	1,636	—	1,636
Non-current					
Restricted cash	Level 1	—	44,593	—	44,593
Non-current investments (equity investment in public entity)	Level 1	9	—	—	9
Non-current investments (equity investment in private entity)	Level 3	1,274	—	—	1,274
		75,476	569,150	—	644,626
Liabilities					
Current					
Accounts payable and other (excluding current portion of lease liabilities)	Level 2	—	—	193,993	193,993
Derivative liabilities	Level 2	3,775	—	—	3,775
Current portion of long-term debt	Level 2	—	—	32,578	32,578
		3,775	—	226,571	230,346
Non-current					
Long-term debt	Level 2	—	—	232,023	232,023
		3,775	—	458,594	462,369

Champion Iron Limited

Notes to the Condensed Interim Consolidated Financial Statements

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

18. Financial Instruments (continued)

Measurement categories (continued)

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 the 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

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 three and six-month periods ended September 30, 2021 (three and six-month periods ended September 30, 2020: nil).

Financial instruments measured at fair value

Trade receivables

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

Champion Iron Limited

Notes to the Condensed Interim Consolidated Financial Statements

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

18. Financial Instruments (continued)

Financial instruments measured at fair value (continued)

Non-current investments

Equity instruments publicly listed are classified as a Level 1 in the fair value hierarchy. Their fair values are a recurring measurement and are estimated using the closing share price observed on the relevant stock exchange.

During the six-month period ended September 30, 2021, the Company purchased equity investments in a private entity. Its fair value is a recurring measurement and it is classified as Level 3. The determination of fair value is conducted on a quarterly basis and it is based on the investment's financial performance from latest financial statements. No adjustment in the fair value of the equity instrument was recorded in the consolidated statements of income in the three and six-month periods ended September 30, 2021.

The equity investments are classified as financial assets at FVPL.

Derivative financial instruments

The Company entered into forward foreign exchange contracts to sell U.S. dollars to reduce the risk of variability of future cash flows resulting from forecasted sales. The amount of contracts signed was determined based on the planned Phase II construction expenditures. As at September 30, 2021, remaining forward exchange contracts totalled US\$70,000,000, maturing between October 2021 and April 2022. The forward foreign exchange rates used to estimate the fair value of these contracts was \$1.27 as at September 30, 2021 and resulted in a derivative liability of \$3,775,000 as at September 30, 2021. The change in fair value of these contracts amounted to a gain of \$1,442,000 and a loss of \$3,775,000, respectively, for the three and six-month periods ended September 30, 2021.

The fair value of forward exchange contracts was categorized as Level 2 in the fair value hierarchy. Fair value of derivative financial instruments generally reflects the estimated amounts that the Corporation would receive or pay taking into consideration the counterparty credit risk or the Corporation's credit risk, at the reporting dates. The Corporation uses market data such as credit spreads and foreign exchange spot rates to estimate the fair value of forward agreements. The Company did not apply hedge accounting on these contracts. The change in fair value of the derivative financial instruments is recognized in the consolidated statements of income.

19. Commitments and Contingencies

Commitments

The Company's future minimum payments of commitments as at September 30, 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	5,324	22,941	87,588	115,853
Take-or-pay fees related to the Port agreement	6,591	28,055	105,341	139,987
Capital expenditure obligations	199,281	—	—	199,281
Service commitment	6,973	7,384	—	14,357
Spare parts purchase commitment	9,013	—	—	9,013
Committed leases not yet commenced	5,163	14,803	55,512	75,478
Other	1,250	1,175	294	2,719
	233,595	74,358	248,735	556,688

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

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

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

Champion Iron Limited

Notes to the Condensed Interim Consolidated Financial Statements

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

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

a) Changes in non-cash operating working capital

	Three Months Ended September 30,		Six Months Ended September 30,	
	2021	2020	2021	2020
Receivables	192,416	36,772	8,533	(18,884)
Prepaid expenses and advances	(3,559)	(907)	(9,282)	1,728
Inventories	(2,868)	(7,135)	(5,942)	(8,366)
Advance payments	3,514	829	(2,117)	1,561
Accounts payable and other	53,521	3,288	91,793	6,194
Income and mining taxes payable	858	(27,723)	(100,121)	15,719
Other long-term liabilities	1,613	(63)	1,554	(123)
	245,495	5,061	(15,582)	(2,171)

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

	Three Months Ended September 30,		Six Months Ended September 30,	
	2021	2020	2021	2020
Additions of property, plant and equipment before right-of-use assets as per note 8	196,875	28,188	309,886	55,293
Depreciation of property, plant and equipment allocated to stripping activity asset	(1,392)	(578)	(2,528)	(823)
Non-cash increase of the asset rehabilitation obligation	(41,966)	—	(43,267)	(4,064)
Government grant receivable	987	—	987	—
Capitalized amortization of transaction costs	(851)	—	(1,486)	—
Net cash flow from investing activities - purchase of property, plant and equipment	153,653	27,610	263,592	50,406

The additions of property, plant and equipment for the three and six-month period ended September 30, 2021 are net of government grants of \$7,221,000 of which \$987,000 was receivable as at September 30, 2021. The net cash flow from purchase of property, plant and equipment as presented in the statements of cash flows is net of government grants totalling \$6,234,000 for the three and six-month period ended September 30, 2021.

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

	Three Months Ended September 30,		Six Months Ended September 30,	
	2021	2020	2021	2020
Depreciation of property, plant and equipment as per note 8	10,641	9,060	20,865	17,343
Depreciation of property, plant and equipment allocated to stripping activity asset	(1,392)	(578)	(2,528)	(823)
Depreciation of intangible assets	641	345	1,274	689
Net effect of depreciation of property, plant and equipment allocated to inventory	(453)	(481)	(215)	77
Depreciation as per statements of income	9,437	8,346	19,396	17,286

Champion Iron Limited

Notes to the Condensed Interim Consolidated Financial Statements

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

21. Segmented Information

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

Three Months Ended September 30, 2021	Mine Site	Exploration and Evaluation	Corporate	Total
Revenues	331,006	—	—	331,006
Cost of sales	(110,884)	—	—	(110,884)
Depreciation	(9,373)	—	(64)	(9,437)
Gross profit (loss)	210,749	—	(64)	210,685
Share-based payments	—	—	(2,553)	(2,553)
General and administrative expenses	—	—	(7,548)	(7,548)
Sustainability and other community expenses	(1,629)	—	(2,451)	(4,080)
Product research and development expenses	—	—	(1,519)	(1,519)
Bloom Lake Phase II start-up costs	—	—	(4,613)	(4,613)
Operating income (loss)	209,120	—	(18,748)	190,372
Net finance costs, other income and taxes expenses				(75,776)
Net income				114,596
Segmented total assets	1,629,025	106,825	37,695	1,773,545
Segmented total liabilities	(736,846)	—	(10,610)	(747,456)
Segmented property, plant and equipment	792,359	—	1,622	793,981

Three Months Ended September 30, 2020	Mine Site	Exploration and Evaluation	Corporate	Total
Revenues	310,994	—	—	310,994
Cost of sales	(102,739)	—	—	(102,739)
Depreciation	(8,281)	—	(65)	(8,346)
Gross profit (loss)	199,974	—	(65)	199,909
Share-based payments	—	—	(489)	(489)
General and administrative expenses	—	—	(5,695)	(5,695)
Sustainability and other community expenses	(1,567)	—	(2,161)	(3,728)
Product research and development expenses	—	—	(514)	(514)
Operating income (loss)	198,407	—	(8,924)	189,483
Net finance costs, other income and taxes expenses				(77,319)
Net income				112,164
Segmented total assets	972,373	75,789	24,744	1,072,906
Segmented total liabilities	(511,274)	—	(9,868)	(521,142)
Segmented property, plant and equipment	403,782	—	1,871	405,653

Champion Iron Limited

Notes to the Condensed Interim Consolidated Financial Statements

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

21. Segmented Information (continued)

Six Months Ended September 30, 2021	Mine Site	Exploration and Evaluation	Corporate	Total
Revenues	876,414	—	—	876,414
Cost of sales	(231,730)	—	—	(231,730)
Depreciation	(19,267)	—	(129)	(19,396)
Gross profit (loss)	625,417	—	(129)	625,288
Share-based payments	—	—	(3,842)	(3,842)
General and administrative expenses	—	—	(15,352)	(15,352)
Sustainability and other community expenses	(3,084)	—	(5,110)	(8,194)
Product research and development expenses	—	—	(2,872)	(2,872)
Bloom Lake Phase II start-up costs	—	—	(4,613)	(4,613)
Operating income (loss)	622,333	—	(31,918)	590,415
Net finance costs, other expense and taxes expenses				(251,480)
Net income				338,935
Segmented total assets	1,629,025	106,825	37,695	1,773,545
Segmented total liabilities	(736,846)	—	(10,610)	(747,456)
Segmented property, plant and equipment	792,359	—	1,622	793,981

Six Months Ended September 30, 2020	Mine Site	Exploration and Evaluation	Corporate	Total
Revenues	555,568	—	—	555,568
Cost of sales	(210,077)	—	—	(210,077)
Depreciation	(17,157)	—	(129)	(17,286)
Gross profit (loss)	328,334	—	(129)	328,205
Share-based payments	—	—	(1,374)	(1,374)
General and administrative expenses	—	—	(10,879)	(10,879)
Sustainability and other community expenses	(2,995)	—	(4,205)	(7,200)
Product research and development expenses	—	—	(514)	(514)
Operating income (loss)	325,339	—	(17,101)	308,238
Net finance costs, other income and taxes expenses				(120,518)
Net income				187,720
Segmented total assets	972,373	75,789	24,744	1,072,906
Segmented total liabilities	(511,274)	—	(9,868)	(521,142)
Segmented property, plant and equipment	403,782	—	1,871	405,653

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

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