

# **Champion Iron Limited**

(ACN: 119 770 142)

## **Condensed Interim Consolidated Financial Statements**

**For the Three and Nine-Month Periods Ended December 31, 2023 and 2022**

(Expressed in thousands of Canadian dollars - unaudited)

For personal use only

# Champion Iron Limited

## Interim Consolidated Statements of Financial Position

(Expressed in thousands of Canadian dollars - unaudited)

	Notes	As at December 31, 2023	As at March 31, 2023
<b>Assets</b>			
Current			
Cash and cash equivalents		387,373	326,806
Short-term investments		—	312
Receivables	3	181,208	162,268
Income and mining taxes receivable		—	37,912
Prepaid expenses and advances	4	47,441	43,051
Inventories	5	284,094	167,670
		900,116	738,019
Non-current			
Non-current investments		14,162	14,751
Advance payments	6	83,150	166,943
Intangible assets		5,749	7,866
Property, plant and equipment	7	1,492,200	1,261,968
Exploration and evaluation assets		130,199	117,127
Other non-current assets	8	9,120	8,595
<b>Total assets</b>		<b>2,634,696</b>	<b>2,315,269</b>
<b>Liabilities</b>			
Current			
Accounts payable and other	9	244,301	178,578
Income and mining taxes payable		40,433	—
Current portion of long-term debt	10	31,393	27,080
		316,127	205,658
Non-current			
Long-term debt	10	504,595	448,201
Deferred grant	10	10,147	10,614
Lease liabilities		69,321	73,430
Rehabilitation obligation	11	85,041	85,508
Other long-term liabilities	12	14,576	13,427
Deferred tax liabilities		264,923	215,727
<b>Total liabilities</b>		<b>1,264,730</b>	<b>1,052,565</b>
<b>Shareholders' equity</b>			
Share capital	12	408,713	401,282
Contributed surplus		17,663	22,796
Warrants	12	22,288	22,288
Foreign currency translation reserve		457	430
Retained earnings		920,845	815,908
<b>Total equity</b>		<b>1,369,966</b>	<b>1,262,704</b>
<b>Total liabilities and equity</b>		<b>2,634,696</b>	<b>2,315,269</b>
Commitments and contingencies	18		

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

Approved on January 31, 2024 on behalf of the Directors

/s/ Michael O'Keeffe  
Executive Chairman

/s/ Gary Lawler  
Lead Director

# Champion Iron Limited

## Interim Consolidated Statements of Income

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

	Notes	Three Months Ended December 31,		Nine Months Ended December 31,	
		2023	2022	2023	2022
<b>Revenues</b>	<b>13</b>	<b>506,891</b>	351,233	<b>1,191,621</b>	931,175
Cost of sales	<b>14</b>	<b>(235,457)</b>	(209,070)	<b>(656,526)</b>	(578,318)
Depreciation	<b>19</b>	<b>(32,881)</b>	(30,719)	<b>(94,009)</b>	(78,566)
<b>Gross profit</b>		<b>238,553</b>	111,444	<b>441,086</b>	274,291
<b>Other expenses</b>					
Share-based payments	<b>12</b>	<b>(6,154)</b>	(7,112)	<b>(7,070)</b>	(5,071)
General and administrative expenses		<b>(11,206)</b>	(9,212)	<b>(36,884)</b>	(30,048)
Sustainability and other community expenses		<b>(4,699)</b>	(4,668)	<b>(12,983)</b>	(11,871)
Innovation and growth initiative expenses		<b>(5,160)</b>	(2,788)	<b>(10,119)</b>	(9,234)
<b>Operating income</b>		<b>211,334</b>	87,664	<b>374,030</b>	218,067
Net finance costs	<b>15</b>	<b>(8,747)</b>	(1,858)	<b>(27,307)</b>	(16,813)
Other income (expense)	<b>17</b>	<b>2,394</b>	(177)	<b>(589)</b>	834
<b>Income before income and mining taxes</b>		<b>204,981</b>	85,629	<b>346,134</b>	202,088
Current income and mining taxes		<b>(53,868)</b>	(10,051)	<b>(88,538)</b>	(29,344)
Deferred income and mining taxes		<b>(24,651)</b>	(24,172)	<b>(49,196)</b>	(60,254)
<b>Net income</b>		<b>126,462</b>	51,406	<b>208,400</b>	112,490
<b>Earnings per share</b>					
Basic	<b>16</b>	<b>0.24</b>	0.10	<b>0.40</b>	0.22
Diluted	<b>16</b>	<b>0.24</b>	0.10	<b>0.40</b>	0.21
<b>Weighted average number of ordinary shares outstanding</b>					
Basic		<b>517,761,000</b>	517,193,000	<b>517,405,000</b>	516,997,000
Diluted		<b>527,969,000</b>	526,901,000	<b>527,033,000</b>	526,954,000

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

For personal use only

# Champion Iron Limited

## Interim Consolidated Statements of Comprehensive Income

[Expressed in thousands of Canadian dollars - unaudited]

	Three Months Ended		Nine Months Ended	
	December 31,		December 31,	
	2023	2022	2023	2022
<b>Net income</b>	<b>126,462</b>	51,406	<b>208,400</b>	112,490
<b>Other comprehensive income (loss)</b>				
Item that may be reclassified subsequently to the consolidated statements of income:				
Net movement in foreign currency translation reserve	<b>26</b>	4	<b>27</b>	(106)
<b>Total other comprehensive income (loss)</b>	<b>26</b>	4	<b>27</b>	(106)
<b>Total comprehensive income</b>	<b>126,488</b>	51,410	<b>208,427</b>	112,384

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

For personal use only

# Champion Iron Limited

## Interim Consolidated Statements of Changes in Equity

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

	Attributable to Champion Shareholders							Total
	Note	Share Capital		Contributed Surplus	Warrants	Foreign Currency Translation	Retained Earnings	
		Shares <sup>1</sup>	\$					
Balance - March 31, 2023		517,193,000	401,282	22,796	22,288	430	815,908	1,262,704
Net income		—	—	—	—	—	208,400	208,400
Other comprehensive income		—	—	—	—	27	—	27
Total comprehensive income		—	—	—	—	27	208,400	208,427
Exercise of stock options	12	900,000	6,435	(1,935)	—	—	—	4,500
Release of performance share units	12	161,000	996	(2,132)	—	—	66	(1,070)
Dividends on ordinary shares	12	—	—	—	—	—	(103,448)	(103,448)
Dividend equivalents	12	—	—	81	—	—	(81)	—
Share-based payments	12	—	—	(1,147)	—	—	—	(1,147)
Balance - December 31, 2023		518,254,000	408,713	17,663	22,288	457	920,845	1,369,966
Balance - March 31, 2022		516,612,000	398,635	21,339	22,473	539	718,712	1,161,698
Net income		—	—	—	—	—	112,490	112,490
Other comprehensive loss		—	—	—	—	(106)	—	(106)
Total comprehensive income (loss)		—	—	—	—	(106)	112,490	112,384
Exercise of stock options	12	300,000	2,145	(645)	—	—	—	1,500
Exercise of warrants	12	281,000	502	—	(185)	—	—	317
Dividends on ordinary shares	12	—	—	—	—	—	(103,344)	(103,344)
Dividend equivalents	12	—	—	167	—	—	(167)	—
Share-based payments	12	—	—	1,836	—	—	—	1,836
Balance - December 31, 2022		517,193,000	401,282	22,697	22,288	433	727,691	1,174,391

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

<sup>1</sup> All issued ordinary shares are fully paid and have no par value.

# Champion Iron Limited

## Interim Consolidated Statements of Cash Flows

(Expressed in thousands of Canadian dollars - unaudited)

	Notes	Three Months Ended		Nine Months Ended	
		December 31,		December 31,	
		2023	2022	2023	2022
<b>Cash provided by (used in)</b>					
<b>Operating Activities</b>					
Net income		126,462	51,406	208,400	112,490
Adjustments for non-cash items					
Depreciation	19	32,881	30,719	94,009	78,566
Share-based payments	12	6,154	7,112	7,070	5,071
Accretion expense of rehabilitation obligation	11	402	248	998	623
Write-off of a non-current investment	17	—	—	2,744	—
Change in fair value of non-current investments	17	(2,394)	177	(2,155)	(606)
Unrealized gain on derivative liabilities		—	—	—	(176)
Unrealized foreign exchange (gain) loss		(55)	(2,005)	353	9,039
Deferred income and mining taxes		24,651	24,172	49,196	60,254
Amortization of transaction costs		1,301	1,328	3,870	3,317
Amortization of deferred grant	10	(350)	—	(467)	—
Other		(50)	—	(50)	(3)
		189,002	113,157	363,968	268,575
Changes in non-cash operating working capital	19	(26,379)	(99,717)	10,150	(200,313)
<b>Net cash flows from operating activities</b>		<b>162,623</b>	<b>13,440</b>	<b>374,118</b>	<b>68,262</b>
<b>Investing Activities</b>					
Decrease in short-term investments		—	250	312	31,070
Purchase of property, plant and equipment	7, 19	(96,676)	(56,317)	(242,732)	(257,515)
Increase in non-current advance payments	6	(3,360)	—	(11,549)	(30,001)
Purchase of intangible assets		(126)	(231)	(284)	(1,323)
Decrease in restricted cash		—	—	—	43,736
Increase in other non-current financial assets	8	(758)	—	(758)	—
Investment in exploration and evaluation assets		(5,777)	(3,786)	(13,072)	(6,838)
<b>Net cash flows used in investing activities</b>		<b>(106,697)</b>	<b>(60,084)</b>	<b>(268,083)</b>	<b>(220,871)</b>
<b>Financing Activities</b>					
Issuance of long-term debt	10	321,060	77,726	337,920	188,098
Repayment of long-term debt	10	(248,777)	(85,271)	(266,331)	(95,911)
Transaction costs on long-term debt	10	(4,801)	—	(4,801)	(3,903)
Exercise of warrants	12	—	—	—	317
Exercise of stock options	12	4,500	—	4,500	1,500
Withholding taxes paid pursuant to the settlement of PSUs	12	(354)	—	(1,070)	—
Dividends paid on ordinary shares	12	(51,762)	(51,686)	(103,448)	(103,344)
Payment of lease liabilities		(2,045)	(2,134)	(6,762)	(4,363)
<b>Net cash flows from (used in) financing activities</b>		<b>17,821</b>	<b>(61,365)</b>	<b>(39,992)</b>	<b>(17,606)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>73,747</b>	<b>(108,009)</b>	<b>66,043</b>	<b>(170,215)</b>
Cash and cash equivalents, beginning of the period		316,530	276,858	326,806	321,892
Effects of exchange rate changes on cash and cash equivalents		(2,904)	(2,863)	(5,476)	14,309
<b>Cash and cash equivalents, end of the period</b>		<b>387,373</b>	<b>165,986</b>	<b>387,373</b>	<b>165,986</b>
Interest paid		7,632	6,169	25,525	13,353
Interest received		3,547	1,948	9,945	4,099
Net income and mining taxes paid (received)		8,306	(2,011)	10,193	115,641

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

(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) and the Australian Securities Exchange (ASX: CIA) and trades on the OTCQX Best Market (OTCQX: CIAFF). The Company is domiciled in Australia and its principle administrative office is located on 1155 René-Lévesque Blvd. West, Suite 3300, Montréal, QC, H3B 3X7, Canada.

Champion, through its wholly-owned subsidiary Quebec Iron Ore Inc. ("QIO"), owns and operates the Bloom Lake Mining Complex ("Bloom Lake" or "Bloom Lake Mine"), located on the south end of the Labrador Trough, approximately 13 km north of Fermont, Québec. Bloom Lake is an open-pit operation with two concentrators that primarily source energy from renewable hydroelectric power. The two concentrators have a combined nameplate capacity of 15 million tonnes per annum and produce low contaminant high-grade 66.2% Fe iron ore concentrate with a proven ability to produce a 67.5% Fe direct reduction quality iron ore concentrate. Benefiting from one of the highest purity resources globally, the Company is investing to upgrade half of the Bloom Lake mine capacity to a direct reduction quality pellet feed iron ore with up to 69% Fe iron ore benchmark. The Company ships iron ore concentrate from Bloom Lake by rail, to a ship loading port in Sept-Îles, Québec, and has sold its iron ore concentrate to customers globally, including in China, Japan, the Middle East, Europe, South Korea, India and Canada. In addition to Bloom Lake, Champion owns a portfolio of exploration and development projects in the Labrador Trough, including the Kamistatusset Project, located a few kilometres south-east of Bloom Lake, and the Cluster II portfolio of properties, located within 60 km south of Bloom Lake.

### 2. Summary of Significant Accounting Policies and Future Accounting Changes

#### A. Basis of preparation

The Company's condensed interim consolidated financial statements ("financial statements") are for the group consisting 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, 2023.

#### B. Statement of compliance

These financial statements have been prepared for a for-profit enterprise in accordance with AASB 134/IAS 34, Interim Financial Reporting. These financial statements do not include certain information and disclosures normally included in the audited annual consolidated financial statements prepared in accordance with Australian Accounting Standards ("AAS") and International Financial Reporting Standards ("IFRS") and should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended March 31, 2023.

These financial statements were approved and authorized for release by the Board of Directors ("the Board") on January 31, 2024.

#### C. Significant accounting policies

The accounting policies used in these financial statements are consistent with those disclosed in the Company's audited consolidated financial statements for the year ended March 31, 2023, except for new accounting standards issued and adopted by the Company, which are described below.

#### D. Significant accounting judgments, estimates and assumptions

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

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

# Champion Iron Limited

## Notes to the Condensed Interim Consolidated Financial Statements

[Expressed in thousands of Canadian dollars, except where otherwise indicated - unaudited]

### 2. Summary of Significant Accounting Policies and Future Accounting Changes [continued]

#### E. New accounting amendments issued and adopted by the Company

The following amendments to existing standards have been adopted by the Company on April 1, 2023:

##### **Amendments to AASB 101 (IAS 1), Presentation of Financial Statements ("IAS 1")**

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

##### **Amendments to AASB 108 (IAS 8), Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8")**

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

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

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

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

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

The following amendments to a standard have been issued and are applicable to the Company for its annual period beginning on April 1, 2024 and thereafter, with an earlier application permitted:

##### **Amendments to AASB 101 (IAS 1), Presentation of Financial Statements ("IAS 1")**

Amendments to IAS 1 clarify how to classify debt and other liabilities as current or non-current. The amendments help to determine whether, in the consolidated statements of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments also include clarifying the classification requirements for debt an entity might settle by converting it into equity.

Amendments to IAS 1 also specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require an entity to disclose information about these covenants in the notes to financial statements.

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

Within the International Tax Reform, the amendments introduce a mandatory temporary exception to the accounting for deferred taxes arising from the implementation of the Organization for Economic Co-operation and Development (OECD) global rules to prevent tax base erosion ("Pillar Two" Model).

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

For personal use only



# Champion Iron Limited

## Notes to the Condensed Interim Consolidated Financial Statements

[Expressed in thousands of Canadian dollars, except where otherwise indicated - unaudited]

### 3. Receivables

		As at December 31, 2023	As at March 31, 2023
	Note		
Trade receivables		134,067	131,786
Sales tax		39,729	21,290
Grant receivable	7	2,543	7,075
Other receivables		4,869	2,117
		<b>181,208</b>	162,268

As at December 31, 2023, the trade receivables, associated with revenues subject to provisional pricing, amounted to a total balance of \$54,782 (March 31, 2023: \$76,984).

### 4. Prepaid Expenses and Advances

		As at December 31, 2023	As at March 31, 2023
	Note		
Railway transportation and terminal logistic	6	37,806	35,665
Port handling services	6	3,732	3,685
Insurance		4,011	1,794
Other		1,892	1,907
		<b>47,441</b>	43,051

As at December 31, 2023, the railway transportation and terminal logistic prepaid included the current portion of railway and port facilities agreements of \$14,583 (March 31, 2023: \$14,469) and monthly prepayments pursuant to service agreements. At year-end the railway transportation and terminal logistic prepaid includes credits on monthly payments based on estimated costs and projected quantities of material transported exceeding actual costs and tonnage.

### 5. Inventories

		As at December 31, 2023	As at March 31, 2023
Stockpiled ore		36,292	37,955
Concentrate inventories		140,001	51,704
Supplies and spare parts		107,801	78,011
		<b>284,094</b>	167,670

For the three and nine-month periods ended December 31, 2023, the amount of inventories recognized as an expense totalled \$268,338 and \$750,535, respectively (three and nine-month periods ended December 31, 2022: \$235,497 and \$617,725, respectively).

# Champion Iron Limited

## Notes to the Condensed Interim Consolidated Financial Statements

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

### 6. Advance Payments

		As at December 31,	As at March 31,
	Notes	2023	2023
Advance payments related to transshipment infrastructure <sup>(i)</sup>	7	—	83,464
Advance payments related to railway transportation and terminal logistic <sup>(ii)</sup>		44,907	53,709
Prepaid future port handling services <sup>(iii)</sup>		20,627	22,226
Other long-term advance <sup>(iv)</sup>		35,931	25,698
		<b>101,465</b>	185,097
Less current portion classified in "Prepaid expenses and advances"	4	<b>(18,315)</b>	(18,154)
		<b>83,150</b>	166,943

(i) In May 2021, the Company entered into a construction agreement with Société Ferroviaire et Portuaire de Pointe-Noire ("SFPPN") and made advances to increase the transshipment capacity and support the Company's plans to increase production with the Phase II expansion project ("Phase II"). These advance payments of \$83,464 were reclassified during the nine-month period ended December 31, 2023, to property, plant and equipment as a right-of-use asset concurrent with the completion of the work and the availability of related additional transshipment capacity.

(ii) In October 2017, the Company entered into a railway and stockyard facilities access agreement with 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 payments of \$3,750 to SFPPN to cover the investments made at the time with respect to a portion of the infrastructure. Advance payments are amortized over the life of mine. As at December 31, 2023, the related advance payments amounted to \$9,926 (March 31, 2023: \$11,268).

In April 2021, the Company entered into an agreement to expand an existing long-term rail contract with a third-party railway services provider to accommodate the anticipated increased Phase II production volumes. Advance payments are recovered by means of a monthly credit per tonne hauled exceeding a predetermined tonnage. In connection with this agreement, remaining advance payments totalled \$34,981 as at December 31, 2023 (March 31, 2023: \$42,441). The current portion of the railway transportation and stockpiling advance payments totalled \$14,583 as at December 31, 2023 and is included under Prepaid expenses and advances in the consolidated statements of financial position (March 31, 2023: \$14,469).

(iii) Pursuant to the agreement between the Company and the Sept-Îles Port Authority ("Port"), the Company made an advance payment on its future shipping, wharfage and equipment fees. Advance payments totalled \$20,627 as at December 31, 2023 (March 31, 2023: \$22,226) and are recovered by means of a monthly credit per tonne sold. The current portion of the port advances totalled \$3,732 as at December 31, 2023 (March 31, 2023: \$3,685).

(iv) The other long-term advance totalled \$35,931 as at December 31, 2023 (March 31, 2023: \$25,698) and relates to amounts paid to SFPPN annually which are recoverable from SFPPN under the guarantee access agreement if certain conditions are met. It also includes advance payments for third-party major replacement parts, transshipment and rail assets improvement expenditures, which are amortized in the cost of sales based on the expected useful life.

The increase in advance payments related to transshipment infrastructure and capital maintenance expenditures is presented under the investing activities in the consolidated statements of cash flows. For the three and nine-month periods ended December 31, 2023, the increase in non-current advance payments totalled \$3,360 and \$11,549, respectively (three and nine-month periods ended December 31, 2022: nil and \$30,001, respectively).

# Champion Iron Limited

## Notes to the Condensed Interim Consolidated Financial Statements

[Expressed in thousands of Canadian dollars, except where otherwise indicated - unaudited]

### 7. Property, Plant and Equipment

	Mining and Processing Equipment	Locomotives, Railcars and Rails	Tailings Dikes	Assets under Construction (i)(ii)	Mining Development and Stripping Asset (iii)	Asset Rehabilitation Obligation and Other	Subtotal	Right-of-use Assets (iv)	Total
<b>Cost</b>									
March 31, 2023	825,883	64,739	202,142	29,264	132,355	124,363	1,378,746	97,962	1,476,708
Additions	41,822	—	—	176,597	13,766	1,254	233,439	109,894	343,333
Transfers, disposals and lease termination	16,518	—	78,658	(100,343)	—	1,681	(3,486)	(11,881)	(15,367)
Foreign exchange and other	—	(1,048)	—	—	—	(3,311)	(4,359)	—	(4,359)
<b>December 31, 2023</b>	<b>884,223</b>	<b>63,691</b>	<b>280,800</b>	<b>105,518</b>	<b>146,121</b>	<b>123,987</b>	<b>1,604,340</b>	<b>195,975</b>	<b>1,800,315</b>
<b>Accumulated depreciation</b>									
March 31, 2023	100,085	12,175	21,790	—	60,340	10,220	204,610	10,130	214,740
Depreciation	63,330	2,110	8,699	—	11,178	4,490	89,807	10,661	100,468
Transfers, disposals and lease termination	(2,434)	—	—	—	—	—	(2,434)	(4,373)	(6,807)
Foreign exchange and other	—	(286)	—	—	—	—	(286)	—	(286)
<b>December 31, 2023</b>	<b>160,981</b>	<b>13,999</b>	<b>30,489</b>	<b>—</b>	<b>71,518</b>	<b>14,710</b>	<b>291,697</b>	<b>16,418</b>	<b>308,115</b>
<b>Net book value - December 31, 2023</b>	<b>723,242</b>	<b>49,692</b>	<b>250,311</b>	<b>105,518</b>	<b>74,603</b>	<b>109,277</b>	<b>1,312,643</b>	<b>179,557</b>	<b>1,492,200</b>
<b>Cost</b>									
March 31, 2022	222,915	54,476	143,932	531,785	111,965	73,139	1,138,212	66,368	1,204,580
Additions	94,316	—	—	162,203	20,390	12,613	289,522	34,819	324,341
Transfers, disposals and lease termination	508,652	6,725	58,210	(664,724)	—	48,627	(42,510)	(3,225)	(45,735)
Foreign exchange and other	—	3,538	—	—	—	(10,016)	(6,478)	—	(6,478)
March 31, 2023	825,883	64,739	202,142	29,264	132,355	124,363	1,378,746	97,962	1,476,708
<b>Accumulated depreciation</b>									
March 31, 2022	89,760	8,891	13,637	—	10,780	6,436	129,504	5,046	134,550
Depreciation	51,793	2,524	8,153	—	49,560	4,002	116,032	8,073	124,105
Transfers, disposals and lease termination	(41,468)	—	—	—	—	(218)	(41,686)	(2,989)	(44,675)
Foreign exchange and other	—	760	—	—	—	—	760	—	760
March 31, 2023	100,085	12,175	21,790	—	60,340	10,220	204,610	10,130	214,740
<b>Net book value - March 31, 2023</b>	<b>725,798</b>	<b>52,564</b>	<b>180,352</b>	<b>29,264</b>	<b>72,015</b>	<b>114,143</b>	<b>1,174,136</b>	<b>87,832</b>	<b>1,261,968</b>

(i) During the development period of the DRPF Project, the amount of borrowing costs capitalized for the three and nine-month periods ended December 31, 2023 was \$853 and \$1,305, respectively (three and nine-month periods ended December 31, 2022: \$4,808 and \$14,367, respectively, during the development period of the Bloom Lake Phase II expansion project). Borrowing costs consisted of interest expense and the amortization of transaction costs on the long-term debt. Refer to note 10 — Long-Term Debt.

The capitalization rate used to determine the amount of borrowing costs eligible for capitalization for the three and nine-month periods ended December 31, 2023 was 7.7% and 7.6%, respectively (three and nine-month periods ended December 31, 2022: 5.8% and 5.0%, respectively).

# Champion Iron Limited

## Notes to the Condensed Interim Consolidated Financial Statements

[Expressed in thousands of Canadian dollars, except where otherwise indicated - unaudited]

### 7. Property, Plant and Equipment (continued)

- (ii) The Company qualified for a government grant up to \$21,817, 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. As at December 31, 2023, the Company has completed the construction. The additions of property, plant and equipment for the three and nine-month periods ended December 31, 2023 are net of government grants of nil and \$663, respectively; and a total grant of \$2,543 was receivable as at December 31, 2023 (for the three and nine-month periods ended December 31, 2022: \$2,863 and \$8,026, respectively, were recognized as grants and \$7,075 was receivable as at March 31, 2023). Refer to note 3 — Receivables.
- (iii) For the three and nine-month periods ended December 31, 2023, the addition to the stripping asset includes: i) production expenses capitalized amounting to \$1,558 and \$1,822, respectively (three and nine-month periods ended December 31, 2022: nil and \$6,126, respectively) and ii) allocated depreciation of property, plant and equipment amounting to \$253 and \$308, respectively (three and nine-month periods ended December 31, 2022: nil and \$961, respectively).
- (iv) The addition of right-of-use assets for the nine-month period ended December 31, 2023 included \$99,443 related to additional transshipment capacity, of which \$83,464 was financed by advance payments (refer to note 6 - Advance Payments), as well as \$6,770 for additional locomotives paid in part by credits resulting from overpaid monthly services and classified as prepaid expenses.
- (v) In December 2022, the Company declared commercial production at the Bloom Lake Phase II plant. Consequently, Phase II assets were reclassified from assets under construction to other categories under property, plant and equipment. Those assets also started to be depreciated in December 2022.

### 8. Other Non-Current Assets

	Note	As at December 31, 2023	As at March 31, 2023
Transaction costs related to revolving facility	10	8,362	8,595
Other		758	—
		<b>9,120</b>	8,595

Transaction costs are amortized on a straight-line basis over the term of the revolving facility. During the three-month period ended December 31, 2023, \$1,755 of transaction costs associated with the revolving facility were recorded in Other non-current assets following the refinancing of the debt. Refer to note 10 — Long-Term Debt.

### 9. Accounts Payable and Other

	Note	As at December 31, 2023	As at March 31, 2023
Trade payable and accrued liabilities		203,390	135,318
Wages and benefits		29,960	20,711
Cash-settled share-based payment liability	12	5,400	9,138
Current portion of lease liabilities		5,551	13,411
		<b>244,301</b>	178,578

# Champion Iron Limited

## Notes to the Condensed Interim Consolidated Financial Statements

[Expressed in thousands of Canadian dollars, except where otherwise indicated - unaudited]

### 10. Long-Term Debt

	As at December 31, 2023	As at March 31, 2023
Term loan	301,212	—
Revolving Facility	—	243,593
IQ Loan	50,241	55,369
FTQ Loan	73,746	73,537
CAT Financing	110,789	102,782
	535,988	475,281
Less current portion	(31,393)	(27,080)
	504,595	448,201

	As at December 31, 2023	As at March 31, 2023
Face value of long-term debt	549,524	487,654
Unamortized transaction costs and other	(13,536)	(12,373)
<b>Long-term debt, net of transaction costs</b>	<b>535,988</b>	<b>475,281</b>

#### Senior Credit Facilities

In December 2020, QIO entered into a lending arrangement with various lenders to fund the completion of Phase II, which was comprised of a US\$350,000,000 non-revolving credit facility and a US\$50,000,000 revolving credit facility (collectively the "Senior Debt"), maturing on December 23, 2025 and December 23, 2023, respectively.

On May 24, 2022, the Company refinanced the Senior Debt with a US\$400,000,000 general purpose revolving facility (the "Revolving Facility") with various lenders, maturing on May 24, 2026. Transaction costs of \$3,903 were incurred for this refinancing. The Company reclassified the unamortized transaction costs on the Revolving Facility at the modification date under assets in the consolidated statements of financial position. Refer to note 8 — Other Non-Current Assets.

On November 29, 2023, the Company borrowed US\$230,000,000 (\$310,661) pursuant to a five years term loan, maturing on November 29, 2028 and extended the maturity of the US\$400,000,000 Revolving Facility until November 29, 2027 (collectively the "Senior Credit Facilities"), with the same syndicate of lenders. The Company used the proceeds from the term loan to repay the US\$180,000,000 (\$243,125) Revolving Facility outstanding balance, at the transaction date.

Given that the Revolving Facility was extended with substantially the same terms, the Company treated the refinancing as a non-substantial modification. Total transaction costs of \$4,801 were incurred for this refinancing, of which \$1,755 associated with the revolving facility was recorded in Other non-current assets, and \$3,046 associated with the term loan were presented as a reduction of the Long-term debt.

The interest rate of the Senior Credit Facilities is based on Secured Overnight Financing Rate ("SOFR"), plus a credit spread adjustment and a financial margin that fluctuates from 2.00% to 3.00% for the revolving facility and from 2.25% to 3.25% for the term loan, depending on whether the net debt to EBITDA ratio is below 0.5 or greater than 2.5.

As at December 31, 2023, the undrawn portion of the revolving facility totalled US\$400,000,000. The Senior Credit Facilities could be repaid at anytime at the discretion of the Company. The term loan will be payable quarterly starting in June 2026, with mandatory additional repayments in the event of excess cash flow, based on EBITDA calculation and limited to US\$60,000,000 per year.

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.

#### 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 maturing on April 1, 2032. The repayment commenced on April 1, 2022 in ten equal annual installments of the principal balance outstanding. The agreement comprises an option to prepay the loan at any time without penalty.

# Champion Iron Limited

## Notes to the Condensed Interim Consolidated Financial Statements

[Expressed in thousands of Canadian dollars, except where otherwise indicated - unaudited]

### 10. Long-Term Debt (continued)

#### ***IQ Loan*** (continued)

The loan bearing interest at 3.70% was determined to be at below-market rate. The fair value of the total advances of \$70,000 was estimated at \$59,386 and was determined based on the prevailing market interest rate for a similar instrument at the time the advances were made. The residual amount of \$10,614 was recognized as a government grant and presented as a deferred grant in the consolidated statements of financial position. The deferred grant is amortized straight-line over the life of mine starting in September 2023 when SFPPN's new infrastructure became available for use. The remaining deferred grant as at December 31, 2023 totalled \$10,147 (March 31, 2023: \$10,614).

During the nine-month period ended December 31, 2023, the Company repaid \$6,400 of the IQ Loan (nine-month period ended December 31, 2022: drew \$10,000 and repaid \$6,000). The remaining balance was \$57,600 as at December 31, 2023 (March 31, 2023: \$64,000).

#### ***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 and for general purposes after the completion of Phase II for an amount up to \$75,000, maturing on May 21, 2028. The remaining balance was \$75,000 as at December 31, 2023 (March 31, 2023: \$75,000). The FTQ Loan includes an option to prepay in whole or in part at any time, but not prior to the second anniversary by paying a premium that varies from 2% to 6% based on the prepayment date.

#### ***CAT Financing***

On April 1, 2021, the Company signed an agreement with Caterpillar Financial Services Limited ("CAT Financing") to finance Phase II mining equipment for a facility of up to US\$75,000,000 and available until March 31, 2023. In January 2023, the undrawn portion of the facility was increased by US\$50,000,000 with the availability period extended to March 31, 2024. Transaction costs of \$703 were incurred for this increase.

During the three and nine-month periods ended December 31, 2023, the Company drew \$10,399 (US\$7,590,000) and \$27,259 (US\$20,073,000), respectively, and repaid \$5,652 (US\$4,112,000) and \$16,806 (US\$12,474,000), respectively, resulting in a balance of \$112,728 (US\$85,232,000) as at December 31, 2023 (March 31, 2023: \$105,061 (US\$77,633,000)). The CAT Financing matures between 3 and 6 years depending on the equipment and is collateralized by all of the financed equipment. The CAT Financing includes an option to prepay the loan without penalty at any time. The carrying value of the financed equipment was \$110,167 as at December 31, 2023 (March 31, 2023: \$101,650).

During the three and nine-month periods ended December 31, 2023, the weighted average interest rate for all long-term debt was 7.5% and 7.3%, respectively (three and nine-month periods ended December 31, 2022: 6.2% and 5.1%, respectively).

The Senior Credit Facilities, FTQ Loan and the CAT Financing are subject to operational and financial covenants, all of which have been met as at December 31, 2023. The undrawn portion of the Senior Credit Facilities, FTQ Loan and the CAT Financing is subject to standby commitment fees varying from 0.35% to 0.75%.

### 11. Rehabilitation Obligation

	As at December 31, 2023 <small>(nine-month period)</small>	As at March 31, 2023 <small>(twelve-month period)</small>
<b>Opening balance</b>	<b>85,508</b>	86,021
Increase due to reassessment of the rehabilitation obligation	<b>1,846</b>	8,649
Accretion expense	<b>998</b>	854
Effect of change in discount rate	<b>(3,311)</b>	(10,016)
<b>Ending balance</b>	<b>85,041</b>	85,508

The accretion of the rehabilitation obligation was evaluated as the amount of the expenditure required to settle the present obligation at the end of the reporting period, discounted by the number of years between the reporting date and the rehabilitation date using a discount rate of 1.40% as at December 31, 2023 (March 31, 2023: 1.34%). The undiscounted amount related to the rehabilitation obligation is estimated at \$106,563 as at December 31, 2023 (March 31, 2023: \$104,358).

# Champion Iron Limited

## Notes to the Condensed Interim Consolidated Financial Statements

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

### 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 and dividends

	Nine Months Ended December 31,	
	2023	2022
	(in thousands)	(in thousands)
<b>Shares</b>		
<b>Opening balance</b>	<b>517,193</b>	516,612
Shares issued for exercise of warrants	—	281
Shares issued for exercise of options - incentive plan	<b>900</b>	300
Shares issued for release of performance share units - incentive plan	<b>161</b>	—
<b>Ending balance</b>	<b>518,254</b>	517,193

In May 2023, the Company declared a dividend of \$0.10 per ordinary share of the Company in connection with the semi-annual results for the period ended March 31, 2023, paid on July 5, 2023, to registered shareholders for a total amount of \$51,686. In October 2023, the Company declared a dividend of \$0.10 per ordinary share of the Company in connection with the semi-annual results for the period ended September 30, 2023, paid on November 28, 2023, to registered shareholders for a total amount of \$51,762.

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

#### c) 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 the alignment of interests between such employees and the shareholders of the Company. Under the Omnibus incentive plan, the Company grants stock option awards, restricted share unit ("RSU") awards, performance share unit ("PSU") awards and deferred share unit ("DSU") awards. If and when cash dividends are paid, the holders of RSUs, PSUs and DSUs are entitled to receive a dividend equivalent.

Stock option and RSU awards vest annually in three equal tranches from the date of grant. PSU awards vest i) at the end of three years from the date of grant or ii) over a 34-month period for Phase II construction. Vesting is subject to key performance indicators established by the Board. A portion of the PSUs granted with performance criteria based on Phase II milestones is settled in cash. DSU awards vest at the date of grant. The cash consideration for awards settled through cash payment is included in accounts payable and other under the changes in non-cash operating working capital in the consolidated statements of cash flows.

As at December 31, 2023, the Company is authorized to issue 51,825,000 stock options and share rights (December 31, 2022: 51,719,000) equal to 10% (December 31, 2022: 10%) of the issued and outstanding ordinary shares for issuance under the Omnibus incentive plan.

# Champion Iron Limited

## Notes to the Condensed Interim Consolidated Financial Statements

[Expressed in thousands of Canadian dollars, except where otherwise indicated - unaudited]

### 12. Share Capital and Reserves (continued)

#### c) Share-based payments (continued)

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

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2023	2022	2023	2022
Stock option	—	107	—	403
RSU	2,652	2,150	2,956	1,173
PSU	2,886	4,037	3,679	3,301
DSU	616	818	435	194
	<b>6,154</b>	<b>7,112</b>	<b>7,070</b>	<b>5,071</b>

For the nine-month period ended December 31, 2023, the amount recognized as share-based payment related to equity-settled awards was a recovery of \$1,147 (nine-month period ended December 31, 2022: share-based payment expense of \$1,836). For the nine-month period ended December 31, 2023, the amount recognized as share-based payment related to cash-settled awards was an expense of \$8,217 (nine-month period ended December 31, 2022: share-based payment expense of \$3,235).

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

	As at December 31, 2023	As at March 31, 2023
Accounts payable and other	5,400	9,138
Other long-term liabilities	9,645	8,234
	<b>15,045</b>	<b>17,372</b>

#### d) Stock options

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

	Nine Months Ended December 31,		Nine Months Ended December 31,	
	2023	2022	2023	2022
	Number of Stock Options (in thousands)	Weighted Average Exercise Price	Number of Stock Options (in thousands)	Weighted Average Exercise Price
<b>Opening balance</b>	<b>1,200</b>	<b>5.00</b>	1,500	5.00
Exercised	(900)	5.00	(300)	5.00
<b>Ending balance</b>	<b>300</b>	<b>5.00</b>	1,200	5.00
<b>Options exercisable - end of the period</b>	<b>300</b>	<b>5.00</b>	800	5.00

During the nine-month period ended December 31, 2023, no stock options were granted and a total of 900,000 stock options were exercised at a weighted average share price at the exercise date of \$6.80. During the nine-month period ended December 31, 2022, no stock options were granted and a total of 300,000 stock options were exercised at a weighted average share price at the exercise date of \$6.84.

The weighted average remaining life for the 300,000 stock options exercisable as at December 31, 2023, was 1.1 years.



# Champion Iron Limited

## Notes to the Condensed Interim Consolidated Financial Statements

[Expressed in thousands of Canadian dollars, except where otherwise indicated - unaudited]

### 12. Share Capital and Reserves (continued)

#### e) Restricted share units

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

	Nine Months Ended December 31,		Nine Months Ended December 31,	
	2023		2022	
	Number of RSUs	Weighted Average Share Price	Number of RSUs	Weighted Average Share Price
	(in thousands)		(in thousands)	
<b>Opening balance</b>	<b>1,115</b>	<b>5.08</b>	1,142	3.37
Granted	<b>804</b>	<b>5.06</b>	488	6.31
Dividend equivalents	<b>43</b>	<b>6.23</b>	39	5.32
Settled through cash payment	<b>(349)</b>	<b>2.67</b>	(535)	2.50
Forfeited	<b>(29)</b>	<b>5.30</b>	(17)	6.69
<b>Ending balance</b>	<b>1,584</b>	<b>5.63</b>	1,117	5.09
<b>Vested - end of the period</b>	<b>360</b>	<b>6.18</b>	326	3.58

During the nine-month period ended December 31, 2023, 804,000 RSUs were granted to key management personnel (nine-month period ended December 31, 2022: 488,000 RSUs).

During the nine-month period ended December 31, 2023, 349,000 RSUs were settled in exchange for cash consideration based on a share price of \$5.49 (nine-month period ended December 31, 2022: 535,000 RSUs settled based on a share price of \$6.88).

#### f) Performance share units

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

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

	Nine Months Ended December 31,		Nine Months Ended December 31,	
	2023		2022	
	Number of PSUs	Weighted Average Share Price	Number of PSUs	Weighted Average Share Price
	(in thousands)		(in thousands)	
<b>Opening balance</b>	<b>2,581</b>	<b>5.59</b>	2,842	4.55
Granted	<b>1,205</b>	<b>5.06</b>	610	6.89
Dividend equivalents	<b>86</b>	<b>6.07</b>	100	5.39
Settled through cash payment	<b>(1,058)</b>	<b>4.38</b>	(769)	2.51
Forfeited	<b>(144)</b>	<b>6.22</b>	(28)	6.64
Released through the issuance of ordinary shares	<b>(161)</b>	<b>6.16</b>	—	—
Withheld as payment of withholding taxes	<b>(184)</b>	<b>6.16</b>	—	—
<b>Ending balance</b>	<b>2,325</b>	<b>5.74</b>	2,755	5.63
<b>Vested - end of the period</b>	<b>—</b>	<b>—</b>	—	—

During the nine-month period ended December 31, 2023, 1,205,000 PSUs were granted to key management personnel (nine-month period ended December 31, 2022: 610,000 PSUs) and 161,000 ordinary shares were issued at a weighted average share price at the release date of \$5.82. Withholding taxes of \$1,070 were paid pursuant to the issuance of these aforementioned ordinary shares resulting in the Company not issuing an additional 184,000 PSUs.

During the nine-month period ended December 31, 2023, 1,058,000 PSUs were settled in exchange for cash consideration based on a share price of \$5.17 (nine-month period ended December 31, 2022: 769,000 PSUs settled based on a share price of \$6.88).

# Champion Iron Limited

## Notes to the Condensed Interim Consolidated Financial Statements

[Expressed in thousands of Canadian dollars, except where otherwise indicated - unaudited]

### 12. Share Capital and Reserves [continued]

#### g) Deferred share units

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

	Nine Months Ended December 31,		Nine Months Ended December 31,	
	2023		2022	
	Number of DSUs	Weighted Average Share Price	Number of DSUs	Weighted Average Share Price
	(in thousands)		(in thousands)	
<b>Opening balance</b>	<b>366</b>	<b>3.97</b>	285	3.56
Granted	43	5.55	34	4.54
Dividend equivalents	10	6.27	11	5.56
Settled through cash payment	(125)	3.66	—	—
Forfeited	(2)	6.06	—	—
<b>Ending balance</b>	<b>292</b>	<b>4.40</b>	330	3.73
<b>Vested - end of the period</b>	<b>292</b>	<b>4.40</b>	330	3.73

During the nine-month period ended December 31, 2023, 125,000 DSUs were settled in exchange for cash consideration based on a share price of \$5.24 (nine-month period ended December 31, 2022: nil).

#### h) Warrants

The following table details the warrants activities:

	Nine Months Ended December 31,		Nine Months Ended December 31,	
	2023		2022	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
	(in thousands)		(in thousands)	
<b>Opening balance</b>	<b>15,000</b>	<b>2.45</b>	15,281	2.43
Exercised	—	—	(281)	1.13
<b>Ending balance</b>	<b>15,000</b>	<b>2.45</b>	15,000	2.45

During the nine-month period ended December 31, 2023, no warrants were exercised (nine-month period ended December 31, 2022: 281,000 warrants at a weighted average exercise price of \$1.125).

The Company's outstanding and exercisable warrants as at December 31, 2023 and 2022 is presented below:

Exercise Price	Expiry Date	Outstanding and Exercisable	
		As at December 31,	As at December 31,
		2023	2022
		(in thousands)	(in thousands)
\$2.45	August 16, 2026	15,000	15,000

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, 2023.

# Champion Iron Limited

## Notes to the Condensed Interim Consolidated Financial Statements

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

### 13. Revenues

	Three Months Ended		Nine Months Ended	
	December 31,		December 31,	
	2023	2022	2023	2022
Iron ore revenue	<b>490,894</b>	356,438	<b>1,220,871</b>	972,979
Provisional pricing adjustments	<b>15,997</b>	(5,205)	<b>(29,250)</b>	(41,804)
	<b>506,891</b>	351,233	<b>1,191,621</b>	931,175

Provisional pricing adjustments represent any difference between the revenue recognized at the end of the previous quarter and the final settlement price. Previous periods sales that were subject to provisional pricing as at September 30, 2023, 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 December 31, 2023, 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 December 31, 2023, a final price was established for the 1.3 million tonnes of iron ore that were in transit as at September 30, 2023, resulting in a positive provisional pricing adjustments of \$15,997 recorded as an increase of revenues. As at December 31, 2023, 1.8 million tonnes of iron ore sales remained subject to provisional pricing, with the final price to be determined in the subsequent reporting periods (December 31, 2022: 1.7 million tonnes).

### 14. Cost of Sales

	Three Months Ended		Nine Months Ended	
	December 31,		December 31,	
	2023	2022	2023	2022
Mining and processing costs	<b>177,497</b>	157,342	<b>501,673</b>	384,776
Change in concentrate inventories	<b>(20,873)</b>	(21,055)	<b>(75,795)</b>	(31,642)
Land transportation and port handling	<b>78,833</b>	68,491	<b>230,648</b>	184,880
Incremental costs related to COVID-19	—	—	—	1,145
Bloom Lake Phase II start-up costs	—	4,292	—	39,159
	<b>235,457</b>	209,070	<b>656,526</b>	578,318

For the three and nine-month periods ended December 31, 2023, the amount recognized as an expense for defined contribution plans was \$2,914 and \$8,421, respectively (three and nine-month periods ended December 31, 2022: \$2,404 and \$7,000, respectively) and is included in mining and processing costs.

# Champion Iron Limited

## Notes to the Condensed Interim Consolidated Financial Statements

[Expressed in thousands of Canadian dollars, except where otherwise indicated - unaudited]

### 15. Net Finance Costs

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2023	2022	2023	2022
Interest on long-term debt	<b>8,809</b>	2,605	<b>25,873</b>	2,605
Amortization of transaction costs	<b>1,301</b>	1,328	<b>3,870</b>	3,317
Standby commitment fees on long-term debt	<b>478</b>	366	<b>1,346</b>	1,687
Interest expense on lease liabilities	<b>983</b>	896	<b>2,963</b>	2,616
Realized and unrealized foreign exchange loss (gain)	<b>(266)</b>	(2,416)	<b>475</b>	8,111
Amortization of deferred grant	<b>(350)</b>	—	<b>(467)</b>	—
Interest income	<b>(3,547)</b>	(1,948)	<b>(9,945)</b>	(4,099)
Other finance costs	<b>1,339</b>	1,027	<b>3,192</b>	2,576
	<b>8,747</b>	1,858	<b>27,307</b>	16,813

During the development period of the DRPF Project and the Bloom Lake Phase II expansion project, borrowing costs were capitalized. Refer to note 7 - Property, Plant and Equipment.

### 16. Earnings per Share

Earnings per share amounts are calculated by dividing the net income attributable to Champion shareholders, for the three and nine-month periods ended December 31, 2023 and 2022, by the weighted average number of shares outstanding during the period.

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2023	2022	2023	2022
Net income	<b>126,462</b>	51,406	<b>208,400</b>	112,490
Weighted average number of common shares outstanding - Basic	<b>517,761,000</b>	517,193,000	<b>517,405,000</b>	516,997,000
Dilutive share options, warrants and equity settled awards	<b>10,208,000</b>	9,708,000	<b>9,628,000</b>	9,957,000
Weighted average number of outstanding shares - Diluted	<b>527,969,000</b>	526,901,000	<b>527,033,000</b>	526,954,000
Basic earnings per share	<b>0.24</b>	0.10	<b>0.40</b>	0.22
Diluted earnings per share	<b>0.24</b>	0.10	<b>0.40</b>	0.21

# Champion Iron Limited

## Notes to the Condensed Interim Consolidated Financial Statements

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

### 17. Financial Instruments

#### Measurement Categories

Financial assets and financial liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value, whether changes in fair value are recognized in the profit or loss or in other comprehensive income. These categories are financial assets and financial liabilities at fair value through profit or loss ("FVTPL"), financial assets at amortized cost, and financial liabilities at amortized cost. The following tables show the carrying values and the fair value of assets and liabilities for each of these categories as at December 31, 2023 and March 31, 2023:

As at December 31, 2023		Financial instruments at FVTPL	Financial Assets at Amortized Cost	Financial Liabilities at Amortized Cost	Total Carrying Amount and Fair Value
<b>Assets</b>					
Current					
Cash and cash equivalents	Level 1	—	387,373	—	387,373
Trade receivables	Level 2	134,067	—	—	134,067
Other receivables (excluding sales tax and grant)	Level 2	—	4,869	—	4,869
Non-current					
Equity investment in a publicly listed entity (included in non-current investments)	Level 1	9	—	—	9
Equity investment in a private entity (included in non-current investments)	Level 3	14,153	—	—	14,153
Other non-current financial assets	Level 1	—	758	—	758
		<b>148,229</b>	<b>393,000</b>	<b>—</b>	<b>541,229</b>
<b>Liabilities</b>					
Current					
Accounts payable and other (excluding current portion of lease liabilities and cash-settled share-based payment liability)	Level 2	—	—	233,350	233,350
Cash-settled share-based payment liability (included in accounts payable and other)	Level 1	5,400	—	—	5,400
Current portion of long-term debt	Level 3	—	—	31,393	31,393
		<b>5,400</b>	<b>—</b>	<b>264,743</b>	<b>270,143</b>
Non-current					
Long-term debt	Level 3	—	—	504,595	504,595
Cash-settled share-based payment liability (included in other long-term liabilities)	Level 1	9,645	—	—	9,645
		<b>15,045</b>	<b>—</b>	<b>769,338</b>	<b>784,383</b>

For personal use only

# Champion Iron Limited

## Notes to the Condensed Interim Consolidated Financial Statements

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

### 17. Financial Instruments (continued)

#### Measurement Categories (continued)

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

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 and cash-settled share-based payment liability). Long-term debt was accounted for at amortized cost using the effective interest method, and its fair values approximate its carrying values.

#### Fair Value Measurement Hierarchy

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

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

There were no transfers between Level 1, Level 2 and Level 3 during the three and nine-month periods ended December 31, 2023 (three and nine-month periods ended December 31, 2022: nil).

# Champion Iron Limited

## Notes to the Condensed Interim Consolidated Financial Statements

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

### 17. Financial Instruments (continued)

#### Financial Instruments Measured at FVTPL

##### Trade Receivables

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

##### Equity Instruments Publicly Listed

Equity instruments publicly listed are classified as a Level 1 in the fair value hierarchy. Their fair values are a recurring measurement and are estimated using the closing share price observed on the relevant stock exchange. No fair value adjustment was recorded in the consolidated statements of income during the three and nine-month periods ended December 31, 2023 (three and nine-month periods ended December 31, 2022: nil).

##### Convertible Loan and Equity Instruments in Private Entity

The Company holds a convertible loan and equity instruments in an European-based private entity which collaborates with the Company in industrial trials related to cold pelletizing technologies. The loan is convertible at the discretion of the Company and automatically convertible at maturity on October 25, 2025. The Company also had the right to subscribe equity instruments of this European-based private entity at any time prior to June 2023 at a subscription price below the current market value. During the nine-month period ended December 31, 2023, the Company wrote off the related derivative asset upon the expiry of the right to subscribe equity instruments amounting to \$2,744 (fair value as at March 31, 2023: \$2,971). During the three-month period ended December 31, 2023, the Company converted the remaining loan into equity instruments and recognized an increase in the fair value of the equity instruments, amounting to \$2,709, presented as an unrealized gain on investments in Other income (expense) in the consolidated statements of income. As at December 31, 2023, the equity instruments totalled \$14,153 (March 31, 2023: convertible loan and equity instrument totalled \$11,771).

The fair value of the convertible loan and equity instruments is a recurring measurement and it is classified as Level 3. The determination of fair value is conducted on a quarterly basis and it is based on the entity's financial performance from the latest financial statements as well as enterprise values used in financing, if any. The change in fair value also reflects the foreign exchange gains or losses.

The change in fair value of the financial instruments for the three and nine-month periods ended December 31, 2023 amounted to a gain of \$2,394 and \$2,155, respectively, mainly attributable to the \$2,709 increase in the fair value of the equity instrument; the difference being attributable to the changes in exchange rates (three and nine-month periods ended December 31, 2022: a loss of \$177 and a gain of \$606, respectively, only attributable to changes in exchange rates).

##### Cash-Settled Share-Based Payment Liability

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

# Champion Iron Limited

## Notes to the Condensed Interim Consolidated Financial Statements

[Expressed in thousands of Canadian dollars, except where otherwise indicated - unaudited]

### 18. Commitments and Contingencies

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

	Less than a year	1 to 5 years	More than 5 years	Total
Impact and Benefits Agreement with the Innu community	7,176	32,119	140,530	179,825
Take-or-pay fees related to the Port Agreement	7,779	34,949	121,395	164,123
Capital expenditure obligations	16,149	—	—	16,149
Other obligations	63,592	31,936	250	95,778
	94,696	99,004	262,175	455,875

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

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

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

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.

### 19. Financial Information Included in the Consolidated Statements of Cash Flows

#### a) Changes in non-cash operating working capital

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2023	2022	2023	2022
Receivables	(62,468)	(82,708)	(26,559)	(33,939)
Prepaid expenses and advances	(10,209)	3,150	(11,160)	(27,439)
Inventories	(30,552)	(37,104)	(107,872)	(63,798)
Advance payments	3,556	2,978	11,878	11,186
Accounts payable and other	28,870	4,863	76,326	8,585
Income and mining taxes receivable or payable	45,562	12,062	78,345	(86,377)
Other long-term liabilities	(1,138)	(2,958)	(10,808)	(8,531)
	(26,379)	(99,717)	10,150	(200,313)



# Champion Iron Limited

## Notes to the Condensed Interim Consolidated Financial Statements

[Expressed in thousands of Canadian dollars, except where otherwise indicated - unaudited]

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

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

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2023	2022	2023	2022
<b>Additions of property, plant and equipment as per note 7</b>	<b>98,895</b>	67,862	<b>343,333</b>	287,506
Right-of-use assets <sup>(i)</sup>	<b>(372)</b>	(14,330)	<b>(93,915)</b>	(30,175)
Depreciation of property, plant and equipment allocated to stripping activity asset	<b>(253)</b>	—	<b>(308)</b>	(961)
Non-cash increase of the asset rehabilitation obligation	<b>(1,594)</b>	(78)	<b>(1,846)</b>	(1,020)
Government grant recognized	—	2,863	<b>663</b>	8,026
Government grant received <sup>(ii)</sup>	—	—	<b>(5,195)</b>	(5,195)
Capitalized amortization of transaction costs	—	—	—	(666)
<b>Net cash flows from investing activities - Purchase of property, plant and equipment</b>	<b>96,676</b>	56,317	<b>242,732</b>	257,515

(i) The additions of right-of-use assets for the nine-month period ended December 31, 2023 comprised assets financed by advance payments of \$83,464 and prepaid expenses and advances of \$6,770. The additions of right-of-use assets for the nine-month period ended December 31, 2023 differ from those presented in note 7 - Property, Plant and Equipment, as they excluded Phase II cost overruns of \$15,979 related to additional transshipment capacity that were not financed by advance payment.

(ii) The additions of property, plant and equipment for the nine-month period ended December 31, 2023 comprised government grants received of \$5,195 [nine-month period ended December 31, 2022: \$5,195].

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

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2023	2022	2023	2022
<b>Depreciation of property, plant and equipment as per note 7</b>	<b>33,050</b>	36,183	<b>100,468</b>	88,712
Depreciation of property, plant and equipment allocated to stripping activity asset	<b>(253)</b>	—	<b>(308)</b>	(961)
Depreciation of intangible assets	<b>810</b>	777	<b>2,401</b>	2,338
Net effect of depreciation of property, plant and equipment allocated to inventory	<b>(726)</b>	(6,241)	<b>(8,552)</b>	(11,523)
<b>Depreciation as per consolidated statements of income</b>	<b>32,881</b>	30,719	<b>94,009</b>	78,566

For personal use only

# Champion Iron Limited

## Notes to the Condensed Interim Consolidated Financial Statements

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

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

#### d) Reconciliation of movements of liabilities to the net cash flows from (used in) financing activities

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2023	2022	2023	2022
<b>Opening balance - Long-Term Debt</b>	<b>475,328</b>	462,696	<b>475,281</b>	323,360
Cash from (used in) financing activities				
Issuance	<b>321,060</b>	77,726	<b>337,920</b>	188,098
Repayments	<b>(248,777)</b>	(85,271)	<b>(266,331)</b>	(95,911)
New transaction costs <sup>(i)</sup>	<b>(3,046)</b>	—	<b>(3,046)</b>	—
Non-cash changes				
Foreign exchange movement	<b>(9,248)</b>	(4,708)	<b>(9,718)</b>	26,187
Market value adjustment	—	(1,887)	—	(1,887)
Reclassification of transaction costs	—	—	—	6,958
Amortization of transaction costs and other	<b>671</b>	650	<b>1,882</b>	2,401
<b>Ending balance - Long-Term Debt</b>	<b>535,988</b>	449,206	<b>535,988</b>	449,206

(i) The transaction costs on the long-term debt for the three and nine-month periods ended December 31, 2023 differ from those presented in the consolidated statement of cash-flows, as they excluded transaction costs of \$1,755 associated with the revolving facility that was recorded in Other non-current assets through the long-term debt refinancing.

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2023	2022	2023	2022
<b>Opening balance - Lease liabilities</b>	<b>85,339</b>	72,714	<b>86,841</b>	53,979
Cash used in financing activities				
Repayments	<b>(2,045)</b>	(2,134)	<b>(6,762)</b>	(4,363)
Non-cash changes				
Foreign exchange movement	<b>(1,356)</b>	(923)	<b>(1,450)</b>	4,676
New lease liabilities	<b>373</b>	14,244	<b>3,682</b>	29,849
Lease termination	<b>(7,439)</b>	—	<b>(7,439)</b>	(240)
<b>Ending balance - Lease liabilities</b>	<b>74,872</b>	83,901	<b>74,872</b>	83,901

For personal use only

# Champion Iron Limited

## Notes to the Condensed Interim Consolidated Financial Statements

[Expressed in thousands of Canadian dollars, except where otherwise indicated - unaudited]

### 20. Segmented Information

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

Three Months Ended December 31, 2023	Iron Ore Concentrate	Exploration and Evaluation	Corporate	Total
<b>Revenues</b>	<b>506,891</b>	—	—	<b>506,891</b>
Cost of sales	(235,457)	—	—	(235,457)
Depreciation	(32,576)	—	(305)	(32,881)
<b>Gross profit (loss)</b>	<b>238,858</b>	—	(305)	<b>238,553</b>
Share-based payments	—	—	(6,154)	(6,154)
General and administrative expenses	—	—	(11,206)	(11,206)
Sustainability and other community expenses	(1,936)	—	(2,763)	(4,699)
Innovation and growth initiative expenses	—	—	(5,160)	(5,160)
<b>Operating income (loss)</b>	<b>236,922</b>	—	(25,588)	<b>211,334</b>
Net finance costs, other income (expense) and tax expenses				(84,872)
<b>Net income</b>				<b>126,462</b>
<b>Segmented total assets</b>	<b>2,471,923</b>	<b>130,199</b>	<b>32,574</b>	<b>2,634,696</b>
<b>Segmented total liabilities</b>	<b>(1,240,683)</b>	—	(24,047)	<b>(1,264,730)</b>
<b>Segmented property, plant and equipment</b>	<b>1,483,449</b>	—	8,751	<b>1,492,200</b>
Three Months Ended December 31, 2022	Iron Ore Concentrate	Exploration and Evaluation	Corporate	Total
<b>Revenues</b>	351,233	—	—	351,233
Cost of sales	(209,070)	—	—	(209,070)
Depreciation	(30,688)	—	(31)	(30,719)
<b>Gross profit (loss)</b>	<b>111,475</b>	—	(31)	<b>111,444</b>
Share-based payments	—	—	(7,112)	(7,112)
General and administrative expenses	—	—	(9,212)	(9,212)
Sustainability and other community expenses	(1,633)	—	(3,035)	(4,668)
Innovation and growth initiative expenses	—	—	(2,788)	(2,788)
<b>Operating income (loss)</b>	<b>109,842</b>	—	(22,178)	<b>87,664</b>
Net finance costs, other income (expense) and tax expenses				(36,258)
<b>Net income</b>				<b>51,406</b>
<b>Segmented total assets</b>	<b>2,048,990</b>	<b>114,648</b>	<b>25,709</b>	<b>2,189,347</b>
<b>Segmented total liabilities</b>	<b>(995,221)</b>	—	(19,735)	<b>(1,014,956)</b>
<b>Segmented property, plant and equipment</b>	<b>1,263,139</b>	—	—	<b>1,263,139</b>

# Champion Iron Limited

## Notes to the Condensed Interim Consolidated Financial Statements

[Expressed in thousands of Canadian dollars, except where otherwise indicated - unaudited]

### 20. Segmented Information (continued)

Nine Months Ended December 31, 2023	Iron Ore Concentrate	Exploration and Evaluation	Corporate	Total
<b>Revenues</b>	1,191,621	—	—	1,191,621
Cost of sales	(656,526)	—	—	(656,526)
Depreciation	(93,090)	—	(919)	(94,009)
<b>Gross profit (loss)</b>	442,005	—	(919)	441,086
Share-based payments	—	—	(7,070)	(7,070)
General and administrative expenses	—	—	(36,884)	(36,884)
Sustainability and other community expenses	(5,108)	—	(7,875)	(12,983)
Innovation and growth initiative expenses	—	—	(10,119)	(10,119)
<b>Operating income (loss)</b>	436,897	—	(62,867)	374,030
Net finance costs, other income (expense) and tax expenses				(165,630)
<b>Net income</b>				208,400
<b>Segmented total assets</b>	2,471,923	130,199	32,574	2,634,696
<b>Segmented total liabilities</b>	(1,240,683)	—	(24,047)	(1,264,730)
<b>Segmented property, plant and equipment</b>	1,483,449	—	8,751	1,492,200

Nine Months Ended December 31, 2022	Iron Ore Concentrate	Exploration and Evaluation	Corporate	Total
<b>Revenues</b>	931,175	—	—	931,175
Cost of sales	(578,318)	—	—	(578,318)
Depreciation	(78,424)	—	(142)	(78,566)
<b>Gross profit (loss)</b>	274,433	—	(142)	274,291
Share-based payments	—	—	(5,071)	(5,071)
General and administrative expenses	—	—	(30,048)	(30,048)
Sustainability and other community expenses	(4,952)	—	(6,919)	(11,871)
Innovation and growth initiative expenses	—	—	(9,234)	(9,234)
<b>Operating income (loss)</b>	269,481	—	(51,414)	218,067
Net finance costs, other income (expense) and tax expenses				(105,577)
<b>Net income</b>				112,490
<b>Segmented total assets</b>	2,048,990	114,648	25,709	2,189,347
<b>Segmented total liabilities</b>	(995,221)	—	(19,735)	(1,014,956)
<b>Segmented property, plant and equipment</b>	1,263,139	—	—	1,263,139

For personal use only