Management's Discussion and Analysis

For the Three and Six-Month Periods Ended September 30, 2022

CHAMPION IRON

TSX: CIA - ASX: CIA

As at October 27, 2022

The following Champion Iron Limited ("Champion" or the "Company") Management's Discussion and Analysis ("MD&A") has been prepared as of October 27, 2022. This MD&A is intended to supplement the condensed interim consolidated financial statements for the three and six-month periods ended September 30, 2022 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 MD&A for the year ended March 31, 2022. 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 MD&A, is complete and reliable.

Unless otherwise specified, all dollar figures stated herein are expressed in millions of 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 and definitions are used throughout this MD&A: US$ (United States dollar), CA$ (Canadian dollar), t (tonnes), wmt (wet metric tonnes), dmt (dry metric tonnes), Fe (iron ore), Mtpa (million tonnes per annum), M (million), km (kilometres), m (metres), FOB (free on board), LoM (life of mine), Bloom Lake or Bloom Lake Mine (Bloom Lake Mining Complex), Phase II (Phase II expansion project), Kami Project (Kamistiatusset project), EBITDA (earnings before interest, tax, depreciation and amortization), AISC (all-in sustaining costs) 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. The term "QIO" refers to Quebec Iron Ore Inc., the Company's subsidiary and operator of Bloom Lake. IFRS refers to the International Financial Reporting Standards.

This MD&A contains forward-looking statements. Particular attention should be given to the risk factors described in the "Risk Factors" sections of the Company's 2022 Annual Information Form and the MD&A for the financial year ended March 31, 2022, and to the "Cautionary Note Regarding Forward-Looking Statements" section of this MD&A.

Non-IFRS and Other Financial Measures

Certain financial measures used by the Company to analyze and evaluate its results are non-IFRS financial measures or ratios and supplementary financial measures. Each of these indicators is not a standardized financial measure under the IFRS and might not be comparable to similar financial measures used by other issuers. These indicators 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. The non-IFRS and other financial measures included in this MD&A are: EBITDA and EBITDA margin, adjusted net income, adjusted EPS, available liquidity, C1 cash cost or total cash cost, AISC per dmt sold, cash operating margin, cash profit margin, gross average realized selling price per dmt sold or gross average realized FOB selling price per dmt sold, net average realized selling price per dmt sold or net average realized FOB selling price per dmt sold, and operating cash flow per share. When applicable, a quantitative reconciliation to the most directly comparable IFRS measures is provided in section 20 - Non-IFRS and Other Financial Measures of this MD&A.

Cautionary Note Regarding Forward-Looking Statements

Forward-Looking Statements

This MD&A includes certain information and statements that may constitute "forward-looking information" under applicable Canadian securities legislation. 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. Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company's ability to predict or control.

Cautionary Note Regarding Forward-Looking Statements (continued)

Specific Forward-Looking Statements

All statements other than statements of historical facts included in this MD&A that address future events, developments or performance that Champion expects to occur are forward-looking statements. Forward-looking statements include Management's expectations regarding:

(i) the partnership with Innu Takuaikan Uashat Mak Mani-Utenam and Comité sectoriel de main d'oeuvre de l'industrie des mines, to implement training programs aimed at increasing collaboration between Innu partners and Champion;

(ii) the Company's Phase II expansion project, its expected transitional start-up costs to support commercial production, lower recovery circuit rates, economic benefits, impact on nameplate capacity and milestones;

(iii) the potential to upgrade the Bloom Lake iron ore concentrate to a higher grade with lower contaminants and the feasibility study evaluating the reprocessing and infrastructure required to convert approximately half of Bloom Lake's increased nameplate capacity of 15 Mtpa towards commercially producing a 69% Fe Direct Reduction pellet feed product and its completion timeline;

(iv) the feasibility study evaluating the re-commissioning of the Pointe-Noire Iron Ore Pelletizing Facility to produce DR grade pellets and its anticipated completion date;

(v) the Kami Project's feasibility, its purpose and anticipated completion date;

(vi) the reduction of the Company's freight premium volatility under freight agreements;

(vii) the future declaration and payment of dividends and the timing thereof;

(viii) the shift in steel industry production methods and expected rising demand for higher-grade iron ore products, including using reduction technologies to produce liquid iron, the Company's related research and development program and its results and the transition of the Company's product offering;

(ix) the cold pelletizing technology and its potential to substantially reduce emissions linked to the agglomeration of iron ore;

(x) GHG and CO_2 emission reduction initiatives, objectives, targets and expectations;

(xi) the weakened economic outlook, recession and the Chinese property market;

(xii) the impact of exchange rates on commodity prices and the Company's financial results;

(xiii) the potential impact of the COVID-19 pandemic and the mitigation of risks related thereto;

(xiv) the relationship between iron ore prices and ocean freight costs and their impact on the Company;

(xv) the impact of iron ore prices fluctuations on the Company and the occurrence of certain events and their impact on iron ore prices and demand for high-grade iron ore products;

(xvi) the Company's cash requirements for the next twelve months, the Company's positioning to fund such cash requirements and estimated future interest payments;

(xvii) legal actions, including arbitrations and class actions, their potential outcome and their effect on the consolidated financial position of the Company; and

(xviii) the mitigation of risks related to COVID-19.

Deemed 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.

Cautionary Note Regarding Forward-Looking Statements (continued)

Risks

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;
- timing and uncertainty of industry shift to Green Steel and electric arc furnaces ("EAF"), impacting demand for high-grade feed;
- 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; and
- the effects of catastrophes and public health crises, including the 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 2022 Annual Report and Annual Information Form for the financial year ended March 31, 2022, 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.

Additional Updates

All of Champion's forward-looking information contained in this MD&A 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. Readers should carefully consider the above factors as well as the uncertainties they represent and the risks they entail.

1. Description of Business

Champion 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).

Champion Iron Limited, through its subsidiary Quebec Iron Ore Inc., owns and operates the Bloom Lake Mining Complex, located on the south end of the Labrador Trough, approximately 13 km north of Fermont, Québec. Bloom Lake is an open-pit operation with two concentrators that primarily source energy from renewable hydroelectric power. The Bloom Lake Phase I and Phase II plants have a combined nameplate capacity of 15 Mtpa and produce a low contaminant high-grade 66.2% Fe iron ore concentrate with a proven ability to produce a 67.5% Fe direct reduction quality concentrate. Bloom Lake's high-grade and low contaminant iron ore products have attracted a premium to the Platts IODEX 62% Fe iron ore benchmark. The Company ships iron ore concentrate from Bloom Lake by rail, to a ship loading port in Sept-Îles, Québec, and 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 the Bloom Lake Mining Complex, Champion owns a portfolio of exploration and development projects in the Labrador Trough, including the Kamistiatusset Project located a few kilometres south-east of Bloom Lake, and the Consolidated Fire Lake North iron ore project, located approximately 40 km south of Bloom Lake.

2. Financial and Operating Highlights

	Three Months Ended September 30,			Six Months Ended September 30,		
	2022	2021	Variance	**2022**	2021	Variance
Iron ore concentrate produced (wmt)	**2,857,300**	2,089,100	37%	**5,139,900**	4,025,100	28%
Iron ore concentrate sold (dmt)	**2,793,400**	1,953,900	43%	**4,807,300**	3,928,600	22%
Financial Data (in thousands of dollars, except per share amounts)						
Revenues	**300,621**	331,006	(9%)	**579,942**	876,414	(34%)
EBITDA[1]	**84,331**	200,013	(58%)	**179,261**	605,752	(70%)
EBITDA margin[1]	**28 %**	60 %	(53%)	**31 %**	69 %	(55%)
Net income	**19,530**	114,596	(83%)	**61,084**	338,935	(82%)
Adjusted net income[1]	**29,262**	118,312	(75%)	**83,412**	343,421	(76%)
Basic EPS	**0.04**	0.23	(83%)	**0.12**	0.67	(82%)
Adjusted EPS[1]	**0.06**	0.23	(74%)	**0.16**	0.68	(76%)
Net cash flow from operating activities	**87,069**	374,141	(77%)	**54,822**	361,512	(85%)
Dividend per ordinary share paid	**—**	—	—%	**0.10**	—	100%
Cash and cash equivalents	**276,858**	491,333	(44%)	**276,858**	491,333	(44%)
Total assets	**2,156,323**	1,773,545	22%	**2,156,323**	1,773,545	22%
Statistics (in dollars per dmt sold)						
Gross average realized selling price[1]	**157.0**	218.8	(28%)	**171.0**	249.4	(31%)
Net average realized selling price[1]	**107.6**	169.4	(36%)	**120.6**	223.1	(46%)
C1 cash cost[1]	**65.9**	56.2	17%	**69.3**	58.2	19%
All-in sustaining cost ("AISC")[1]	**81.9**	73.6	11%	**86.8**	73.1	19%
Cash operating margin[1]	**25.7**	95.8	(73%)	**33.8**	150.0	(77%)
Statistics (in U.S. dollars per dmt sold)[2]						
Gross average realized selling price[1]	**120.6**	174.6	(31%)	**132.7**	201.6	(34%)
Net average realized selling price[1]	**83.2**	134.7	(38%)	**93.8**	180.4	(48%)
C1 cash cost[1]	**50.5**	44.6	13%	**53.7**	46.8	15%
All-in sustaining cost ("AISC")[1]	**62.7**	58.4	7%	**67.2**	58.8	14%
Cash operating margin[1]	**20.5**	76.3	(73%)	**26.6**	121.6	(78%)

[1] This is a non-IFRS financial measure, ratio or other financial measure. The measure is not a standardized financial measure under the financial reporting framework used to prepare the Financial Statements and might not be comparable to similar financial measures used by other issuers. Refer to the section 20 - Non-IFRS and Other Financial Measures of this MD&A for definitions of these metrics and reconciliations to the most comparable IFRS measures when applicable.

[2] See the "Currency" section of this MD&A included in section 6 - Key Drivers.

3. Quarterly Highlights

Sustainability

- No major environmental issues reported during the period;
- Partnership with Innu Takuaikan Uashat Mak Mani-Utenam and Comité sectoriel de main d'oeuvre de l'industrie des mines, to implement training programs aimed at increasing collaboration between Innu partners and Champion;
- Workshops and commemoration activities aimed at familiarizing Champion's employees with the Innu culture were organized on the National Day for Truth and Reconciliation on September 30, 2022, as part of an annual commitment, in line with our Company's values; and
- Fundraising organized by the Company at Fermont and Montréal attracted record participation, with more than 240 individuals running or walking in an event benefiting Cancer Fermont, a charitable organization improving the quality of life of local residents fighting cancer, as well as a significant donation to l'Envol-Maison de la Famille Sept-Îles, a help center which provides support for struggling local families.

Operations and Financial

- Record production of 2,857,300 wmt of high-grade 66.1% Fe concentrate for the three-month period ended September 30, 2022, driven by the commissioning of Phase II, compared to 2,089,100 wmt of high-grade 66.3% Fe concentrate for the same period in 2021;
- C1 cash cost[1] of $65.9/dmt (US$50.5/dmt)[2] for the three-month period ended September 30, 2022, comparing favourably with the cash cost[1] of $74.0/dmt for the previous quarter ended June 30, 2022, as the Company begins to benefit from higher production volumes generated from the Phase II project;
- Record iron ore concentrate sold for the three-month period ended September 30, 2022, contributing to revenues of $300.6 million ($331.0 million for the same period in 2021), net cash flow from operating activities of $87.1 million ($374.1 million for the same period in 2021), EBITDA[1] of $84.3 million ($200.0 million for the same period in 2021) and net income of $19.5 million (EPS of $0.04) ($114.6 million and EPS of $0.23 for the same period in 2021);
- Financial results during the quarter were positively impacted by the higher iron ore volumes sold, and were more than offset by decreasing iron ore index prices, expected transitional start-up costs to support Phase II commercial production, anticipated lower recovery circuit rates in relation to the Phase II ramp-up, scheduled seasonal tailings related work programs and increased operating costs attributable to global inflationary pressures. The economic benefits of the Phase II expansion project should be progressive as throughput gradually increases towards Bloom Lake's revised nameplate capacity of 15 Mtpa;
- Available liquidity[1] of $586.4 million as at September 30, 2022, including $277.4 million of cash and cash equivalents and short-term investments, compared to $571.0 million as at June 30, 2022; and
- Dividend of $0.10 per ordinary share declared on October 26, 2022 (Montréal time) / October 27, 2022 (Sydney time), in connection with the semi-annual results for the period ended September 30, 2022.

[1] This is a non-IFRS financial measure, ratio or other financial measure. The measure is not a standardized financial measure under the financial reporting framework used to prepare the Financial Statements and might not be comparable to similar financial measures used by other issuers. Refer to the section 20 - Non-IFRS and Other Financial Measures of this MD&A for definitions of these metrics and reconciliations to the most comparable IFRS measures when applicable.
[2] See the "Currency" section of this MD&A included in note 6 - Key Drivers.

3. Quarterly Highlights (continued)

Phase II Milestones

- Commissioning activities continue as scheduled, including ongoing system optimization work related to commercial production, scheduled to commence by the end of calendar 2022[1], with nameplate capacity anticipated to be achieved in calendar 2023[1]; and
- Last major on-site work program in relation to the Phase II equipment has been completed, enabling the Company's two crushers to feed both facilities and reduce bottlenecks during maintenance periods.

Growth and Development

- The feasibility study evaluating the reprocessing and infrastructure required to convert approximately half of Bloom Lake's increased nameplate capacity of 15 Mtpa towards commercially producing a 69% Fe Direct Reduction ("DR") pellet feed product is nearing completion;
- In collaboration with a major international steelmaking partner, a feasibility study evaluating the re-commissioning of the Pointe-Noire Iron Ore Pelletizing Facility (the "Pellet Plant") to produce DR grade pellets is advancing, with an anticipated completion date in the second half of calendar 2023;
- The Kami Project's feasibility study, whereby the project is being evaluated for its capability to produce DR grade pellet feed product, is expected to be completed in the first half of calendar 2023; and
- Freight agreements signed, contracting two vessels per month, from January 2023 to December 2023, expected to reduce the Company's freight premium volatility by using an agreed-upon price premium above the average C3 Baltic Capesize Index per tonne, plus an additional seasonal premium for winter conditions.

[1] See the "Cautionary Note Regarding Forward-Looking Statements" section of this MD&A.

4. Dividend on Ordinary Shares

The Board declared a dividend of $0.10 per ordinary share on October 26, 2022 (Montréal time) / October 27, 2022 (Sydney time), in connection with the semi-annual financial results for the period ended September 30, 2022, payable on November 29, 2022, to the Company's shareholders at the close of business in Australia and Canada on November 8, 2022 (local time).

The Board will evaluate future dividends concurrently with the release of the Company's semi-annual and annual results.

For shareholders holding ordinary shares on the Australian share register, the dividend will be paid in Australian dollars. The dividend amounts received will be calculated by converting the dividend determined to be paid using the exchange rates applicable to Australian dollars five business days prior to the dividend payment date, as published by the Bank of Canada.

Additional details on the dividends and related tax information can be found on the Company's website at www.championiron.com under the section Investors – Dividend Information.

5. Green Steel Initiatives

Product Research and Development
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 iron ore products, with a shift towards using reduction technologies 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").

Accordingly, the Company advanced its research and development program aimed at developing technologies and products to support the steelmaking transition from the BF-BOF method to the DRI-EAF method, while supporting emission reductions in the BF-BOF process. During the three and six-month periods ended September 30, 2022, the Company incurred innovation and growth initiative expenses of $4.0 million and $6.4 million, compared to $1.5 million and $2.9 million for the same periods in 2021. The expenses were mainly comprised of consultant fees, salaries and benefits related to the development of pellet feed quality iron ore consisting of more than 69% Fe.

Additionally, as part of its commitment to participate in the iron and steel industry's decarbonization, the Company invested and actively collaborated with a European-based company which holds a proprietary cold pelletizing technology. The objective of the cold pelletizing technology is to substantially reduce emissions linked to the agglomeration of iron ore. Laboratory results demonstrated that carbon emissions related to agglomeration could be reduced by more than 95% with this technology.

Direct Reduction Pellet Feed > 69% Fe
Since the 2021 financial year's fourth quarter, the Company completed laboratory work and testing to produce a DR grade pellet feed iron ore concentrate with higher than 69% Fe and 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 would rank as one of the highest-quality DR 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 investments required to convert half of Bloom Lake's nameplate capacity of 15 Mtpa. Achieving DR pellet feed commercial production would enable the Company to further engage with DRI-EAF based iron and steel producers to participate further in reducing emissions in the steelmaking process and potentially benefit from higher product pricing. During the three-month period ended September 30, 2022, the Company continued advancing the feasibility study, which is nearing completion.

5. Green Steel Initiatives (continued)

Emissions Reduction Initiatives

As part of its ongoing efforts to minimize the environmental impact of its operations, the Company committed to greenhouse gas ("GHG") emission reductions of 40% by 2030, based on combining its 2014 emissions intensity together with Bloom Lake's targeted nameplate capacity of 15 Mtpa. The Company further committed to become carbon neutral by 2050. This GHG target is in line with the Paris Agreement 2.0 degrees Celsius scenarios, the Canadian government's GHG reduction plan and the Science Based Targets initiative ("SBTi") framework. Towards this effort, the Company implemented a working group mandated to identify emissions reduction initiatives and evaluate resources required to deploy a program to reach its GHG emissions reduction objectives.

Acquisition of an Iron Ore Pelletizing Facility

On May 17, 2022, the Company entered into a definitive purchase agreement (the "Purchase Agreement") to acquire, via a wholly-owned subsidiary, upon satisfaction of certain conditions, the Pointe-Noire Iron Ore Pelletizing Facility located in Sept-Îles, adjacent to the port facilities. The Company also entered into a Memorandum of Understanding (the "MOU") with a major international steelmaker (the "FS Partner") to complete a feasibility study to evaluate the re-commissioning of the Pellet Plant and produce DR grade pellets. The feasibility study will evaluate the investments required to re-commission the Pellet Plant while integrating up-to-date pelletizing and processing technologies.

The MOU sets out a framework for Champion and the FS Partner to collaborate in order to complete the feasibility study, anticipated in the second half of calendar 2023. Subject to the feasibility study's positive findings and results, the MOU outlines a framework for a joint venture to produce DR grade iron ore pellets to sell to third parties, including the FS Partner. Pursuant to the Purchase Agreement, Champion is required to comply with various undertakings in connection with the Pellet Plant, including a commitment to design and operate the project using as main power sources, electricity, natural gas, biofuels or renewable energy.

6. 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 income and cash flow from operating activities 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 greater than 66% 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 steel mills recognizing that higher iron ore grades offer the benefit of optimizing output, while also significantly decreasing CO_2 emissions in the steelmaking process.

During the three-month period ended September 30, 2022, the average iron ore price declined compared to the same prior-year period, due to the weakened economic outlook amidst growing recession fears, coupled with China's COVID-19-related lockdowns and a property development slowdown weighing on domestic steel demand. Following iron ore price declines early in the quarter, some support was found as Beijing continued its efforts to lift the property market with investments in major infrastructure projects and cuts to the key interest rate. The high-grade iron ore premiums contracted in the period, as steel mills prioritized cost savings over productivity, due to narrow steelmaking profitability.

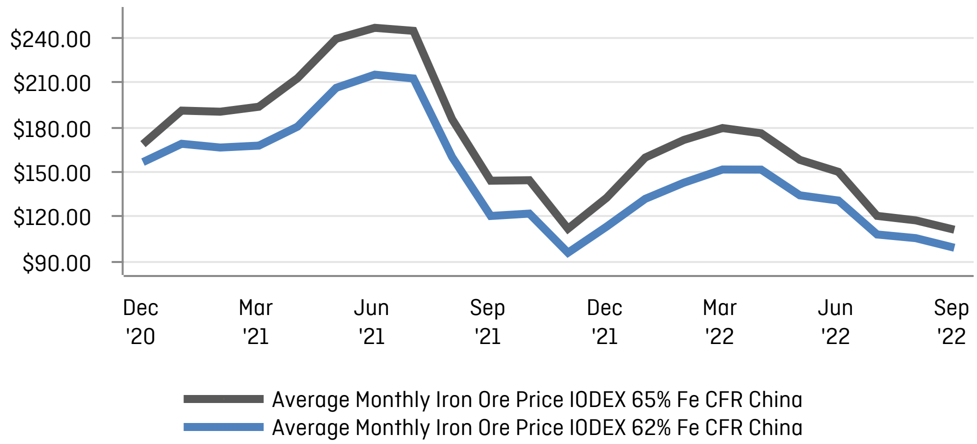
Despite depressed steel demand and low profitability from Chinese mills, the World Steel Association[1] reported that China's crude steel production totalled 252.3 million tonnes for the three-month period ended September 30, 2022, a 3.2% increase from the same period in 2021. The months of August and September resulted in positive year-over-year growth, marking the first positive months of year-over-year increases in steel output since June 2021. While China's steel output returns to growth in the period, global economic uncertainties and the Russia-Ukraine conflict resulted in a steel output decline in the world ex-China. Accordingly, the world ex-China reported 197.7 million tonnes of crude steel production for the three-month period ended September 30, 2022, a decrease of 8.9% from the same period last year.

[1] https://www.worldsteel.org/

6. Key Drivers (continued)

A. Iron Ore Concentrate Price (continued)

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



A significant portion of Champion's iron ore concentrate 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 at 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 customers, final price adjustments on tonnes in transit at each quarter end, which are recorded using forward prices, are structurally exposed to variation in iron ore index prices in the earlier months of the following quarter.

During the three-month period ended September 30, 2022, a final price of US$116.2/dmt was established for the 0.7 million tonnes of iron ore that were in transit as at June 30, 2022, and which were previously evaluated using an average expected price of US$138.4/dmt. Accordingly, during the three-month period ended September 30, 2022, negative pricing adjustments of $20.9 million were recorded for tonnes subject to provisional prices as at June 30, 2022, negatively impacting revenues in the current quarter. Over the total volume of 2.8 million dmt sold during the current period, the negative adjustments represent US$5.3/dmt. As at September 30, 2022, 1.3 million tonnes of iron ore sales remained subject to provisional pricing adjustments, with the final price to be determined in the subsequent reporting periods (September 30, 2021: 0.8 million tonnes). A gross forward provisional price of US$112.3/dmt has been used as at September 30, 2022, to estimate the sales that remain subject to final price setting.

The following table details the Company's exposure, as at September 30, 2022, to the movements in the iron ore price for the provisionally invoiced sales volume:

(in thousands of U.S. dollars)	**As at September 30, 2022**
Tonnes (dmt) subject to provisional pricing adjustments	**1,282,500**
10% increase in iron ore prices	**14,404**
10% decrease in iron ore prices	**(14,404)**

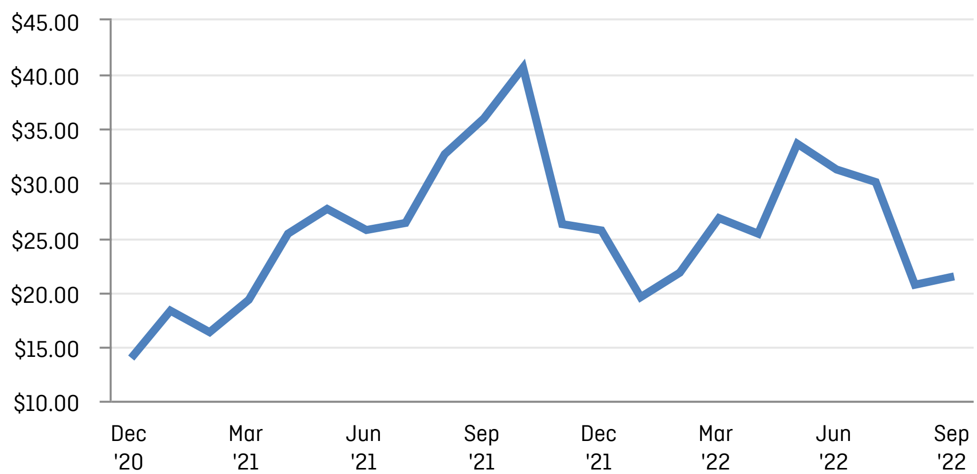
The sensitivities demonstrate the monetary impact on ore sales revenues resulting from a 10% increase and 10% decrease in realized selling prices as at September 30, 2022, while holding all other variables constant, including foreign exchange rates. The relationship between iron ore prices and exchange rates is complex, and movements in exchange rates can impact commodity prices. The above sensitivities should therefore be used with caution.

6. 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 several regions overseas, including historical sales to China, Japan, Europe, the Middle East and South Korea. The common reference route for dry bulk material from the Americas to Asia is the Tubarao (Brazil) to Qingdao (China) route which encompasses 11,000 nautical miles. The freight cost per tonne associated with this route is captured in the C3 Baltic Capesize Index ("C3"), which is considered the reference ocean freight cost for iron ore shipped from Brazil to the Far East. There is no index for the route between the port of Sept-Îles (Canada) and China. The route from Sept-Îles to the Far East totals approximately 14,000 nautical miles and is subject to different weather conditions during the winter season. Therefore, the freight cost per tonne associated with this voyage is higher than the C3 index price.

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



The average C3 index for the three-month period ended September 30, 2022, was US$24.0/t compared to US$31.7/t for the same period in 2021, a decrease of 24%. Freight rates contracted sharply during the period from abnormally elevated levels in previous periods further to global port congestion issues and elevated fuel prices. The contraction in freight rates in the period can partially be attributed to reduced port congestions globally, lower bunker fuel prices and lesser iron ore volumes seaborn as marginal suppliers curtailed operations facing profitability challenges.

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 cost components. With recent events, including rising fuel prices and port congestions, the seaborne iron ore supply and other freight rates, this historical relationship has experienced such a disconnect. Following the recent fall, the C3 index has now reverted to its historical relationship with iron ore prices.

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.

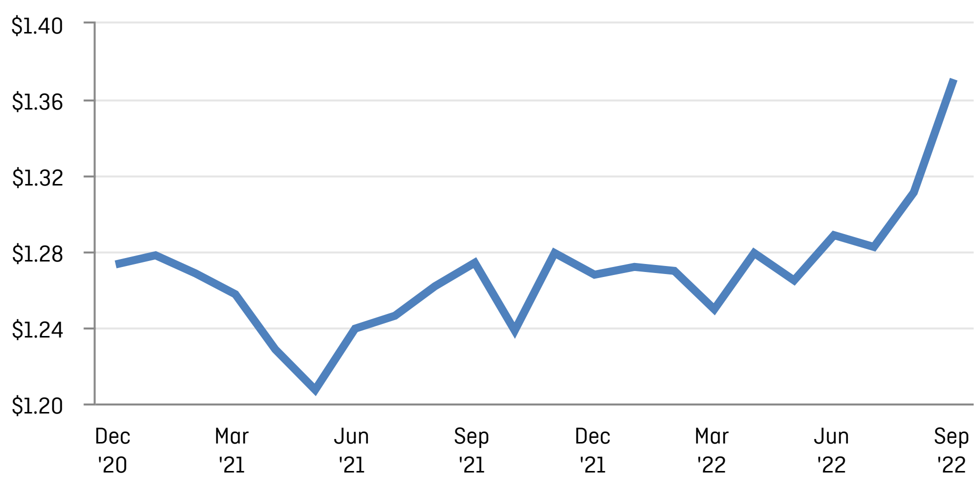
6. Key Drivers (continued)

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 the majority of its long-term debt and lease liabilities are denominated in U.S. dollars. The Company is exposed to foreign currency fluctuations as its mining operating expenses are mainly incurred in Canadian dollars.

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 and lease liabilities are denominated in U.S. dollars, the Company is subject to ongoing non-cash foreign exchange adjustments, which may impact its financial results. However, the Company maintains a cash balance and has trade receivables in U.S. dollars, enabling the Company to mitigate foreign exchange exposure. 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 were as follows:

	CA$ / US$					
	Average			Closing		
	FY2023	FY2022	Variance	**FY2023**	FY2022	Variance
Q1	**1.2768**	1.2282	4 %	**1.2886**	1.2394	4 %
Q2	**1.3056**	1.2600	4 %	**1.3707**	1.2741	8 %
Q3		1.2603	— %		1.2678	— %
Q4		1.2662	— %		1.2496	— %
Year-end as at March 31		1.2536	— %		1.2496	— %

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 2022 Annual Information Form and the MD&A for the financial year ended March 31, 2022, 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.

(Expressed in Canadian dollars, except where otherwise indicated)

7. Bloom Lake Mine Operating Activities

	Three Months Ended September 30,			Six Months Ended September 30,		
	2022	2021	Variance	**2022**	2021	Variance
Operating Data						
Waste mined and hauled (wmt)	**4,572,900**	5,299,600	(14%)	**10,178,900**	9,999,100	2%
Ore mined and hauled (wmt)	**8,214,700**	5,713,900	44%	**14,407,800**	11,357,800	27%
Material mined and hauled (wmt)	**12,787,600**	11,013,500	16%	**24,586,700**	21,356,900	15%
Strip ratio	**0.56**	0.93	(40%)	**0.71**	0.88	(19%)
Ore milled (wmt)	**8,102,700**	5,679,800	43%	**14,124,900**	10,907,000	30%
Head grade Fe (%)	**29.5**	29.1	1%	**30.2**	29.4	3%
Fe recovery (%)	**78.6**	83.3	(6%)	**79.3**	83.1	(5%)
Product Fe (%)	**66.1**	66.3	—%	**66.1**	66.3	—%
Iron ore concentrate produced (wmt)	**2,857,300**	2,089,100	37%	**5,139,900**	4,025,100	28%
Iron ore concentrate sold (dmt)	**2,793,400**	1,953,900	43%	**4,807,300**	3,928,600	22%

Phase II Commissioning

During the first quarter of the 2023 financial year, the Company initiated and advanced the commissioning of Phase II and at the end of April 2022, the first of two Phase II plant production lines was commissioned. The first shipments were railed on May 3, 2022. In June 2022, the Company successfully started the second line as scheduled in the ramp-up sequencing of the project. Accordingly, both operating lines were in service at the end of the first quarter. During the three-month period ended September 30, 2022, commissioning activities progressed as scheduled. The Company made adjustments and improvements in some areas to stabilize operations (including work to increase throughput and the recovery ratio) and reach expected performance, positioning the Company to achieve, as scheduled, commercial production by the end of calendar 2022[1] and nameplate capacity in calendar 2023[1]. The last major on-site work program relating to the Phase II equipment was completed during the three-month period ended September 30, 2022, enabling the Company's two crushers to feed both facilities and reduce bottlenecks during maintenance periods. Final minor on-site work programs are expected to be completed as planned during the third and fourth quarters of the 2023 financial year. While on-site work programs are being delivered ahead of schedule, off-site work programs, including third-party infrastructure, continue to advance as scheduled.

Operational Performance

Second Quarter of the 2023 Financial Year vs Second Quarter of the 2022 Financial Year

In the three-month period ended September 30, 2022, 12.8 million tonnes of material were mined and hauled, compared to 11.0 million tonnes during the same period in 2021, an increase of 16%. The increase in material movement was enabled through the utilization of additional equipment compared to the same prior-year period, offset by a longer haul cycle as material was sourced from different pits, including those that deepened with mining activities over time. The lower strip ratio for the three-month period ended September 30, 2022, is in line with the revised mine plan in connection with transitional incremental feed requirements during the Phase II ramp-up period.

The iron ore head grade for the three-month period ended September 30, 2022, was 29.5%, compared to 29.1% for the same period in 2021. The variation in head grade is attributable to the presence of some higher-grade ore being sourced and blended from different pits, which was anticipated and is in line with the mine plan and the LoM head grade average.

The Company's average Fe recovery rate for the three-month period ended September 30, 2022, was negatively impacted by the anticipated lower recoveries during the commissioning of the Phase II concentrator, but is in line with Management's expectations at this stage of the Phase II commissioning. The slight decrease in the Fe recovery rate during the three-month period ended September 30, 2022, compared to the first quarter, was due to a higher proportion of tonnes processed by the second concentrator together with stability impacts on Phase I attributable to the finalization of the Phase II tie-in program, as the utilization of the second plant is increasing over time. The Company expects to reach a stable Fe recovery circuit when Phase II achieves commercial production, anticipated to occur by the end of calendar 2022[1].

[1] See the "Cautionary Note Regarding Forward-Looking Statements" section of this MD&A.

7. Bloom Lake Mine Operating Activities (continued)

Operational Performance (continued)

Second Quarter of the 2023 Financial Year vs Second Quarter of the 2022 Financial Year (continued)

During the three-month period ended September 30, 2022, operational activities were impacted by a scheduled semi-annual maintenance on the second concentrator, while no shutdown occurred in the same prior-year period. A shutdown is now planned every quarter, alternating between the two concentrators and related facilities. A non-recurring 20-day scheduled shutdown of specific equipment was required for the tie-in of the first crusher to the A-Frame dome as part of the Phase II project ramp-up, which also impacted operational activities in the quarter. Despite these factors, Bloom Lake produced 2.9 million wmt of high-grade iron ore concentrate during the three-month period ended September 30, 2022, an increase of 37%, compared to 2.1 million wmt during the same period in 2021. The Company achieved record production in connection with the commissioning of the second plant at the mine site. Higher throughput and head grade also contributed to higher production volumes, despite a lower global recovery. The commissioned Phase II project's production compares favourably to the scheduled production volumes. The plants processed 8.1 million tonnes of ore during the three-month period ended September 30, 2022, compared to 5.7 million tonnes for the same prior-year period. The throughput for the period was positively affected by higher availability of mined ore and the commissioning of Phase II operations in the previous quarters.

First Six Months of the 2023 Financial Year vs First Six Months of the 2022 Financial Year

The Company mined and hauled 24.6 million tonnes of material during the six-month period ended September 30, 2022, compared to 21.4 million tonnes for the same period in 2021. This increase in material mined and hauled is attributable to the commissioning of additional operational equipment compared to the same prior-year period. The strip ratio was 0.71 for the six-month period ended September 30, 2022, compared to 0.88 for the same period in 2021, and is consistent with the revised mine plan.

The iron ore head grade of 30.2% for the six-month period ended September 30, 2022, was attributable to different sourcing pits, compared to 29.4% for the same period in 2021, and is consistent with the LoM head grade average. The lower average Fe recovery rate for the six-month period ended September 30, 2022, was attributable to the commissioning of the Phase II concentrator as detailed above.

The plant processed 14.1 million tonnes of ore during the six-month period ended September 30, 2022, an increase of 30% over the same period in 2021, and produced 5.1 million wmt of high-grade iron ore concentrate, compared to 4.0 million wmt for the same period in 2021, mainly attributable to the commissioning of the Phase II project.

8. Financial Performance

	Three Months Ended September 30,			Six Months Ended September 30,		
	2022	2021	Variance	**2022**	2021	Variance
Financial Data (in thousands of dollars)						
Revenues	**300,621**	331,006	(9%)	**579,942**	876,414	(34%)
Cost of sales	**199,841**	110,884	80%	**369,248**	231,730	59%
Other expenses	**16,839**	20,313	(17%)	**32,444**	34,873	(7%)
Net finance costs	**10,765**	1,012	964%	**14,955**	5,399	177%
Net income	**19,530**	114,596	(83%)	**61,084**	338,935	(82%)
EBITDA[1]	**84,331**	200,013	(58%)	**179,261**	605,752	(70%)
Statistics (in dollars per dmt sold)						
Gross average realized selling price[1]	**157.0**	218.8	(28%)	**171.0**	249.4	(31%)
Net average realized selling price[1]	**107.6**	169.4	(36%)	**120.6**	223.1	(46%)
C1 cash cost[1]	**65.9**	56.2	17%	**69.3**	58.2	19%
All-in sustaining cost ("AISC")[1]	**81.9**	73.6	11%	**86.8**	73.1	19%
Cash operating margin[1]	**25.7**	95.8	(73%)	**33.8**	150.0	(77%)

[1] This is a non-IFRS financial measure, ratio or other financial measure. The measure is not a standardized financial measure under the financial reporting framework used to prepare the Financial Statements and might not be comparable to similar financial measures used by other issuers. Refer to the section 20 - Non-IFRS and Other Financial Measures of this MD&A for definitions of these metrics and reconciliations to the most comparable IFRS measures when applicable.

8. Financial Performance (continued)

A. Revenues

	Three Months Ended September 30,			Six Months Ended September 30,		
	2022	2021	Variance	**2022**	2021	Variance
(in U.S. dollars per dmt sold)						
Index P62	**103.3**	162.9	(37%)	**120.2**	181.2	(34%)
Index P65	**115.5**	189.9	(39%)	**137.3**	210.8	(35%)
US$ Gross average realized selling price[1]	**120.6**	174.6	(31%)	**132.7**	201.6	(34%)
Freight and other costs	**(32.1)**	(34.7)	(7%)	**(33.1)**	(31.3)	6%
Provisional pricing adjustments	**(5.3)**	(5.2)	2%	**(5.8)**	10.1	(157%)
US$ Net average realized FOB selling price[1]	**83.2**	134.7	(38%)	**93.8**	180.4	(48%)
Foreign exchange rate conversion	**24.4**	34.7	(30%)	**26.8**	42.7	(37%)
CA$ Net average realized FOB selling price[1]	**107.6**	169.4	(36%)	**120.6**	223.1	(46%)

Second Quarter of the 2023 Financial Year vs Second Quarter of the 2022 Financial Year

During the three-month period ended September 30, 2022, 2.8 million tonnes of high-grade iron ore concentrate were sold at a gross average realized price[1] of US$120.6/dmt, before freight and other costs and provisional pricing adjustments, compared to US$174.6/dmt for the same prior-year period. The decrease in gross average realized selling price[1] reflects lower index prices during the three-month period ended September 30, 2022, compared to the same prior-year period. Despite lower index prices, the gross average realized selling price[1] of US$120.6/dmt represents a premium of 16.7% over the benchmark P62 price for the period, compared to a premium of 7.2% for the same period in 2021.

During the three-month period ended September 30, 2022, the P65 index for high-grade iron ore fluctuated from a high of US$131.5/dmt to a low of US$107.2/dmt. The P65 index average price for the period was US$115.5/dmt, a decrease of 39% from the same prior-year quarter, resulting in an average premium of 11.8% over the P62 reference price of US$103.3/dmt. The gross average realized selling price[1] of US$120.6/dmt was higher than the P65 index average price for the period of US$115.5/dmt due to sales based on fixed backward-looking iron ore prices, when prices were higher compared to the P65 index average for the current period. This factor was partially offset by the negative impact of 1.3 million tonnes which were in transit as at September 30, 2022, provisionally priced using an average forward price of US$112.3/dmt, which was lower than the P65 index average price for the period. After accounting for sea freight and other costs and provisional pricing adjustments, the Company's net realized FOB selling price[1] was US$83.2/dmt, compared to US$134.7/dmt for the same period in 2021.

The average C3 index for the three-month period ended September 30, 2022, was US$24.0/t compared to US$31.7/t for the same period in 2021, representing a decrease of 24%, which contributed to lower freight costs in the three-month period ended September 30, 2022, compared to the same prior-year period. The lower freight rates for the three-month period ended September 30, 2022, can be partially attributed to decreased fuel prices and lower iron ore shipments from Brazil. Simultaneously, the partial removal of COVID-19 lockdowns in China reduced port congestion, further influencing the decreasing freight rates, with lower seaborn iron ore volumes as marginal suppliers facing profitability challenges curtailed operations. 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 the Company ships its high-grade iron ore concentrate uniformly throughout the year.

Provisional pricing adjustments on previous sales, which were directly correlated to the decrease in the P65 index during the quarter, contributed to decreasing the net average realized selling price[1]. During the three-month period ended September 30, 2022, a final price of US$116.2/dmt was established for the 0.7 million tonnes of iron ore that were in transit as at June 30, 2022, and which were previously evaluated using an average expected price of US$138.4/dmt. Accordingly, during the three-month period ended September 30, 2022, net negative provisional pricing adjustments of $20.9 million were recorded as a decrease in revenues for the 0.7 million tonnes, representing a negative impact of US$5.3/dmt over the total volume of 2.8 million dmt sold during the current period, comparable to the negative impact for the same period in 2021.

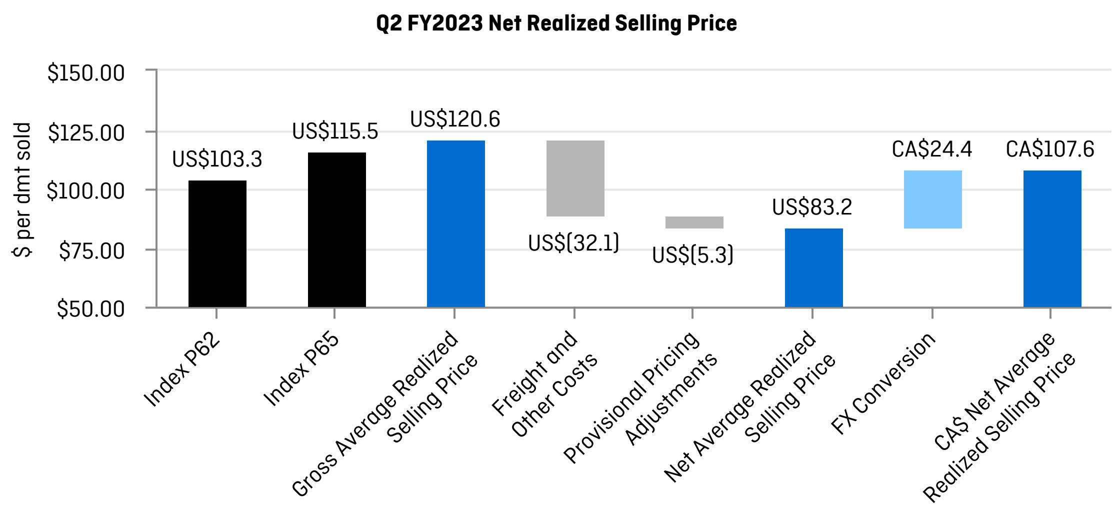
1 This is a non-IFRS financial measure, ratio or other financial measure. The measure is not a standardized financial measure under the financial reporting framework used to prepare the Financial Statements and might not be comparable to similar financial measures used by other issuers. Refer to the section 20 - Non-IFRS and Other Financial Measures of this MD&A for definitions of these metrics and reconciliations to the most comparable IFRS measures when applicable.

8. Financial Performance (continued)

A. Revenues (continued)

Second Quarter of the 2023 Financial Year vs Second Quarter of the 2022 Financial Year (continued)

After taking into account sea freight and other costs of US$32.1/dmt and the negative provisional pricing adjustment of US$5.3/dmt, the Company obtained a net average realized selling price[1] of US$83.2/dmt (CA$107.6/dmt) for its high-grade iron ore delivered to the end customer. Revenues totalled $300.6 million for the three-month period ended September 30, 2022, compared to $331.0 million for the same period in 2021, reflecting the lower net average realized selling price[1] partially offset by a significantly higher sales volume and the weakening Canadian dollar.



First Six Months of the 2023 Financial Year vs First Six Months of the 2022 Financial Year

For the six-month period ended September 30, 2022, the Company sold 4.8 million tonnes of iron ore concentrate, mainly to customers in China, Japan, South Korea and Europe. While the high-grade iron ore P65 index price fluctuated between a low of US$107.2/dmt and a high of US$185/dmt during the six-month period ended September 30, 2022, the Company sold its product at a gross average realized selling price[1] of US$132.7/dmt before sea freight and other costs and provisional pricing adjustments. The P65 index average price for the six-month period ended September 30, 2022, was US$137.3/dmt, a decrease of 35% from the same period in 2021, resulting in an average premium of 14.2% over the P62 index reference price of US$120.2/dmt. The gross average realized selling price[1] is lower than the average P65 high-grade index of US$137.3/dmt for the period due to sales provisionally priced using an average forward price of US$112.3/dmt at the end of the period, which was significantly lower than the average P65 index for the period. The Company expects its iron ore concentrate pricing to track the P65 index in the long term.

Combining the gross average realized selling price[1] with the negative provisional pricing adjustment of US$5.8/dmt, the Company sold its high-grade iron ore at a price of US$126.9/dmt during the six-month period ended September 30, 2022, compared to the P65 high-grade index average of US$137.3/dmt. Deducting sea freight and other costs of US$33.1/dmt, the Company obtained a net average realized selling price[1] of US$93.8/dmt (CA$120.6/dmt) for its high-grade iron ore. As such, revenues totalled $579.9 million for the six-month period ended September 30, 2022, compared to $876.4 million for the same period in 2021, mainly as a result of a lower gross average realized selling price[1], partially offset by a significantly higher sales volume and the weakening Canadian dollar. A negative provisional pricing adjustment during the six-month period ended September 30, 2022, compared to a positive provisional pricing adjustment during the same period in 2021, also contributed to the decrease in revenues.

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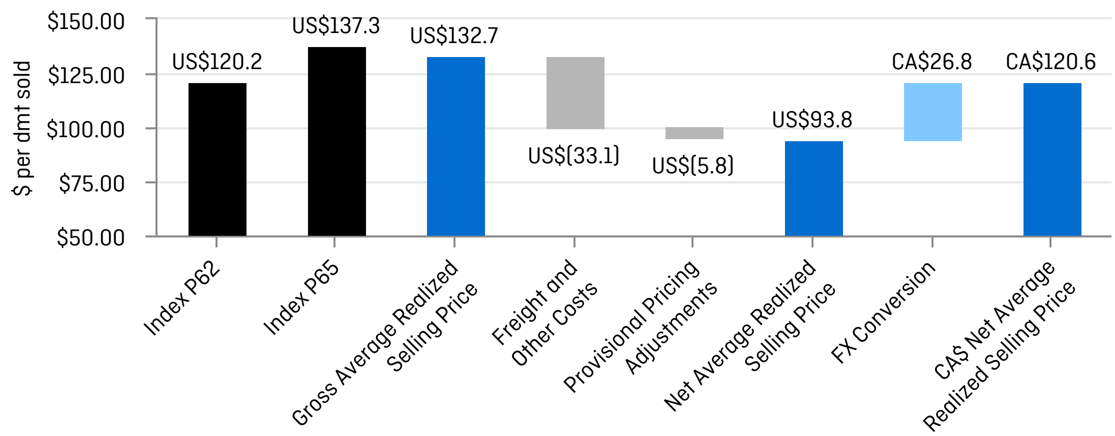
8. Financial Performance (continued)

A. Revenues (continued)

First Six Months of the 2023 Financial Year vs First Six Months of the 2022 Financial Year (continued)

First Six Months FY2023 Net Realized Selling Price



B. Cost of Sales and C1 Cash Cost[1]

The cost of sales represents mining, processing, and mine site-related general and administrative ("G&A") expenses as well as rail and port operation costs. It also includes specific and incremental costs related to COVID-19 and, starting in April 2022, it includes Bloom Lake Phase II start-up costs incurred after commissioning. These start-up costs mainly include abnormal operational costs attributable to the facility not having reached the normalized expected level of output.

	Three Months Ended September 30,				
	2022		2021		Variance
(in thousands of dollars except per dmt sold)	**Cost of sales**	**C1 cash cost[1] per dmt**	Cost of sales	C1 cash cost[1] per dmt	C1 cash cost[1] per dmt
Iron ore concentrate sold (dmt)		**2,793,400**		1,953,900	
Land transportation and port handling	**65,586**	**23.5**	40,026	20.5	15 %
Operating supplies and parts	**36,639**	**13.1**	27,784	14.2	(8)%
Salaries, benefits and other employee expenses	**33,593**	**12.0**	26,282	13.5	(11)%
Sub-contractors	**34,898**	**12.5**	16,786	8.6	45 %
Other production costs	**11,696**	**4.2**	7,258	3.7	14 %
Change in inventories	**1,775**	**0.6**	(819)	(0.4)	(250)%
Production expenses capitalized as stripping asset	**(42)**	**—**	(7,532)	(3.9)	(100)%
	184,145	**65.9**	109,785	56.2	17 %
Incremental costs related to COVID-19	**305**		1,099		
Bloom Lake Phase II start-up costs	**15,391**		—		
Cost of sales	**199,841**		110,884		

For the three-month period ended September 30, 2022, the cost of sales totalled $199.8 million, compared to $110.9 million for the same period in 2021. During the three-month period ended September 30, 2022, the C1 cash cost[1] per tonne, excluding specific and incremental costs related to COVID-19 and Phase II start-up costs, totalled $65.9/dmt, compared to $56.2/dmt for the same period in 2021.

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8. Financial Performance (continued)

B. Cost of Sales and C1 Cash Cost[1] (continued)

The C1 cash cost[1] per dmt sold for the three-month period ended September 30, 2022, benefited from higher volumes of iron ore concentrate sold associated with increased production volumes from the Phase II project, but were more than fully offset by global inflationary pressures, impacting cost of fuel used in the Company's mining activities and land transportation, explosives costs as well as rail and port operations. The life of mine stripping ratio used for cost capitalization for the three-month period ended September 30, 2021, was also significantly lower, positively impacting the prior-year period cash cost[1]. The lower recoveries associated with the commissioning of the Phase II concentrator also negatively impacted cash cost[1] for the period as the concentrate volume produced was lower than standard level. Finally, longer haul cycle times associated with the current mine plan also contributes quarter-over-quarter to higher mining costs.

For the six-month period ended September 30, 2022, the Company produced high-grade iron ore at a C1 cash cost[1] amounting to $69.3/dmt, compared to $58.2/dmt for the six-month period ended September 30, 2021. The variation is attributable to the same factors that affected the C1 cash cost[1] for the three-month period ended September 30, 2022.

In addition, unplanned third-party shutdowns, planned maintenance of additional facilities, as well as increased headcount and subcontractor usage in relation to the commissioning of the Phase II project during the first quarter, also contributed to the higher cash cost[1] for the six-month period ended September 30, 2022.

C. Gross Profit

The gross profit for the three-month period ended September 30, 2022, totalled $72.7 million, compared to $210.7 million for the same prior-year period. The decrease in gross profit is attributable to lower net average realized selling price[1], higher cash costs[1] caused by global inflation and start-up costs in connection with the commissioning of Phase II in April 2022, partially offset by higher sales of iron ore concentrate due to increased production volumes associated with Phase II's commissioning. The gross profit was also impacted by the low stripping ratio for the three-month period ended September 30, 2022, impacting the depreciation expense. In addition, as Phase II is commissioned, the depreciation expense gradually increases before reaching its peak upon declaring commercial production, contributing to a lower gross profit quarter-over-quarter compared to the same prior-year period.

The gross profit for the six-month period ended September 30, 2022, totalled $162.8 million, compared to $625.3 million for the same period in 2021. The decrease is largely driven by the lower net average realized selling price[1] of $120.6/dmt for the six-month period ended September 30, 2022, compared to $223.1/dmt for the same period in 2021. Higher production costs mainly attributable to increased fuel and explosives costs, start-up costs of $34.9 million and a higher depreciation expense as detailed above also contributed to a lower gross profit for the six-month period ended September 30, 2022.

D. Other Expenses

	Three Months Ended September 30,			**Six Months Ended September 30,**		
	2022	2021	Variance	**2022**	2021	Variance
(in thousands of dollars)						
Share-based payments	**389**	2,553	(85)%	**(2,041)**	3,842	(153)%
G&A expenses	**8,564**	7,548	13 %	**20,836**	15,352	36 %
Sustainability and other community expenses	**3,860**	4,080	(5)%	**7,203**	8,194	(12)%
Innovation and growth initiative expenses	**4,026**	1,519	165 %	**6,446**	2,872	124 %
Bloom Lake Phase II start-up costs	**—**	4,613	(100)%	**—**	4,613	(100)%
	16,839	20,313	(17)%	**32,444**	34,873	(7)%

The share-based payments for the three and six-month periods ended September 30, 2022, were mainly impacted by the change in fair value of the cash-settled share-based payment liability, which varies based on the share price of the Company at each reporting date. The share-based payments for the three and six-month periods ended September 30, 2021, reflected the costs associated with performance share units granted to key employees as part of the Company's remuneration policy to retain talented employees and provide alignment of interests between key employees and the Company's shareholders. A part of these performance share units are linked to the achievement of certain milestones relating to the Phase II project.

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8. Financial Performance (continued)

D. Other Expenses (continued)

G&A expenses were higher for the three and six-month periods ended September 30, 2022, compared to the same periods in 2021 due to costs associated with a higher headcount required to support the Company's growth. Higher G&A expenses for the six-month period ended September 30, 2022, are also attributable to a non-recurring severance expense. Sustainability and other community expenses in the three-month period ended September 30, 2022, were comparable and slightly lower for the six-month period ended September 30, 2022, mainly attributable to lower consultant expenses.

The increase in innovation and growth initiative expenses in the three and six-month periods ended September 30, 2022, compared to the same periods in 2021, is due to the advancement of the Company's strategics initiatives as detailed in section 5 — Green Steel Initiatives. Innovation and growth initiative expenses are mainly comprised of consultant fees and salaries and benefits.

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.

E. Net Finance Costs

Net finance costs increased to $10.8 million for the three-month period ended September 30, 2022, compared to $1.0 million for the same period in 2021. Net finance costs increased to $15.0 million for the six-month period ended September 30, 2022, compared to $5.4 million for the same period in 2021. A higher foreign exchange loss compared to the prior-year periods contributed to higher net finance costs for the three and six-month periods ended September 30, 2022. Additional interest on leasing arrangements as the Company has more equipment financed through lease liabilities compared to the same prior-year periods, including 450 railcars to support projected Phase II volume, also contributed to higher net finance costs for the three and six-month periods ended September 30, 2022.

During the three and six-month periods ended September 30, 2022, the foreign exchange loss amounted to $9.1 million and $10.5 million, respectively, compared to a gain of $1.9 million and a loss of $0.1 million, respectively, in the same periods in 2021. Net realized and unrealized foreign exchange loss is due to the revaluation of the Company's net monetary assets denominated in U.S. dollars, following an appreciation of the U.S. dollar against the Canadian dollar as at September 30, 2022, compared to June 30, 2022, and March 31, 2022. The appreciation of the U.S. dollar contributed to a foreign exchange loss on the Company's Revolving Facility and on the Phase II mining equipment and railcars financed through debt or lease liabilities, partially offset by a foreign exchange gain on its accounts receivable and cash and cash equivalents denominated in U.S. dollars.

F. Other Income (Expense)

During the three and six-month periods ended September 30, 2022, other income totalled $0.4 million and $1.0 million, respectively, and mainly represents the change in fair value of the Company's non-current investments. For the same periods in 2021, other income totalled $0.2 million and other expense totalled $4.1 million, and were mainly comprised of the non-cash unrealized change on derivative liabilities associated with forward foreign exchange contracts and changes in fair value on the Company's non-current investments.

G. Income Taxes

The Company and its subsidiaries are subject to tax in Australia and Canada. 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 mining profit, as defined by the *Mining Tax Act* (Québec), divided by revenues. Progressive tax rates are based on 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, 2022 (2021: 26.50%).

8. Financial Performance (continued)

G. Income Taxes (continued)

During the three and six-month periods ended September 30, 2022, current income and mining tax expenses totalled $8.4 million and $19.3 million, respectively, compared to $71.2 million and $231.9 million, respectively, for the same periods in 2021. The variation is mainly due to the change of taxable profit associated with the volatility of iron ore prices and to a 5% withholding tax in connection with the payment of dividends. During the six-month period ended September 30, 2022, Champion, which is incorporated under the laws of Australia, recorded a current tax expense on the dividend received from its Canadian subsidiary and had partially recognized a deferred tax liability on its investments in the subsidiary.

During the three and six-month periods ended September 30, 2022, deferred income and mining tax expenses totalled $17.6 million and $36.1 million, respectively, compared to $3.8 million and $10.1 million, respectively, for the same periods in 2021. The variation in deferred tax expenses is mainly due to temporary differences between the carrying amounts of property, plant and equipment and the tax basis.

The combined provincial and federal statutory tax and mining taxes was 38%. The Company's effective tax rates ("ETRs") were 57% and 48%, respectively, for the three and six-month periods ended September 30, 2022, compared to 40% and 42%, respectively, for the same periods in 2021. The ETR for the three and six-month periods ended September 30, 2022, was higher than the statutory rate due to the impact of an unrealized foreign exchange loss that was not recognized and a 5% withholding tax incurred by Champion on the dividend received from QIO. The ETR for the three and six-month periods ended September 30, 2021, was higher than the statutory tax rate mainly due to a higher mining profit margin, which resulted in a higher tax rate, as per the progressive mining tax rates schedule detailed previously.

During the six-month period ended September 30, 2022, the Company paid $117.7 million in income and mining tax installments and final payments. Since monthly tax installments are based on the previous 2022 financial year's taxable income, which was higher due to the iron ore concentrate price volatility during the six-month period ended September 30, 2022, current income and mining taxes of $19.3 million are below the $117.7 million paid in tax installments, resulting in income and mining taxes receivable of $75.7 million as at September 30, 2022 (March 31, 2022: income and mining taxes payable of $22.7 million).

H. Net Income & EBITDA[1]

Second Quarter of the 2023 Financial Year vs Second Quarter of the 2022 Financial Year

For the three-month period ended September 30, 2022, the Company generated net income of $19.5 million (EPS of $0.04), compared to $114.6 million (EPS of $0.23) for the same period in 2021. The net income was mainly affected by a lower P65 index average price during the period, as well as a higher cash cost[1], compared to the same prior-year period. The decrease in net income is partially offset by a higher sales volume driven by the solid ramp-up of Phase II and lower current income and mining taxes.

For the three-month period ended September 30, 2022, the Company generated EBITDA[1] of $84.3 million, representing an EBITDA margin[1] of 28%, compared to $200.0 million, representing an EBITDA margin[1] of 60%, for the same period in 2021. The decrease in EBITDA[1] period-over-period is primarily due to lower net average realized selling prices[1] and higher cash costs[1]. This decrease is partially offset by a higher sales volume driven by the solid ramp-up of Phase II.

First Six Months of the 2023 Financial Year vs First Six Months of the 2022 Financial Year

For the six-month period ended September 30, 2022, the Company generated net income of $61.1 million (EPS of $0.12), compared to $338.9 million (EPS of $0.67) for the same period in 2021. The decrease in net income is mainly due to lower iron ore index prices and higher cash costs, partially offset by a higher sales volume driven by the solid commissioning of Phase II and lower current income and mining taxes.

For the six-month period ended September 30, 2022, the Company generated an EBITDA[1] of $179.3 million, representing an EBITDA margin[1] of 31%, compared to $605.8 million, representing an EBITDA margin[1] of 69% for the same period in 2021. This decrease in EBITDA[1] is mainly attributable to the decrease in the net average realized selling price[1] and higher production costs, partially offset by a higher sales volume following the Phase II commissioning.

[1] This is a non-IFRS financial measure, ratio or other financial measure. The measure is not a standardized financial measure under the financial reporting framework used to prepare the Financial Statements and might not be comparable to similar financial measures used by other issuers. Refer to the section 20 - Non-IFRS and Other Financial Measures of this MD&A for definitions of these metrics and reconciliations to the most comparable IFRS measures when applicable.

(Expressed in Canadian dollars, except where otherwise indicated)

8. Financial Performance (continued)

I. All In Sustaining Cost ("AISC")[1] and Cash Operating Margin[1]

	Three Months Ended September 30,			Six Months Ended September 30,		
	2022	2021	Variance	**2022**	2021	Variance
(in dollars per dmt sold)						
Iron ore concentrate sold (dmt)	**2,793,400**	1,953,900	43 %	**4,807,300**	3,928,600	22 %
Net average realized selling price[1]	**107.6**	169.4	(36)%	**120.6**	223.1	(46)%
C1 cash cost[1]	**65.9**	56.2	17 %	**69.3**	58.2	19 %
Sustaining capital expenditures	**13.0**	13.5	(4)%	**13.1**	11.0	19 %
G&A expenses	**3.0**	3.9	(23)%	**4.4**	3.9	13 %
AISC[1]	**81.9**	73.6	11 %	**86.8**	73.1	19 %
Cash operating margin[1]	**25.7**	95.8	(73)%	**33.8**	150.0	(77)%

During the three-month period ended September 30, 2022, the Company realized an AISC[1] of $81.9/dmt, compared to $73.6/dmt for the same period in 2021. The increase relates to higher C1 cash costs[1], partially offset by the positive impact of higher volumes of iron ore concentrate sold.

The Company generated a cash operating margin[1] of $25.7/dmt for each tonne of high-grade iron ore concentrate sold during the three-month period ended September 30, 2022, compared to $95.8/dmt for the same prior-year period. The variation is mainly due to a lower net average realized selling price[1] and higher AISC[1] for the period.

During the six-month period ended September 30, 2022, the Company recorded an AISC[1] of $86.8/dmt, compared to $73.1/dmt for the same period in 2021. The variation is mainly due to higher C1 cash costs[1] and higher sustaining capital expenditures mainly related to higher investments made in tailings lifts. The Company is actively working to ensure everything is in place to support Phase II operations, including hiring additional personnel and incurring the necessary sustaining capital expenditures. Refer to section 10 - Cash flow for details on sustaining capital expenditures.

The cash operating margin[1] totalled $33.8/dmt for the six-month period ended September 30, 2022, compared to $150.0/dmt for the same period in 2021. The variation is mainly due to a lower net average realized selling price[1] and higher AISC[1].

1 This is a non-IFRS financial measure, ratio or other financial measure. The measure is not a standardized financial measure under the financial reporting framework used to prepare the Financial Statements and might not be comparable to similar financial measures used by other issuers. Refer to the section 20 - Non-IFRS and Other Financial Measures of this MD&A for definitions of these metrics and reconciliations to the most comparable IFRS measures when applicable.

9. Exploration Activities and Regional Growth

Kami Project

On April 1, 2021, the Company completed the acquisition of the Kami Project and certain related contracts. The Company is currently revising the Kami Project's scope with the aim of maximizing the project's value by incorporating the most recent mining technologies. Over the upcoming months, the Company will evaluate the amenability of the project to produce a DR grade product. The updated feasibility study is expected to be completed in the first half of calendar 2023, as part of the Company's strategy to evaluate its growth alternatives within its property portfolio.

Exploration and Evaluation Activities

During the three and six-month periods ended September 30, 2022, 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, 2022, $0.9 million and $3.1 million in exploration and evaluation expenditures were incurred, respectively, compared to $2.0 million and $2.7 million for the same periods in 2021. During the three and six-month periods ended September 30, 2022, exploration and evaluation expenditures mainly consisted of costs associated with resource development and drilling, work related to updating the Kami Project feasibility study and claim renewal fees. During the six-month period ended September 30, 2022, 4,430 metres of diamond drilling was completed on the Bloom Lake property. Drilling at Bloom Lake was undertaken mainly for the conversion of resources. Geological mapping and assessment were started on exploration claims localized south of Bloom Lake. In addition, late in September, the Company started a diamond drilling campaign at Lamêlée South.

Details on exploration projects and maps are available on the Company's website at www.championiron.com under the section Operations & Projects.

10. Cash Flows

The following table summarizes cash flow activities:

	Three Months Ended September 30,		**Six Months Ended September 30,**	
	2022	2021	**2022**	2021
(in thousands of dollars)				
Operating cash flows before working capital	**76,305**	128,646	**155,418**	377,094
Changes in non-cash operating working capital	**10,764**	245,495	**(100,596)**	(15,582)
Net cash flow from operating activities	**87,069**	374,141	**54,822**	361,512
Net cash flow used in investing activities	**(65,137)**	(168,867)	**(160,787)**	(332,655)
Net cash flow from (used in) financing activities	**86,846**	(109,045)	**43,759**	(144,051)
Net increase (decrease) in cash and cash equivalents	**108,778**	96,229	**(62,206)**	(115,194)
Effects of exchange rate changes on cash and cash equivalents	**12,156**	1,547	**17,172**	(2,789)
Cash and cash equivalents, beginning of period	**155,924**	393,557	**321,892**	609,316
Cash and cash equivalents, end of period	**276,858**	491,333	**276,858**	491,333
Operating cash flow per share[1]	**0.17**	0.74	**0.11**	0.71

Operating

During the three-month period ended September 30, 2022, the Company generated operating cash flows of $76.3 million before working capital items, compared to $128.6 million for the same period in 2021. The decrease is largely driven by a lower net average realized selling price[1] and higher cost of sales.

[1] This is a non-IFRS financial measure, ratio or other financial measure. The measure is not a standardized financial measure under the financial reporting framework used to prepare the Financial Statements and might not be comparable to similar financial measures used by other issuers. Refer to the section 20 - Non-IFRS and Other Financial Measures of this MD&A for definitions of these metrics and reconciliations to the most comparable IFRS measures when applicable.

10. Cash Flows (continued)

Operating (continued)

Changes in working capital items for the three-month period ended September 30, 2022, were mainly caused by lower iron ore index prices impacting trade receivables at quarter end. This was mainly offset by tax installments in excess of current income and mining taxes expense, as well as increases in prepaid expenses and advance payments to third-party service providers, and a reduction of accounts payable as work on the Phase II project is ramping down. The working capital build-up is in line with Management's expectations. Significant change in working capital items for the three-month period ended September 30, 2021, were affected by the timing of supplier payments mainly related to Phase II suppliers and customer receipts from iron concentrate sales, which were based on higher net average realized selling price[1]. Based on the foregoing, the operating cash flow per share[1] for the three-month period ended September 30, 2022, was $0.17, compared to $0.74 for the same period in 2021.

During the six-month period ended September 30, 2022, the Company's operating cash flows before working capital items totalled $155.4 million, compared to $377.1 million for the same period in 2021. The variation is driven by a lower net average realized selling price[1] and higher cash cost. Changes in working capital items during the six-month period ended September 30, 2022, were mainly affected by an excess of installment over current tax expense, the timing of advances for rail transportation services, as well as changes in stockpiled ore inventories to support Phase II ramp-up production and concentrate inventories attributable to the timing of sales compared to production volumes. This was partially offset by lower trade receivables driven by lower iron ore index prices. After working capital items, the operating cash flow per share[1] for the period totalled $0.11, compared to $0.71 for the same period in 2021.

Investing

i. Purchase of Property, Plant and Equipment

	Three Months Ended September 30,		Six Months Ended September 30,	
	2022	2021	**2022**	2021
(in thousands of dollars)				
Tailings lifts	**28,440**	14,174	**37,425**	20,512
Stripping and mining activities	**3,730**	8,684	**14,793**	17,218
Mining equipment rebuild	**4,011**	3,603	**10,908**	5,498
Sustaining capital expenditures	**36,181**	26,461	**63,126**	43,228
Other capital development expenditures at Bloom Lake	**42,403**	127,192	**138,072**	220,364
Purchase of property, plant and equipment as per cash flows	**78,584**	153,653	**201,198**	263,592

Sustaining Capital Expenditures

The increase in tailings-related investments for the three and six-month periods ended September 30, 2022, is due to the reclassification of preparation work performed on Phase II dikes from other capital development expenditures in the comparative periods to tailings lifts. In addition, during the three and six-month periods ended September 30, 2022, weather conditions were more favourable than in the same prior-year periods, enabling the Company to advance work performed on the dikes. As part of the Company's ongoing and thorough tailings infrastructure monitoring and inspections, the Company continues to invest in its safe tailings strategy and is developing a long-term tailings investment plan.

The decrease in stripping and mining activities during the three and six-month periods ended September 30, 2022, compared to the same periods in 2021, is in line with the mine plan, inclusive of Phase II operations. The variation in stripping activities is attributable to the revised stripping ratio used to capitalize some of the mining cost since the fourth quarter of the 2022 financial year. The new ratio considers the Company's mineral reserves as per the execution of the Phase II mine plan. Higher stripping and mining activities in the comparative periods were associated with the preparation for the Phase II project operations.

The increase in the Company's mining equipment maintenance program for the three and six-month periods ended September 30, 2022, is attributable to the addition of mining operating equipment and the high utilization rate for this equipment. Mining equipment rebuild expenditures were also negatively affected by global inflation during the three and six-month periods ended September 30, 2022.

10. Cash Flows (continued)

Investing (continued)

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

Other Capital Development Expenditures at Bloom Lake

During the three-month period ended September 30, 2022, other capital development expenditures at Bloom Lake totalled $42.4 million, compared to $127.2 million in the same period in 2021. During the three-month period ended September 30, 2022, the expenditures mainly consisted of $26.2 million in Phase II capital expenditures, $5.1 million in borrowing costs which were capitalized during the development of the Phase II project, and $4.5 million in deposits for production equipment to be commissioned and financed in the future through the finance agreement with Caterpillar Financial Services Limited ("CAT financing"). During the three-month period ended September 30, 2022, other capital development expenditures were offset by the receipt of a government grant totalling $5.2 million related to the Company's greenhouse gas emissions and energy consumption reduction initiatives, compared to $6.2 million in the same prior-year period. The Company qualified for total grants of up to $21.8 million.

During the six-month period ended September 30, 2022, other capital development expenditures at Bloom Lake totalled $138.1 million, compared to $220.4 million in the same prior-year period. During the six-month period ended September 30, 2022, the expenditures mainly consisted of $94.0 million in Phase II capital expenditures, $19.2 million in deposits for production equipment, and $9.6 million in borrowing costs. Other capital development expenditures were offset by the receipt of a government grant totalling $5.2 million as detailed above, compared to $6.2 million in the same period in 2021.

During the three and six-month periods ended September 30, 2021, the expenditures mainly comprised of Phase II capital expenditures, lodging infrastructure investments at the mine site required to accommodate an increasing workforce, prepayments for production equipment and increases in mill capacity and other infrastructure improvements.

ii. Other Investing Activities

During the three-month period ended September 30, 2022, the Company made advance payments totalling $16.5 million, compared to $14.1 million in the same prior-year period for infrastructure upgrades required to accommodate the anticipated increase in Phase II production volumes and for Phase II rail access. These advance payments were part of the construction budget and the decreases, compared to the same prior-year periods, are attributable to the project nearing completion. During the six-month period ended September 30, 2022, advance payments totalled $30.0 million, compared to $54.4 million in the same period in 2021.

During the three-month period ended September 30, 2022, $30.8 million in short-term investments were released in connection with the refinancing of the Credit Facility. During the six-month period ended September 30, 2022, the restricted account of $43.7 million (US$35.0 million) for potential Phase II project cost overruns was released, concurrent with the refinancing of the Phase II Credit Facility as well as $30.8 million in short-term investments. During the six-month period ended September 30, 2021, the Company completed the acquisition of the Kami Project and certain related contracts. The consideration included a cash payment of $15.0 million, in addition to $0.4 million in transaction costs. During the six-month period ended September 30, 2021, the Company also partially disposed some of its marketable securities investment for proceeds of $9.5 million, which was partially offset by the acquisition of the common shares of a private entity in connection with its innovation and growth initiative activities related to cold pelletizing totalling $1.2 million.

Financing

During the three-month period ended September 30, 2022, the Company drew down $90.5 million with $77.6 million drawn from the Revolver Facility to cover Phase II investment, compared to $20.0 million in drawdowns for the same prior-year period related to the Investissement Québec loan ("IQ Loan") to support port infrastructure investment. During the three-month period ended September 30, 2022, the Company also repaid $2.9 million towards the CAT Financing. During the three-month period ended September 30, 2021, the Company's subsidiary, QIO, redeemed 125.0 million of its preferred shares held by Caisse de dépôt et placement du Québec, at par value, for a consideration of $125.0 million and paid accumulated dividends on QIO's preferred shares of $2.2 million.

During the six-month period ended September 30, 2022, the Company drew down $110.4 million from the Revolver Facility and the CAT Financing in connection with the funding of Phase II investment and mining equipment, compared to $50.0 million in drawdowns in the same prior-year period. During the six-month period ended September 30, 2022, the Company also repaid $4.6 million towards the CAT Financing and $6.0 million towards the IQ Loan. In addition, during the six-month period ended September 30, 2022, the Company paid a dividend to its shareholders totalling $51.7 million in connection with the annual financial results. During the six-month period ended September 30, 2021, the Company's subsidiary, QIO, redeemed 185.0 million of its preferred shares, at par value, for a consideration of $185.0 million, and paid accumulated dividends on QIO's preferred shares of $6.5 million.

11. Financial Position

As at September 30, 2022, the Company held $277.4 million in cash and cash equivalents and short-term investments. 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 operating activities and the following undrawn available financings:

	As at September 30, 2022
(in thousands of dollars)	
Revolving Facility	**219,312**
Caterpillar Financial Services Limited	**34,690**
Fonds de Solidarité des Travailleurs du Québec loan ("FTQ Loan")	**45,000**
IQ Loan	**10,000**
Total available and undrawn loans	**309,002**

Following the announcement of the commissioning of Phase II, on May 24, 2022, QIO completed the refinancing of the US$400.0 million Credit Facility with a US$400.0 million general purpose Revolving Facility. Refer to note 9 of the Financial Statements for additional details.

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

- Sustaining and other capital expenditures;
- Mine operating costs and related cost supporting the ramp-up of the Phase II expansion project towards commercial production;
- Payment of mining and income taxes;
- Semi and final annual dividends payment to shareholders, if declared; and
- Capital repayments related to lease liabilities.

The following table details the changes to the statements of financial position as at September 30, 2022, compared to March 31, 2022:

	As at September 30, 2022	As at March 31, 2022	Variance
(in thousands of dollars)			
Cash and cash equivalents	**276,858**	321,892	(14%)
Short-term investments	**562**	30,777	(98%)
Receivables	**75,834**	124,137	(39%)
Inventories	**130,837**	98,861	32%
Other current assets	**126,556**	20,272	524%
Total current assets	**610,647**	595,939	2%
Restricted cash	**—**	43,736	(100%)
Property, plant and equipment	**1,231,042**	1,070,030	15%
Exploration and evaluation assets	**110,862**	107,810	3%
Other non-current assets	**203,772**	171,715	19%
Total assets	**2,156,323**	1,989,230	8%
Total current liabilities	**213,196**	286,890	(26%)
Long-term debt	**443,820**	251,365	77%
Rehabilitation obligation	**78,232**	86,021	(9%)
Deferred tax liabilities	**161,074**	124,992	29%
Other non-current liabilities	**86,155**	78,264	10%
Total liabilities	**982,477**	827,532	19%
Equity attributable to Champion shareholders	**1,173,846**	1,161,698	1%
Total equity	**1,173,846**	1,161,698	1%
Total liabilities and equity	**2,156,323**	1,989,230	8%

11. Financial Position (continued)

The Company's cash and cash equivalents balance on September 30, 2022, decreased from the amount held on March 31, 2022, as detailed in the above section.

Lower receivables were mainly impacted by the lower iron ore index prices. Higher inventories were mainly attributable to the increase in supplies and spare parts to maintain a growing mobile fleet and machinery, as well as stockpiled ore inventories to support Phase II ramp-up production and concentrate inventories attributable to the timing of sales compared to production volumes.

Higher other current assets are mainly attributable to the income and mining taxes receivable of $75.7 million, compared to the income and mining taxes payable of $22.7 million as at March 31, 2022, and higher prepaid expenses mainly attributable to the timing of payments for rail transportation services.

The increase in property, plant and equipment is mainly attributable to the Phase II expansion project, higher level of investment in tailings lifts, the receipt of additional railcars required for projected Phase II and additional mining and processing equipment. Other non-current assets increased, mainly reflecting the advance payments made to third-party service providers in connection with capital maintenance expenditures.

Lower total current liabilities are mainly due to the refinancing in May 2022 of the Senior Debt and income and mining taxes installments paid in excess of the current taxable income.

The increase in long-term debt during the six-month period ended September 30, 2022, is mainly due to the drawdown of $77.6 million (US$60.0 million) from the Revolving Facility to support Phase II investments of the first half of the year and the refinancing of the Senior Debt in May 2022 together with the related transaction costs being classified under other non-current assets. The increase for the six-month period ended September 30, 2022, is also attributable to a non-cash foreign exchange loss due to the significant appreciation of the U.S. dollar as at September 30, 2022, compared to March 31, 2022, and to the net drawdown on the CAT Financing.

The variation in the rehabilitation obligation is mainly attributable to the change in the discount rate used, reflecting the significant increase in interest rates, when compared to March 31, 2022. The variation in deferred taxes liabilities is mainly attributable to temporary differences between the carrying amounts of property, plant and equipment and the tax basis. The increase in other non-current liabilities is mainly due to additional lease liabilities for the six-month period ended September 30, 2022, following the receipt of the remaining railcars required for Phase II volumes and additional leased equipment.

The change in total equity is mainly attributable to net income during the six-month period ended September 30, 2022, and the dividend payment on ordinary shares.

12. Financial Instruments

The nature and extent of risks arising from the Company's financial instruments are summarized in note 26 of the audited annual financial statements for the year ended March 31, 2022.

13. 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.

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

Contractual Obligations and Commitments

The following are the contractual maturities of the Company's liabilities segmented by period, with estimated future interest payments and the future minimum payments of the commitments, as at September 30, 2022:

(in thousands of dollars)	Less than a Year	1 to 5 Years	More than 5 Years	Total
Accounts payable and other (excluding current portion of lease liabilities and cash-settled share-based payment liability)	**186,077**	**—**	**—**	**186,077**
Long-term debt, including capital and future interest payment	**45,115**	**468,064**	**63,768**	**576,947**
Lease liabilities, including future interest	**7,983**	**24,105**	**83,162**	**115,250**
Cash-settled share-based payment liability	**3,738**	**3,852**	**—**	**7,590**
Commitments as per note 19 of the Financial Statements	**155,157**	**98,072**	**194,185**	**447,414**
	398,070	**594,093**	**341,115**	**1,333,278**

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

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

- A gross sales royalty to Altius Resources Inc. 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 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 Revolving Facility and FTQ loans totalled $219.3 million (US$160.0 million) and $45.0 million, respectively, as at September 30, 2022. Both are subject to standby commitment fees.

As at September 30, 2022, the undrawn portion of the finance agreement with Caterpillar Financial Services amounted to $34.7 million (US$25.3 million) and may be increased by an additional US$50.0 million at Caterpillar Financial Services' discretion. The finance agreement is also subject to standby commitment fees.

The undrawn portion of the IQ Loan amounted to $10.0 million as at September 30, 2022.

Based on the foregoing, as at September 30, 2022, the Company is benefiting from available and undrawn loans totalling $309.0 million, which will allow the Company to fund all its cash requirements for the next 12 months.

15. 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, 2022.

16. 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, 2022.

17. New Accounting Standards Issued but not in Effect

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, 2022.

18. 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 28 to the Company's audited annual financial statements for the year ended March 31, 2022. In connection with related party transactions, no significant changes occurred in the three and six-month periods ended September 30, 2022.

19. 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, 2022, 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, 2022.

The Company's financial year ends on March 31. All financial data is stated in millions of dollars except for earnings per share and adjusted EPS[1].

	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021
Financial Data ($ millions)								
Revenues	300.6	279.3	331.4	253.0	331.0	545.4	396.7	329.5
Operating income	55.9	74.5	173.7	109.2	190.4	400.0	262.5	203.3
EBITDA[1]	84.3	94.9	197.9	122.1	200.0	405.7	275.8	214.6
Net income	19.5	41.6	115.7	68.0	114.6	224.3	155.9	120.8
Adjusted net income[1]	29.3	54.1	121.3	73.0	118.3	225.1	155.5	123.4
EPS - basic	0.04	0.08	0.23	0.13	0.23	0.44	0.32	0.25
EPS - diluted	0.04	0.08	0.22	0.13	0.22	0.43	0.30	0.24
Adjusted EPS - basic[1]	0.06	0.10	0.24	0.14	0.23	0.44	0.31	0.26
Net cash flow (used in) from operations	87.1	(32.2)	4.3	104.6	374.1	(12.6)	228.6	189.1
Operating Data								
Waste mined and hauled (thousands of wmt)	4,573	5,606	5,072	5,442	5,300	4,700	3,796	4,958
Ore mined and hauled (thousands of wmt)	8,215	6,193	5,388	5,517	5,714	5,644	5,636	5,183
Strip ratio	0.56	0.91	0.94	0.99	0.93	0.83	0.67	0.96
Ore milled (thousands of wmt)	8,103	6,022	4,904	5,161	5,680	5,227	5,238	5,194
Head grade Fe (%)	29.5	31.0	30.3	30.6	29.1	29.6	30.7	29.7
Fe recovery (%)	78.6	80.2	82.7	83.9	83.3	82.9	82.6	83.6
Product Fe (%)	66.1	66.1	66.2	66.2	66.3	66.3	66.5	66.4
Iron ore concentrate produced (thousands of wmt)	2,857	2,283	1,869	2,013	2,089	1,936	2,011	1,922
Iron ore concentrate sold (thousands of dmt)	2,793	2,014	1,890	1,832	1,954	1,975	1,971	1,891
Statistics (in dollars per dmt sold)								
Gross average realized selling price[1]	157.0	190.4	207.1	195.0	218.8	279.7	220.0	194.8
Net average realized selling price[1]	107.6	138.7	175.3	138.1	169.4	276.2	201.3	174.2
C1 cash cost[1]	65.9	74.0	60.0	59.5	56.2	60.1	54.4	56.2
All-in sustaining cost ("AISC")[1]	81.9	93.5	70.5	76.0	73.6	72.6	65.1	64.8
Cash operating margin[1]	25.7	45.2	104.8	62.1	95.8	203.6	136.2	109.4
Statistics (in U.S. dollars per dmt sold)[2]								
Gross average realized selling price[1]	120.6	149.6	164.1	154.8	174.6	228.3	173.9	150.3
Net average realized selling price[1]	83.2	108.8	139.1	109.5	134.7	225.5	159.3	134.5
C1 cash cost[1]	50.5	58.0	47.4	47.2	44.6	48.9	43.0	43.1
All-in sustaining cost ("AISC")[1]	62.7	73.2	55.7	60.3	58.4	59.1	51.4	49.7
Cash operating margin[1]	20.5	35.6	83.4	49.2	76.3	166.4	107.9	84.6

1 This is a non-IFRS financial measure, ratio or other financial measure. The measure is not a standardized financial measure under the financial reporting framework used to prepare the Financial Statements and might not be comparable to similar financial measures used by other issuers. Refer to the section 20 - Non-IFRS and Other Financial Measures of this MD&A for definitions of these metrics and reconciliations to the most comparable IFRS measures when applicable.

2 See the Currency section of this MD&A included in section 6 - Key Drivers.

20. Non-IFRS and Other Financial Measures

The Company has included certain non-IFRS financial measures, ratios and supplementary financial measures in this MD&A, as listed in the table below, to provide investors with additional information in order to help them evaluate the underlying performance of the Company. These measures are mainly derived from the Financial Statements but do not have any standardized meaning prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other companies. Management believes that these measures, in addition to conventional measures prepared in accordance with IFRS, provide investors with an improved ability to understand the results of the Company's operations. Non-IFRS and other financial measures should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The exclusion of certain items from non-IFRS financial measures does not imply that these items are necessarily non-recurring.

Non-IFRS and Other Financial Measures	
Non-IFRS Financial Measures	
EBITDA	Earnings before income and mining taxes, net finance costs and depreciation
Adjusted net income	Net income plus incremental costs related to COVID-19 and Bloom Lake Phase II start-up costs, less gain on disposal of non-current investments, and the related tax effect of these items
Available liquidity	Cash and cash equivalents plus short-term investments plus undrawn amounts under credit facilities
Non-IFRS Ratios	
EBITDA margin	EBITDA as a percentage of revenues
Adjusted EPS	Adjusted net income per basic weighted average number of ordinary shares outstanding
C1 cash cost per dmt sold	Cost of sales before incremental costs related to COVID-19 and Bloom Lake Phase II start-up costs divided by iron ore concentrate sold in dmt
AISC per dmt sold	C1 cash cost plus sustaining capital expenditures and G&A expenses divided by iron ore concentrate sold in dmt
Cash operating margin	Net average realized selling price less AISC
Gross average realized selling price or gross average realized FOB selling price per dmt sold	Revenues before provisional pricing adjustments and freight and other costs divided by iron ore concentrate sold in dmt
Cash profit margin	Cash operating margin as a percentage of net average realized selling price
Other Financial Measures	
Net average realized selling price or net average realized FOB selling price per dmt sold	Revenues divided by iron ore concentrate sold in dmt
Operating cash flow per share	Net cash flow from (used in) operating activities per basic weighted average number of ordinary shares outstanding

20. Non-IFRS and Other Financial Measures (continued)

EBITDA and EBITDA Margin

EBITDA is a non-IFRS financial measure that allows comparability of operating results from one period to another by excluding the effects of items that are usually associated with investing and financing activities. EBITDA is not necessarily indicative of operating profit or cash flows from operating activities as determined under IFRS. For simplicity and comparative purposes, the Company did not exclude non-cash share-based payments, Bloom Lake Phase II start-up costs, COVID-19-related expenditures and other income or expenses.

EBITDA margin is used for the purpose of evaluating business performance. Management believes this financial ratio is relevant to investors to assess the Company's ability to generate liquidity by producing operating cash flows to fund working capital needs and capital expenditures, and service debt obligations.

EBITDA and EBITDA margin do not have any standardized meaning prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other companies.

				Three Months Ended	**Six Months Ended**
	December 31,	March 31,	June 30,	**September 30,**	**September 30,**
	2021	2022	2022	**2022**	**2022**
(in thousands of dollars)					
Income before income and mining taxes	108,574	181,312	70,948	**45,511**	**116,459**
Net finance costs	3,377	2,269	4,190	**10,765**	**14,955**
Depreciation	10,176	14,357	19,792	**28,055**	**47,847**
EBITDA	122,127	197,938	94,930	**84,331**	**179,261**
Revenues	253,016	331,376	279,321	**300,621**	**579,942**
EBITDA margin	48%	60%	34%	**28%**	**31%**

				Three Months Ended	Six Months Ended
	December 31,	March 31,	June 30,	September 30,	September 30,
	2020	2021	2021	2021	2021
(in thousands of dollars)					
Income before income and mining taxes	194,652	261,047	391,393	189,564	580,957
Net finance costs	11,323	5,430	4,387	1,012	5,399
Depreciation	8,604	9,287	9,959	9,437	19,396
EBITDA	214,579	275,764	405,739	200,013	605,752
Revenues	329,545	396,702	545,408	331,006	876,414
EBITDA margin	65%	70%	74%	60%	69%

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. Management believes that these financial measures provide users with an enhanced understanding of the Company's results by excluding certain items that do not reflect the core performance of the Company. By excluding these items, Management believes it provides a better comparability of the Company's results from one period to another and with other mining entities. These financial measures do not have any standardized meaning prescribed by IFRS and, therefore, may not be comparable to similar measures and ratios presented by other companies.

In line with the Government of Québec's directives, the Company implemented several measures in its efforts to mitigate risks related to the COVID-19 pandemic. Incremental costs related to COVID-19 are mainly comprised of on-site COVID-19 testing and laboratory costs, incremental costs for cleaning and disinfecting facilities, premium payroll costs from adjusted work schedules and additional transportation costs. These costs do not include the inefficiency costs associated with the COVID-19 pandemic across all areas of the Company's operations. Pre-commercial start-up costs for the Phase II project mainly related to staff mobilization and training costs, and since the commissioning of Phase II, it also included abnormal operational costs attributable to the facility not having reached the normalized level of output. Phase II start-up costs were presented in other expenses in the consolidated statements of income before the commissioning and thereafter in the cost of sales. Management believes these items have a disproportionate impact on the results for the periods.

20. Non-IFRS and Other Financial Measures (continued)

Adjusted Net Income and Adjusted EPS (continued)

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 and ratios used by mining industry analysts.

				Three Months Ended	**Six Months Ended**
	December 31,	March 31,	June 30,	**September 30**	**September 30**
	2021	2022	2022	**2022**	**2022**
(in thousands of dollars except per share)					
Net income	67,997	115,653	41,554	**19,530**	**61,084**
Cash items					
Incremental costs related to COVID-19	1,366	3,310	840	**305**	**1,145**
Bloom Lake Phase II start-up costs	7,174	5,965	19,476	**15,391**	**34,867**
	8,540	9,275	20,316	**15,696**	**36,012**
Tax effect of adjustments listed above[1]	(3,501)	(3,617)	(7,720)	**(5,964)**	**(13,684)**
Adjusted net income	73,036	121,311	54,150	**29,262**	**83,412**
Weighted average number of ordinary shares outstanding - Basic	506,492,000	511,237,000	516,691,000	**517,104,000**	**516,899,000**
Adjusted EPS	0.14	0.24	0.10	**0.06**	**0.16**

				Three Months Ended	Six Months Ended
	December 31,	March 31,	June 30,	September 30,	September 30,
	2020	2021	2021	2021	2021
(in thousands of dollars except per share)					
Net income	120,771	155,934	224,339	114,596	338,935
Non-cash item					
Loss on debt refinancing	1,863	—	—	—	—
	1,863	—	—	—	—
Cash items					
Loss (gain) on disposal of non-current investments	—	(2,332)	(408)	232	(176)
Incremental costs related to COVID-19	2,215	3,162	2,068	1,099	3,167
Bloom Lake Phase II start-up costs	—	—	—	4,613	4,613
	2,215	830	1,660	5,944	7,604
Tax effect of adjustments listed above[1]	(1,430)	(1,265)	(889)	(2,228)	(3,118)
Adjusted net income	123,419	155,499	225,110	118,312	343,421
Weighted average number of ordinary shares outstanding - Basic	476,066,000	494,403,000	506,271,000	506,429,000	506,351,000
Adjusted EPS	0.26	0.31	0.44	0.23	0.68

[1] The tax effect of adjustments is calculated using the applicable tax rate.

20. Non-IFRS and Other Financial Measures (continued)

Available Liquidity

Available liquidity is a new non-IFRS measure used by Management to prudently monitor its cash. Available liquidity is comprised of cash and cash equivalents, short-term deposits that mature within twelve months and undrawn amounts under available credit facilities. The Company uses available liquidity to measure the liquidity required to satisfy its lenders, fund capital expenditures and support operations. This measure does not have any standardized meaning prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other companies.

	As at September 30, 2022	As at June 30 2022
Cash and cash equivalents	**276,858**	155,924
Short-term investments	**562**	31,161
Undrawn amounts under credit facilities	**309,002**	383,941
Available liquidity	**586,422**	571,026

C1 Cash Cost

C1 cash cost, is a common financial performance measure in the iron ore mining industry. Champion reports C1 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. This measure does not have any standardized meaning prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other companies.

The cost of sales includes production costs such as mining, processing and mine site-related G&A expenses as well as rail and port operating costs, and is adjusted to exclude incremental costs related to COVID-19 and Bloom Lake Phase II start-up costs presented in cost of sales since the Phase II commissioning in April 2022. Depreciation expense is not a component of C1 cash cost.

				Three Months Ended	**Six Months Ended**
	December 31,	March 31,	June 30,	**September 30,**	**September 30,**
	2021	2022	2022	**2022**	**2022**
Per tonne sold					
Iron ore concentrate sold (dmt)	1,832,100	1,889,900	2,013,900	**2,793,400**	**4,807,300**
(in thousands of dollars except per tonne)					
Cost of sales	110,290	116,658	169,407	**199,841**	**369,248**
Less: Incremental costs related to COVID-19	(1,366)	(3,310)	(840)	**(305)**	**(1,145)**
Less: Bloom Lake Phase II start-up costs	—	—	(19,476)	**(15,391)**	**(34,867)**
	108,924	113,348	149,091	**184,145**	**333,236**
C1 cash cost (per dmt sold)	59.5	60.0	74.0	**65.9**	**69.3**

				Three Months Ended	Six Months Ended
	December 31,	March 31,	June 30,	September 30,	September 30,
	2020	2021	2021	2021	2021
Per tonne sold					
Iron ore concentrate sold (dmt)	1,891,200	1,971,100	1,974,700	1,953,900	3,928,600
(in thousands of dollars except per tonne)					
Cost of sales	108,506	110,299	120,846	110,884	231,730
Less: Incremental costs related to COVID-19	(2,215)	(3,162)	(2,068)	(1,099)	(3,167)
	106,291	107,137	118,778	109,785	228,563
C1 cash cost (per dmt sold)	56.2	54.4	60.1	56.2	58.2

20. Non-IFRS and Other Financial Measures (continued)

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. 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 innovation and growth initiative expenses, start-up costs and exploration expenses that are not sustainable in nature, income and mining tax expenses, working capital, defined as current assets less current liabilities, interest costs, or other income or expenses. This measure does not have any standardized meaning prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other companies.

The Company calculates AISC as the sum of C1 cash costs, sustaining capital, including deferred stripping costs and G&A expenses divided by the iron ore concentrate sold to arrive at a per dmt figure. The AISC excludes the incremental costs related to COVID-19 and the Bloom Lake Phase II start-up costs that are included in the cost of sales. 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.

				Three Months Ended	**Six Months Ended**
	December 31,	March 31,	June 30,	**September 30,**	**September 30,**
	2021	2022	2022	**2022**	**2022**
Per tonne sold					
Iron ore concentrate sold (dmt)	1,832,100	1,889,900	2,013,900	**2,793,400**	**4,807,300**
(in thousands of dollars except per tonne)					
Cost of sales	110,290	116,658	169,407	**199,841**	**369,248**
Less: Incremental costs related to COVID-19	(1,366)	(3,310)	(840)	**(305)**	**(1,145)**
Less: Bloom Lake Phase II start-up costs	—	—	(19,476)	**(15,391)**	**(34,867)**
Sustaining capital expenditures[1]	21,985	11,743	26,945	**36,181**	**63,126**
G&A expenses	8,323	8,094	12,272	**8,564**	**20,836**
	139,232	133,185	188,308	**228,890**	**417,198**
AISC (per dmt sold)	76.0	70.5	93.5	**81.9**	**86.8**

				Three Months Ended	Six Months Ended
	December 31,	March 31,	June 30,	September 30,	September 30,
	2020	2021	2021	2021	2021
Per tonne sold					
Iron ore concentrate sold (dmt)	1,891,200	1,971,100	1,974,700	1,953,900	3,928,600
(in thousands of dollars except per tonne)					
Cost of sales	108,506	110,299	120,846	110,884	231,730
Less: Incremental costs related to COVID-19	(2,215)	(3,162)	(2,068)	(1,099)	(3,167)
Sustaining capital expenditures[1]	11,442	13,193	16,767	26,461	43,228
G&A expenses	4,810	7,905	7,804	7,548	15,352
	122,543	128,235	143,349	143,794	287,143
AISC (per dmt sold)	64.8	65.1	72.6	73.6	73.1

[1] Purchase of property, plant and equipment as per the consolidated statements of cash flows are classified into sustaining capital expenditures and other capital development expenditures at Bloom Lake. Sustaining capital expenditures are defined as capital expenditures to sustain or maintain the existing assets to achieve operations as per the mine plan, from which future economic benefits will be derived. Refer to section 10 — Cash flows of this MD&A.

20. Non-IFRS and Other Financial Measures (continued)

Cash Operating Margin and Cash Profit Margin

Cash operating margin per dmt sold is used by Management to better understand the iron ore concentrate margin realized throughout a period. 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. These measures do not have any standardized meaning prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other companies.

				Three Months Ended	**Six Months Ended**
	December 31,	March 31,	June 30,	**September 30,**	**September 30,**
	2021	2022	2022	**2022**	**2022**
Per tonne sold					
Iron ore concentrate sold (dmt)	1,832,100	1,889,900	2,013,900	**2,793,400**	**4,807,300**
(in thousands of dollars except per tonne)					
Revenues	253,016	331,376	279,321	**300,621**	**579,942**
Net average realized selling price (per dmt sold)	138.1	175.3	138.7	**107.6**	**120.6**
AISC (per dmt sold)	76.0	70.5	93.5	**81.9**	**86.8**
Cash operating margin (per dmt sold)	62.1	104.8	45.2	**25.7**	**33.8**
Cash profit margin	45%	60%	33%	**24%**	**28%**

				Three Months Ended	Six Months Ended
	December 31,	March 31,	June 30,	September 30,	September 30,
	2020	2021	2021	2021	2021
Per tonne sold					
Iron ore concentrate sold (dmt)	1,891,200	1,971,100	1,974,700	1,953,900	3,928,600
(in thousands of dollars except per tonne)					
Revenues	329,545	396,702	545,408	331,006	876,414
Net average realized selling price (per dmt sold)	174.2	201.3	276.2	169.4	223.1
AISC (per dmt sold)	64.8	65.1	72.6	73.6	73.1
Cash operating margin (per dmt sold)	109.4	136.2	203.6	95.8	150.0
Cash profit margin	63%	68%	74%	57%	67%

20. Non-IFRS and Other Financial Measures (continued)

Gross Average Realized Selling Price per dmt Sold

Gross average realized selling price is used by Management to better understand the iron ore concentrate price throughout a period. The measure excludes the provisional pricing adjustments on sales contracts structured on a provisional pricing basis and freight and other costs, which enable Management to track the level of its iron ore concentrate price compared to the average P65 index used in the market.

Provisional pricing adjustments represent any difference between the revenue recognized at the end of the previous period and the final settlement price. Excluding this element presents a better understanding of the iron ore price realized on vessels sold during the period. This measure does not have any standardized meaning prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other companies.

				Three Months Ended	**Six Months Ended**
	December 31,	March 31,	June 30,	**September 30,**	**September 30,**
	2021	2022	2022	**2022**	**2022**
Per tonne sold					
Iron ore concentrate sold (dmt)	1,832,100	1,889,900	2,013,900	**2,793,400**	**4,807,300**
(in thousands of dollars except per tonne)					
Revenues	253,016	331,376	279,321	**300,621**	**579,942**
Provisional pricing adjustments	7,466	(28,769)	15,668	**20,931**	**36,599**
Freight and other costs	96,849	88,757	88,361	**117,131**	**205,492**
Gross revenues	357,331	391,364	383,350	**438,683**	**822,033**
Gross average realized selling price (per dmt sold)	195.0	207.1	190.4	**157.0**	**171.0**

				Three Months Ended	Six Months Ended
	December 31,	March 31,	June 30,	September 30,	September 30,
	2020	2021	2021	2021	2021
Per tonne sold					
Iron ore concentrate sold (dmt)	1,891,200	1,971,100	1,974,700	1,953,900	3,928,600
(in thousands of dollars except per tonne)					
Revenues	329,545	396,702	545,408	331,006	876,414
Provisional pricing adjustments	(15,376)	(20,449)	(60,895)	11,229	(49,666)
Freight and other costs	54,331	57,456	67,807	85,219	153,026
Gross revenues	368,500	433,709	552,320	427,454	979,774
Gross average realized selling price (per dmt sold)	194.8	220.0	279.7	218.8	249.4

21. Share Capital Information

The Company's share capital consists of ordinary shares without par value. As of October 26, 2022, there are 517,193,126 ordinary shares issued and outstanding. In addition, there are 5,609,341 ordinary shares issuable pursuant to options, restricted share units, deferred share units and performance share units, and 15,000,000 ordinary shares issuable pursuant to warrants.

22. 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.

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 2022 Annual Information Form and the MD&A for the financial year ended March 31, 2022, 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, and for 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.

23. Disclosure Controls and Procedures and Internal Controls over Financial Reporting

Disclosure Controls and Procedures

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") of the Company have designed, or caused to be designed under their supervision, disclosure controls and procedures ("DC&P") to provide reasonable assurance that:

i) material information relating to the Company is made known to Management by others, particularly during the period in which the annual filings are being prepared; and

ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by the Company under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

Internal Control over Financial Reporting

The CEO and CFO are also responsible for establishing and maintaining adequate internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

There have been no changes in the Company's ICFR that occurred during the period beginning on July 1, 2022, and ended on September 30, 2022, which have materially affected or are reasonably likely to materially affect the Company's ICFR.

Limitations of DC&P and ICFR

All internal control systems have inherent limitations and may become ineffective because of changes in conditions. Therefore, even those systems that are determined to be effective can provide only reasonable assurance with respect to the financial statements preparation and presentation.

24. Approval

The Board oversees Management’s responsibility for financial reporting and internal control systems through its Audit Committee. The Audit Committee meets quarterly with Management and quarterly with the Company’s independent auditors to review the scope and results of the annual audit and quarterly reviews, respectively, and to review the financial statements and related financial reporting and internal control matters before the financial statements are approved by the Board and submitted to the shareholders. The Board has approved the Financial Statements and the disclosure contained in this MD&A as of October 27, 2022. A copy of this MD&A will be provided to anyone who requests it.

25. 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.

26. 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.