Management's Discussion and Analysis

For the Three-Month Period Ended June 30, 2023

CHAMPION IRON

TSX: CIA - ASX: CIA

As at July 28, 2023

The following Champion Iron Limited ("Champion" or the "Company") Management's Discussion and Analysis ("MD&A") has been prepared as of July 28, 2023. This MD&A is intended to supplement the condensed interim consolidated financial statements for the three-month period ended June 30, 2023, 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 financial year ended March 31, 2023. The Financial Statements and other information pertaining to the Company are available on SEDAR+ at www.sedarplus.ca, 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), C$ (Canadian dollar), Board (Board of Directors), 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), G&A (general and administrative), 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 the 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 2023 Annual Information Form and the MD&A for the financial year ended March 31, 2023, 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 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 substitutes 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, cost of sales per dmt sold, C1 cash cost or total cash cost per dmt sold, AISC per dmt sold, cash operating margin, cash profit margin, gross average realized 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 measure 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, among other things, Management's expectations regarding:

(i) the Company's Phase II expansion project, its expected achievement of nameplate capacity, throughput, recovery rates, economic and other benefits, impact on nameplate capacity, milestones and associated costs;

(ii) the project to upgrade the Bloom Lake iron ore concentrate to a higher grade with lower contaminants and to convert approximately half of Bloom Lake's increased nameplate capacity of 15 Mtpa to commercially produce a Direct Reduction quality pellet feed iron ore, expected project timeline, economics, capital expenditure, budget and financing, production metrics, technical parameters, permitting and approvals, efficiencies and economic and other benefits;

(iii) the study evaluating the re-commissioning of the Pointe-Noire Iron Ore Pelletizing Facility to produce Direct Reduction grade pellets and its anticipated completion timeline;

(iv) the Kami Project's feasibility study, its purpose, including evaluating the potential to produce a Direct Reduction grade product, and anticipated completion timeline;

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

(vi) the shift in steel industry production methods towards reducing emissions and green steel production methods, including expected rising demand for higher-grade iron ore products and related market deficit and higher premiums, and the Company's participation therein, contribution thereto and positioning in connection therewith, including the transition of the Company's product offering and expected benefits thereof;

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

(viii) greenhouse gas and CO_2 emissions reduction initiatives, objectives, targets and expectations;

(ix) collaboration between First Nations and Champion;

(x) increasing stripping ratio and recovering accumulated waste backlog;

(xi) optimization work programs and their expected results and impact on production;

(xii) commissioning of recently delivered locomotives and other equipment and its expected impact on production and the Company's shipping capacity and other benefits;

(xiii) shipping and sales of accumulated concentrate inventories and related rehandling costs and their impact on cost of sales;

(xiv) return of the railway to normal capacity following damage caused by forest fires;

(xv) expected lower fuel prices;

(xvi) the Company's mining equipment rebuild program and related investments;

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

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

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

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

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

(xxii) production and recovery rate targets and the Company's performance;

(xxiii) pricing of the Company's products;

(xxiv) the Company's tax position; and

(xxv) the Company's growth and opportunities generally.

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, 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 2023 Annual Report and Annual Information Form for the financial year ended March 31, 2023, all of which are available on SEDAR+ at www.sedarplus.ca, 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 these forward-looking 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 the 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, through its wholly-owned 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 two concentrators 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. In January 2023, the Company announced the positive findings of a study evaluating upgrading half of the Bloom Lake mine capacity to a direct reduction quality pellet feed iron ore and approved an initial budget to advance the project. Bloom Lake's high-grade and low contaminant iron ore products have attracted a premium to the Platts IODEX 62% Fe iron ore benchmark. The Company ships iron ore concentrate from Bloom Lake by rail, to a ship loading port in Sept-Îles, Québec, and has sold its iron ore concentrate to customers globally, including in China, Japan, the Middle East, Europe, South Korea, India and Canada. In addition to Bloom Lake, Champion owns a portfolio of exploration and development projects in the Labrador Trough, including the Kamistiatusset Project, located a few kilometres south-east of Bloom Lake, and the Consolidated Fire Lake North iron ore project, located approximately 40 km south of Bloom Lake.

2. Financial and Operating Highlights

	Three Months Ended June 30,		
	2023	2022	Variance
Iron ore concentrate produced (wmt)	**3,397,200**	2,282,600	49%
Iron ore concentrate sold (dmt)	**2,563,500**	2,013,900	27%
Financial Data (in thousands of dollars, except per share amounts)			
Revenues	**297,162**	279,321	6%
EBITDA[1]	**65,805**	94,930	(31%)
EBITDA margin[1]	**22 %**	34 %	(35%)
Net income	**16,657**	41,554	(60%)
Adjusted net income[1]	**19,031**	54,150	(65%)
Basic EPS	**0.03**	0.08	(63%)
Adjusted EPS[1]	**0.04**	0.10	(60%)
Net cash flow from (used in) operating activities	**49,268**	(32,247)	—%
Dividend per ordinary share paid	**—**	0.10	(100%)
Cash and cash equivalents	**250,340**	155,924	61%
Total assets	**2,322,676**	2,014,813	15%
Statistics (in dollars per dmt sold)			
Gross average realized selling price[1]	**168.8**	190.4	(11%)
Net average realized selling price[1]	**115.9**	138.7	(16%)
C1 cash cost[1]	**81.3**	74.0	10%
AISC[1]	**94.1**	93.5	1%
Cash operating margin[1]	**21.8**	45.2	(52%)
Statistics (in U.S. dollars per dmt sold)[2]			
Gross average realized selling price[1]	**125.7**	149.6	(16%)
Net average realized selling price[1]	**86.3**	108.8	(21%)
C1 cash cost[1]	**60.5**	58.0	4%
AISC[1]	**70.1**	73.2	(4%)
Cash operating margin[1]	**16.2**	35.6	(54%)

[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 measure when applicable.

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

3. Quarterly Highlights

Sustainability and Health & Safety

- No serious injuries during the quarter and no major environmental issues reported in the period, or since the recommissioning of Bloom Lake in 2018; and
- Received the "Sollio Groupe Coopératif – Community Involvement" award at the prestigious Les Mercuriades 2023 competition organized by the Federation of Québec Chambers of Commerce, and the 2023 "Community Relations" award from the Québec Mining Association, recognizing the Company's approach towards developing relationships with First Nations communities.

Operations and Finance

- Record quarterly production of 3.4 million wmt of high-grade 66.1% Fe concentrate for the three-month period ended June 30, 2023, an increase of 49% and 10%, compared to the same period last year and the previous quarter, respectively. The increase in production was attributable to the strong performance of Phase II since achieving commercial production in December 2022. Ongoing optimizations are expected to enable Bloom Lake to reach its expanded production nameplate capacity of 15 Mtpa in the near term;
- Quarterly iron ore concentrate sales of 2.6 million dmt for the three-month period ended June 30, 2023, up 27% from the same period in 2022, but down 17% from the previous quarter due to the impact of forest fires north of Sept-Îles, Québec, which caused railway interruptions from May 30 to June 10, 2023, and reduced capacity for the remainder of the period;
- Financial results for the three-month period ended June 30, 2023, were negatively impacted by a lower IODEX 65% Fe CFR China Index ("P65"), compared to the previous quarter, and the negative provisional pricing adjustments on volume in transit as at March 31, 2023. Lower than expected shipments in June 2023 as a result of forest fires, combined with record production during the quarter, increased iron ore concentrate inventories at Bloom Lake to 1.3 million wmt as at June 30, 2023. The iron ore concentrate inventories are expected to be gradually shipped and sold in the upcoming quarters as the railway returns to normal capacity and the recently delivered locomotives are commissioned;
- For the three-month period ended June 30, 2023, the cost of sales was $81.3/dmt[1] (US$60.5/dmt)[2], compared to $84.1/dmt[1] (US$65.9/dmt)[2] for the same period in 2022, positively impacted by increased production and lower fuel prices and offset by the increase in rail and port costs. Rail costs were impacted by semi-annual price indexations based on trailing fuel prices when prices were higher, while port handling costs were impacted by fixed costs at the port terminal in Sept-Îles amortized over fewer shipped tonnes. Cost of sales per dmt sold for the quarter was slightly higher than the cost of sales per dmt sold of $79.0/dmt[1] (US$58.4/dmt)[2] for the previous quarter, mainly due to the impact of lower shipments on higher fixed costs for port handling. The Company expects the remaining Phase II ramp-up inefficiencies, which negatively impacted operating costs per tonne, to normalize in the near term as the focus increases on optimizing operations with the ongoing commissioning of new mining equipment and increases in throughput. Additionally, the Company expects to benefit from lower fuel prices in the upcoming rail cost indexation adjustments and a return to normal shipments as the railway and rolling stock capacity improves;
- Revenues of $297.2 million for the three-month period ended June 30, 2023 ($279.3 million for the same period in 2022), net cash flow from operating activities of $49.3 million (net cash flow used in operating activities of $32.2 million for the same period in 2022), EBITDA of $65.8 million[1] ($94.9 million[1] for the same period in 2022) and net income of $16.7 million with EPS of $0.03 ($41.6 million with EPS of $0.08 for the same period in 2022); and
- $250.3 million in cash and cash equivalents and short-term investments as at June 30, 2023, compared to $187.1 million at the same time in the 2022 calendar year and $327.1 million as at March 31, 2023. Available liquidity, including amounts available from the Company's credit facilities, totalled $579.2 million[1] at quarter-end, compared to $673.7 million[1] as at March 31, 2023.

[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 measure when applicable.
[2] See the "Currency" subsection of this MD&A included in section 6 — Key Drivers.

3. Quarterly Highlights (continued)

Direct Reduction Pellet Feed Project ("DRPF Project") Update

- The DRPF Project remains on schedule for potential completion by the second half of calendar year 2025, pending a final investment decision; and
- Initial budgets approved by the Board enabled the Company to advance detailed engineering work, order long-lead equipment and initiate on-site activities during the period, in preparation for upcoming civil work programs.

Other Growth and Development

- The Company continues to evaluate organic growth opportunities, including the feasibility study for the Kami Project to produce a Direct Reduction ("DR") grade pellet feed product, and a study, in collaboration with a major international steelmaking partner, evaluating the re-commissioning of the Pointe-Noire Iron Ore Pelletizing Facility (the "Pellet Plant") in order to produce DR grade pellets. Both studies are expected to be completed by the end of 2023.

4. Direct Reduction Pellet Feed Project Update

In January 2023, the Company completed the DRPF Project's study, which evaluated the equipment and infrastructure required to upgrade the Bloom Lake Phase II plant to produce approximately 7.5 Mtpa of DRPF quality iron ore with up to 69% Fe with a combined silica and alumina content below 1.2%.

The DRPF Project aims to capitalize on the steel industry's focus on reducing emissions and its associated impact on the raw material supply chain. Accordingly, production of a DRPF product would enhance the Company's ability to further contribute to the green steel supply chain by engaging with additional customers focused on the Direct Reduced Iron ("DRI") and Electric Arc Furnaces ("EAF") steelmaking route, which reduces emissions in the steelmaking process by approximately half, compared to the traditional steelmaking route using Blast Furnace ("BF") and Basic Oxygen Furnace ("BOF") methods. By producing the DRPF product required in the DRI-EAF steelmaking process, the Company would contribute to a reduction in the use of coal in the conventional BF-BOF steelmaking method, which would significantly reduce global emissions. Benefiting from a high-purity resource, the Company has a unique opportunity to produce one of the highest DRPF quality products available on the seaborne market, for which Champion expects to attract a substantial premium over the Company's current high-grade 66.2% Fe iron ore concentrate.

The study proposed a 30-month construction period with estimated capital expenditures of $470.7 million, including additional power and port-related infrastructure, resulting in a Net Present Value ("NPV") of $738.2 million and an Internal Rate of Return ("IRR") of 24.0% after tax. A budget of $62 million was approved by the Board to advance the DRPF Project and secure its estimated project construction timeline and potential completion by the second half of calendar year 2025. The Company expects to fund the DRPF Project through existing liquidity, including cash flow from operating activities, and additional non-dilutive funding sources.

During the three-month period ended June 30, 2023, detailed engineering work continued. In addition, the Company ordered long-lead time equipment and initiated on-site activities in preparation for upcoming civil work programs. Refer to section 10 — Cash Flows for investments made during the quarter. Discussions are currently underway with financial institutions and existing partners to increase the Company's available liquidity in anticipation of the capital deployment required during the construction period expected in calendar years 2024 and 2025, pending a final investment decision.

Additional details on the DRPF Project, including key assumptions and capital costs, can be found in the Company's press release dated January 26, 2023 (Montréal time), available under its profile on SEDAR+ at www.sedarplus.ca, the ASX at www.asx.com.au and on the Company's website at www.championiron.com.

The Company is not aware of any new information or data that materially affects the information included in the DRPF Project study and confirms that all material assumptions and technical parameters underpinning the estimates in the DRPF Project study continue to apply and have not materially changed.

5. Green Steel Initiatives

With an increased focus on reducing greenhouse gas ("GHG") emissions in steelmaking processes, the steel industry is experiencing a structural shift in its production methods. This dynamic is expected to create additional demand for higher-purity iron ore products, as the industry transitions towards using reduction technologies to produce liquid iron, such as the use of DRI in EAF instead of traditional BF-BOF steelmaking. DR grade iron ore is generally pelletized to produce DR grade pellets. DR grade pellets are then processed in a DR reactor, removing oxygen from the iron oxide concentrate to produce metallic iron (DRI or HBI), which can be a substitute for or blended with scrap steel to produce steel in the EAF steelmaking method.

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 emissions reductions in the BF-BOF process. The Company also 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.

5. Green Steel Initiatives (continued)

Emissions Reduction Initiatives

As part of its ongoing efforts to minimize the environmental impact of its operations, the Company continued with its strategy to achieve its 2030 commitment to reduce GHG emissions by 40%, based on combining its 2014 emissions intensity together with Bloom Lake's increased targeted nameplate capacity of 15 Mtpa, with a further goal to be carbon neutral by 2050. Towards this effort, a working group identified emissions reduction initiatives and evaluated resources required to deploy a program to reach the Company's GHG emissions reduction objectives. As the Company optimizes its Environmental, Social and Governance ("ESG") related disclosures and aligns with industry best practices, new objectives were detailed in its 2022 Sustainability Report, including disclosure on GHG reduction work programs designed to help the Company reach its 2030 and 2050 targets.

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 and 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 study to evaluate the re-commissioning of the Pellet Plant and produce DR grade pellets. The study will evaluate the investments required to re-commission the Pellet Plant while integrating up-to-date pelletizing and processing technologies. During the three-month period ended June 30, 2023, the Company advanced this study.

The MOU sets out a framework for Champion and the FS Partner to collaborate in order to complete the study, anticipated by the end of calendar year 2023. Subject to the 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 and 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 electricity, natural gas, biofuels or renewable energy as main power sources.

6. Key Drivers

A. Iron Ore Concentrate Price

The price of iron ore concentrate is the most significant factor affecting the Company's financial results. As such, net 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 P65 index price. 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 June 30, 2023, the average price of iron ore was lower than during the corresponding period in 2022. This can likely be attributed to several factors, including the decelerating economic growth in China and an increase in iron ore supply from major producing hubs in Australia and Brazil. Furthermore, the weakening of steel mills profitability in China led to a decline in high-grade iron ore premiums compared to the same period in the previous financial year. Iron ore prices rebounded towards the end of May as China commented on the need to stabilize the economy, including potential announcement of stimulus measures to bolster its economy. This optimism was further supported by the decision of Chinese banks to lower their benchmark lending rates, signaling efforts to stimulate economic growth.

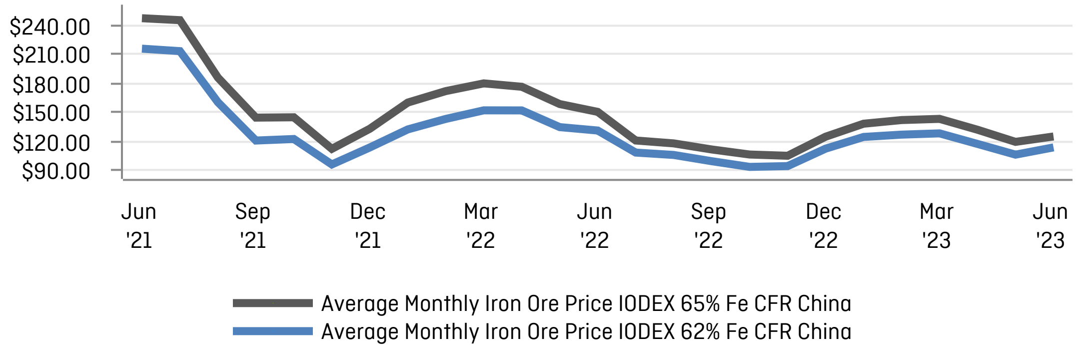
According to the World Steel Association[1], global crude steel production during the three-month period ended June 30, 2023, witnessed a decline of 2.6% compared to the corresponding period in 2022, amounting to a total of 481.5 million. Notably, China's crude steel production for the same period reached 273.9 million tonnes, experiencing a decrease of 2.9% compared to the previous year. The likely factors contributing to the reduced steel output in China were the slower economic growth and weakened steel mills profit margins. The world ex-China also recorded a year-over-year decline in crude steel production of 2.3% from 2022, totalling 207.7 million tonnes. This decline was likely influenced by weak European production, as several mills in the region remained idle due to high energy prices.

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 is 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. The impact of iron ore price fluctuations, compared to the estimated price at the last quarter-end, is accounted for as a provisional pricing adjustment to revenues. As the Company's sales are subject to freight routes that usually 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 exposed to variations in iron ore index prices after the end of the quarter.

During the three-month period ended June 30, 2023, an average price of US$123.5/dmt was established for the 2.0 million tonnes of iron ore that were in transit as at March 31, 2023, which were previously evaluated using an average expected price of US$141.1/dmt. Accordingly, during the three-month period ended June 30, 2023, negative pricing adjustments of $46.8 million (US$34.9 million) were recorded for tonnes subject to provisional prices as at March 31, 2023. For the total volume of 2.6 million dmt sold during the first quarter, the negative adjustments represent US$13.6/dmt. As at June 30, 2023, 1.4 million tonnes of iron ore sales remained subject to provisional pricing adjustments, with the final price to be determined in the subsequent reporting periods (June 30, 2022: 0.7 million tonnes). A gross forward provisional price of US$121.2/dmt was used as at June 30, 2023, to estimate the sales that remain subject to final pricing.

The following table details the Company's gross revenue exposure, as at June 30, 2023, subject to the movements in iron ore price for the provisionally invoiced sales volume:

(in thousands of U.S. dollars)	**As at June 30, 2023**
Tonnes (dmt) subject to provisional pricing adjustments	**1,384,200**
10% increase in iron ore prices	**16,837**
10% decrease in iron ore prices	**(16,837)**

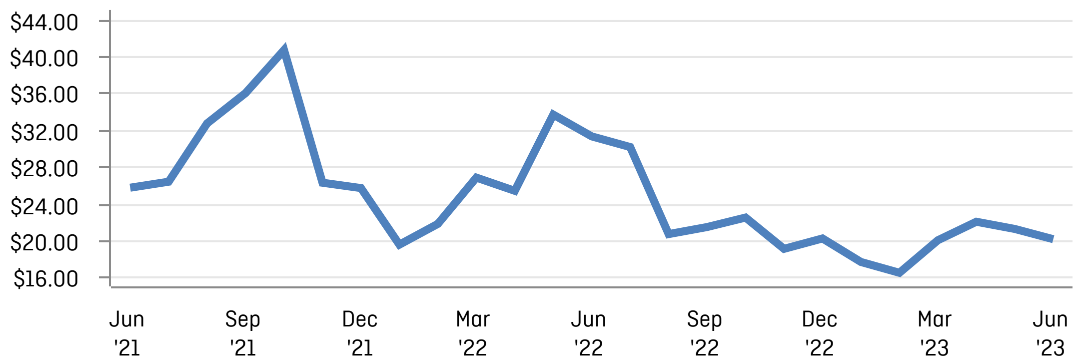
The sensitivities demonstrate the monetary impact on gross revenues in U.S. dollars resulting from a 10% increase and 10% decrease in gross realized selling prices as at June 30, 2023. The relationship between iron ore prices and exchange rates is complex, and movements in exchange rates will impact net realized FOB selling price in Canadian dollars. 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 almost all of its iron ore concentrate to several regions overseas, including China, Japan, Europe, India, 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 Asia. There is no index for the route between the port of Sept-Îles (Canada) and China. This route 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)



During the three-month period ended June 30, 2023, the average C3 index stood at US$21.1/t, compared to US$30.2/t for the same period in 2022, representing a 30% decrease, likely attributed to reduced port congestion and declining fuel costs, which were offsetting the increased demand for Capesize vessels from Brazil.

The industry has identified a historical relationship between the iron ore price and the C3 index for the Tubarao to Qingdao route. 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 index, a decrease in iron ore prices typically results in lower ocean freight costs for the Company, resulting in a natural hedge of an important revenue component.

When contracting vessels on the spot market, Champion typically books vessels three to five weeks prior to the desired laycan period due to its distance from main shipping hubs. Although this creates a delay between the freight paid and the C3 index, the effect of this delay is eventually reconciled since Champion ships its high-grade iron ore concentrate uniformly throughout the year. Additionally, the Company has multiple freight agreements based on an agreed-upon premium above the loading month average C3 index to further reduce price volatility.

C. Currency

The Canadian dollar is the Company's functional and reporting currency. The Company is exposed to foreign currency fluctuation as its sales, sea freight costs and the majority of its long-term debt and lease liabilities are denominated in U.S. dollars. 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.

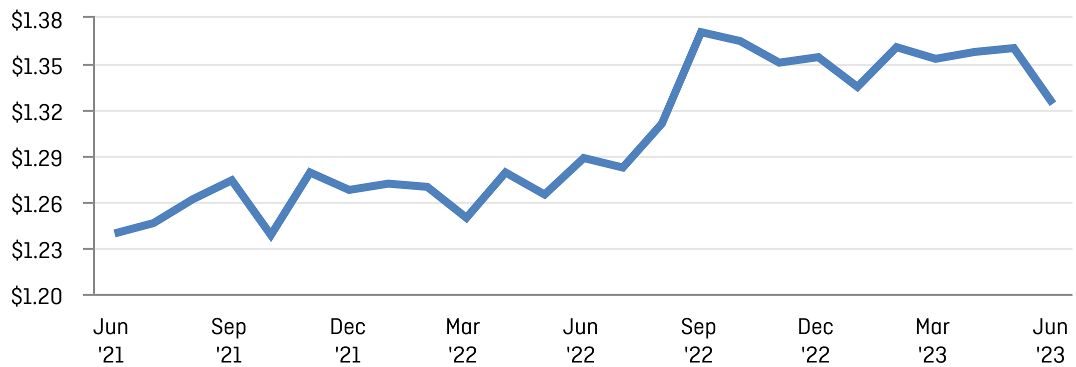
The strengthening of the U.S. dollar would positively impact the Company's net income and cash flows while the strengthening of the Canadian dollar would reduce its net income and cash flows. As the majority of the Company's long-term debt and lease liabilities are denominated in U.S. dollars, the Company 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 C$0.01 against the U.S. dollar will impact gross revenues by approximately 1%. Assuming a stable long-term debt balance, a variation of C$0.01 against the U.S. dollar will impact the debt revaluation by approximately 1%.

(Expressed in Canadian dollars, except where otherwise indicated)

6. Key Drivers (continued)

C. Currency (continued)

Monthly Closing Exchange Rate – C$/US$



Exchange rates were as follows:

	C$ / US$					
	Average			Closing		
	FY2024	FY2023	Variance	**FY2024**	FY2023	Variance
Q1	**1.3430**	1.2768	5 %	**1.3240**	1.2886	3 %
Q2		1.3056	— %		1.3707	— %
Q3		1.3578	— %		1.3544	— %
Q4		1.3526	— %		1.3533	— %
Year-end as at March 31		1.3230	— %		1.3533	— %

Apart from these key drivers and the risk factors that are described in the "Risk Factors" sections of the Company's 2023 Annual Information Form and the MD&A for the financial year ended March 31, 2023, 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.

7. Bloom Lake Mine Operating Activities

	Three Months Ended June 30,		
	2023	2022	Variance
Operating Data			
Waste mined and hauled (wmt)	**5,198,500**	5,606,000	(7%)
Ore mined and hauled (wmt)	**9,593,500**	6,193,100	55%
Material mined and hauled (wmt)	**14,792,000**	11,799,100	25%
Stripping ratio	**0.54**	0.91	(41%)
Ore milled (wmt)	**9,895,600**	6,022,200	64%
Head grade Fe (%)	**28.8**	31.0	(7%)
Fe recovery (%)	**78.2**	80.2	(2%)
Product Fe (%)	**66.1**	66.1	—%
Iron ore concentrate produced (wmt)	**3,397,200**	2,282,600	49%
Iron ore concentrate sold (dmt)	**2,563,500**	2,013,900	27%

7. Bloom Lake Mine Operating Activities (continued)

Impact of Forest Fires

Forest fires emerged on May 28, 2023, north of Sept-Îles, Québec, resulting in railway service interruptions between Bloom Lake and the port of Sept-Îles between May 30 and June 10, 2023. There was no damage to Champion's facilities and no significant damage was identified to the railway following inspections by its operator. As forest fires subsided in the region, railway services resumed on June 10, 2023, although at partial railway capacity for the remainder of the financial period in the 2023 calendar year. Railway services are expected to return to normal capacity in the near term, after the completion of repairs to the damaged electrical poles and wires over several kilometers.

Despite supply chain challenges caused by multiple highway closures impacting operations, Bloom Lake operated continuously throughout the railway interruptions and stockpiled iron ore concentrate at the mining complex. The Company responded to the situation by triggering its emergency response plan and managing supply chain risks by focusing mine operations on critical activities required to feed the two plants. This impacted the Company's ability to move waste and generate blasted ore inventory. The Company also used its crusher's stockpiles to supply the two plants during that period and suffered from a short power outage which impacted operations for a day. As at June 30, 2023, the Company had 1.3 million wmt of iron ore concentrate in inventory at the Bloom Lake site. The Company expects its stockpiled iron ore concentrate at Bloom Lake to be shipped and sold over several upcoming quarters with the railway resuming full capacity and the three additional locomotives received in June 2023 being currently in commissioning. The Company expects to incur additional rehandling costs in future periods to reclaim the iron ore concentrate from the stockpile.

Phase II Update

Phase II reached commercial production in December 2022 and the Company continued to make improvements to stabilize and optimize operations. Phase II produced at nameplate capacity for thirty consecutive days during the three-month period ended June 30, 2023. Short-term challenges, including delivery delays and the commissioning of mining equipment, created inefficiencies across the site, negatively impacting the plant's ability to reach its full expanded nameplate capacity in the 2023 financial year. Ongoing work programs continue to optimize and synchronize operations, and adapt maintenance practices to obtain the expected reliability required to achieve Bloom Lake's expanded nameplate capacity on a consistent basis. With the delivery and assembly of the remaining required mining equipment during the three-month period ended June 30, 2023, and current work programs aimed at increasing throughput and ore recoveries, the path towards Bloom Lake reaching its expanded nameplate capacity of 15 Mtpa in the near term has significantly improved.

Work on third-party infrastructure continued to advance in the three-month period ended June 30, 2023, further positioning the Company to benefit from additional flexibility and capacity to handle the Company's expanded nameplate capacity at the port facilities in Sept-Îles. The construction and commissioning of the new stacker reclaimer and associated conveyors should be completed shortly, which is expected to positively impact the Company's vessel loading time in the upcoming weeks. Moreover, the three additional locomotives required to support the expanded production capacity were delivered in late June 2023 and their commissioning is currently ongoing. This should enable the Company to increase its shipping capacity in the near term.

Operational Performance

In the three-month period ended June 30, 2023, 14.8 million tonnes of material were mined and hauled, compared to 11.8 million tonnes during the same period in 2022, an increase of 25%. This is also a 4% improvement over the volume mined and hauled in the previous quarter. The increase in material movement can be attributed to the contribution of recently commissioned new equipment. The Company intends to see additional benefits from this new mining equipment in the upcoming months. The stripping ratio for the period was impacted by forest fires as fuel inventories were prioritized for critical activities as well as fleet performance, and was slightly lower than the Company's plan for the 2024 financial year. With reduced mining equipment capacity in the earlier part of the quarter, the Company, as planned, reduced mined waste to optimize plant operations in connection with transitional incremental feed requirements during the Phase II ramp-up period. The Company intends to gradually increase its stripping ratio in future periods to recover the waste backlog accumulated during the 2023 financial year.

The plants processed 9.9 million tonnes of ore during the three-month period ended June 30, 2023, compared to 6.0 million tonnes for the same period in the 2022 calendar year, and 9.1 million tonnes in the previous quarter, representing an increase of 64% and 9%, respectively. The increase in ore milled was driven by the progress of the Phase II ramp-up to reach Bloom Lake's expanded nameplate capacity of 15 Mtpa.

The iron ore head grade for the three-month period ended June 30, 2023, was 28.8%, compared to 31.0% for the same period in 2022. The variation in head grade was expected and attributable to lower-grade ore being sourced and blended from different pits. This was anticipated and is in line with the mine plan and the LoM head grade average.

The Company's average Fe recovery rate of 78.2% for the three-month period ended June 30, 2023, compared to 80.2% for the same period in 2022, was negatively impacted by the lower head grade. The Company remains confident in its ability to reach the average LoM expected Fe recovery rate target of 82.4% in the near term at Bloom Lake, as detailed in the Phase II feasibility study.

7. Bloom Lake Mine Operating Activities (continued)

Operational Performance (continued)

With higher processed ore partially offsetting lower head grade and lower recovery, Bloom Lake delivered a record production of 3.4 million wmt of high-grade iron ore concentrate during the three-month period ended June 30, 2023, an increase of 49%, compared to 2.3 million wmt during the same period in 2022, and a 10% increase in production compared to the previous quarter. Management expects to benefit from optimization work programs and recent equipment additions, which should result in improved combined production of Bloom Lake's plants in the near term.

8. Financial Performance

	Three Months Ended June 30,		
	2023	2022	Variance
Financial Data (in thousands of dollars)			
Revenues	**297,162**	279,321	6%
Cost of sales	**208,485**	169,407	23%
Other expenses	**19,645**	15,605	26%
Net finance costs	**6,926**	4,190	65%
Net income	**16,657**	41,554	(60%)
EBITDA[1]	**65,805**	94,930	(31%)
Statistics (in dollars per dmt sold)			
Gross average realized selling price[1]	**168.8**	190.4	(11%)
Net average realized selling price[1]	**115.9**	138.7	(16%)
C1 cash cost[1]	**81.3**	74.0	10%
AISC[1]	**94.1**	93.5	1%
Cash operating margin[1]	**21.8**	45.2	(52%)

A. Revenues

	Three Months Ended June 30,		
	2023	2022	Variance
(in U.S. dollars per dmt sold)			
Index P62	**111.0**	137.9	(20%)
Index P65	**124.0**	160.3	(23%)
US$ Gross average realized selling price[1]	**125.7**	149.6	(16%)
Freight and other costs	**(25.8)**	(34.4)	(25%)
Provisional pricing adjustments	**(13.6)**	(6.4)	113%
US$ Net average realized FOB selling price[1]	**86.3**	108.8	(21%)
Foreign exchange rate conversion	**29.6**	29.9	(1%)
C$ Net average realized FOB selling price[1]	**115.9**	138.7	(16%)

Revenues totalled $297.2 million for the three-month period ended June 30, 2023, compared to $279.3 million for the same period in 2022, as higher sales volume over the same prior-year period was more than offset by a lower P65 index price and negative provisional pricing adjustments. Lower freight and other costs as well as a weaker Canadian dollar, compared to the same period last year, and certain sales using backward-looking iron ore index prices partially mitigated the impact of lower prices.

[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 measure when applicable.

8. Financial Performance (continued)

A. Revenues (continued)

During the three-month period ended June 30, 2023, 2.6 million tonnes of high-grade iron ore concentrate were sold, compared to 2.0 million tonnes for the same period in 2022. Sales volume was up 27% over the prior-year period due to incremental production driven by Phase II achieving commercial production in December 2022, but was negatively impacted by twelve days of railway interruptions from May 30 to June 10, 2023, due to forest fires in Québec and reduced services capacity for the remainder of the first quarter of the 2024 financial period.

The gross average realized price was US$125.7/dmt[1] during the first quarter of the 2024 financial year, down from US$149.6/dmt[1] for the same period last year due to lower P65 index prices. During the three-month period ended June 30, 2023, the P65 index averaged US$124.0/dmt, a decrease of 23% from the same quarter last year, representing a premium of 11.7% over the P62 index average price of US$111.0/dmt. Last year, the high-grade premium over the P62 index averaged 16.2%. Weakening steel mills' profitability in China led to a decline in high-grade iron ore premiums for the quarter, compared to the same period in 2022.

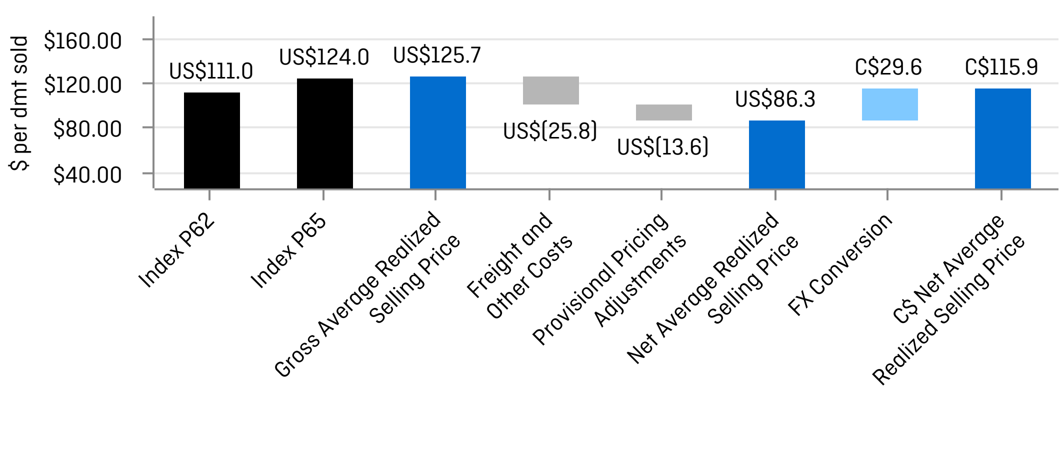
The gross average realized selling price of US$125.7/dmt[1] was slightly higher than the P65 index average price of US$124.0/dmt for the period, due to certain sales contracts using backward-looking iron ore index prices, when prices were higher than the P65 index average for the three-month period ended June 30, 2023. This was partially offset by the 1.4 million tonnes in transit as at June 30, 2023, that were provisionally priced using an average forward price of US$121.2/dmt, which was lower than the P65 index average price for the period.

The average C3 index for the three-month period ended June 30, 2023, was US$21.1/t compared to US$30.2/t for the same period in 2022, representing a decrease of 30%, contributing to lower freight costs in the three-month period ended June 30, 2023. When contracting vessels on the spot market, Champion typically books vessels three to five weeks prior to the desired laycan period due to its distance from main shipping hubs. Although this creates a delay between the freight paid and the C3 index, the effect of this delay is eventually reconciled since Champion ships its high-grade iron ore concentrate uniformly throughout the year. Additionally, the Company has multiple freight agreements based on an agreed-upon premium above the loading month average C3 index to further reduce price volatility.

Provisional pricing adjustments on previous quarterly sales, which were impacted by the significant decrease in the P65 index during the quarter, negatively impacted the net average realized selling price. During the three-month period ended June 30, 2023, an average price of US$123.5/dmt was established for the 2.0 million tonnes of iron ore that were in transit as at March 31, 2023, and which were previously evaluated using an average expected price of US$141.1/dmt. Accordingly, during the three-month period ended June 30, 2023, net negative provisional pricing adjustments of $46.8 million (US$34.9 million) were recorded, representing a negative impact of US$13.6/dmt over the total volume of 2.6 million dmt sold during the period.

After taking into account sea freight and other costs of US$25.8/dmt and the negative provisional pricing adjustment of US$13.6/dmt, the Company obtained a net average realized selling price of US$86.3/dmt (C$115.9/dmt)[1] for its high-grade iron ore shipped during the period.

Q1 FY2024 Net Realized Selling Price



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8. Financial Performance (continued)

B. Cost of Sales and C1 Cash Cost

The cost of sales represented mining, processing, and site-related G&A expenses as well as rail and port operation costs. It also included in the comparative period, specific and incremental costs related to COVID-19, and Bloom Lake Phase II start-up costs incurred after commissioning and before commercial production. These start-up costs mainly included abnormal operational costs attributable to the facility not having reached commercial production.

For the three-month period ended June 30, 2023, the cost of sales totalled $208.5 million, compared to $169.4 million for the same period in 2022 for a cost of sales per tonne sold of $81.3/dmt[1] during the period, compared to $84.1/dmt[1] for the same period in 2022.

	Three Months Ended June 30,	
	2023	2022
(in thousands of dollars except per dmt sold)		
Iron ore concentrate produced (dmt)	**3,291,400**	2,211,700
Iron ore concentrate sold (dmt)	**2,563,500**	2,013,900
Mining and processing costs	**165,599**	110,368
Change in concentrate inventories	**(32,006)**	(12,080)
Land transportation and port handling	**74,892**	50,803
C1 cash cost[1]	**208,485**	149,091
C1 cash cost per dmt sold[1]	**81.3**	74.0
Incremental costs related to COVID-19	**—**	840
Bloom Lake Phase II start-up costs	**—**	19,476
Cost of sales	**208,485**	169,407
Cost of sales per dmt sold[1]	**81.3**	84.1
Mining and processing costs per dmt produced	**50.3**	49.9

The cost of sales per dmt sold for the three-month period ended June 30, 2023, was negatively impacted by higher rail and port costs due to semi-annual price indexations driven by fuel costs for rail services, the impact of lower shipments during the quarter to amortize mostly fixed costs at the port facilities in Sept-Îles, higher maintenance costs driven by the utilization of contractors to fill vacant positions and longer than expected shutdowns. The Company also incurred rehandling costs at the mine site during the period. This was partially mitigated by lower fuel costs used in mining activities and higher production levels.

Mining and processing costs over the 3.3 million dmt produced in the three-month period ended June 30, 2023, totalled $50.3/dmt produced, a decrease of 10% compared to $55.8/dmt produced in the fourth quarter of the 2023 financial year, reflecting the positive impact of increased production volume on the Company's controllable fixed costs.

Due to the high stockpile levels at the site, attributable to railway interruptions, the Company expects to incur additional rehandling costs to reclaim the iron ore concentrate from the stockpile to the shipment process, which should negatively impact the cost of sales in future periods.

C. Gross Profit

The gross profit for the three-month period ended June 30, 2023, totalled $58.8 million, compared to $90.1 million for the same prior-year period. The decrease is largely driven by the lower net average realized selling price, partially offset by higher shipments and lower cost of sales per dmt sold. Higher depreciation driven by Phase II achieving commercial production in December 2022 also contributed to lower gross profit.

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8. Financial Performance (continued)

D. Other Expenses

	Three Months Ended June 30,		
	2023	2022	Variance
(in thousands of dollars)			
Share-based payments	**(964)**	(2,430)	(60)%
G&A expenses	**12,949**	12,272	6 %
Sustainability and other community expenses	**3,969**	3,343	19 %
Innovation and growth initiative expenses	**3,691**	2,420	53 %
	19,645	15,605	26 %

Share-based payments recovery for the three-month period ended June 30, 2023, was impacted by the change in value of the related liability, which varies based on the price of the Company's shares at each reporting date.

G&A expenses were higher for the three-month period ended June 30, 2023, compared to the same period in 2022, mainly due to higher headcount required to support the Company's growth and higher insurance premiums with the addition of Phase II. The following table details G&A expenses:

	Three Months Ended June 30,		
	2023	2022	Variance
(in thousands of dollars)			
Salaries, benefits and other employee expenses	**7,401**	6,457	15 %
Insurance	**2,789**	2,448	14 %
Other	**2,759**	3,367	(18)%
	12,949	12,272	6 %

Sustainability and other community expenses were higher for the three-month period ended June 30, 2023, with Phase II reaching commercial production in December 2022, which impacted benefit agreements and property taxes. The following table details sustainability and other community expenses:

	Three Months Ended June 30,		
	2023	2022	Variance
(in thousands of dollars)			
Property and school taxes	**1,500**	1,419	6 %
Impact and benefits agreement	**1,856**	1,441	29 %
Salaries, benefits and other employee expenses	**282**	227	24 %
Other expenses	**331**	256	29 %
	3,969	3,343	19 %

During the three-month period ended June 30, 2023, the Company incurred innovation and growth initiative expenses of $3.7 million, compared to $2.4 million, for the same period in 2022. The expenses for the first quarter of the 2024 financial year were comprised of consultant fees, salaries and benefits mainly related to the Pellet Plant study. The Company's strategic initiatives are detailed in section 5 — Green Steel Initiatives.

8. Financial Performance (continued)

E. Net Finance Costs

	Three Months Ended June 30,		
	2023	2022	Variance
(in thousands of dollars)			
Interest on long-term debt	**8,429**	—	100 %
Standby commitment fees on long-term debt	**431**	931	(54)%
Realized and unrealized foreign exchange loss (gain)	**(1,698)**	1,396	(222)%
Interest expense on lease liabilities	**998**	850	17 %
Interest income	**(3,417)**	(536)	538 %
Other	**2,183**	1,549	41 %
	6,926	4,190	65 %

The Company ceased capitalizing borrowing costs for Phase II upon achieving commercial production in December 2022, contributing to a higher interest expense in the three-month period ended June 30, 2023. Interest on long-term debt includes interest expense on the Revolving Facility, equipment financing, and loans from *Investissement Québec* ("IQ Loan") and *Fonds de Solidarité des Travailleurs du Québec* ("FTQ Loan").

During the three-month period ended June 30, 2023, the foreign exchange gain was attributable to the impact of the depreciation of the U.S. dollar against the Canadian dollar as at June 30, 2023, compared to March 31, 2023, on the net payable financial position denominated in U.S. dollars. The net payable financial position primarily includes the Company's Revolving Facility, mining equipment financing, lease liabilities, accounts receivable and part of the Company's cash and cash equivalents denominated in U.S. dollars.

Higher interest income in the three-month period ended June 30, 2023, compared to the same period last year, is attributable to higher cash balances and higher interest rates.

F. 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.

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-month period ended June 30, 2023 (2022: 26.50%).

During the three-month period ended June 30, 2023, current income and mining tax expenses totalled $7.3 million, compared to $10.9 million for the same period in 2022. The variation was mainly due to lower taxable income driven by lower gross profits.

During the three-month period ended June 30, 2023, deferred income and mining tax expenses totalled $5.0 million, compared to $18.5 million for the same period in 2022. The decrease in deferred tax expenses was also mainly due to lower taxable income driven by lower gross profits.

(Expressed in Canadian dollars, except where otherwise indicated)

8. Financial Performance (continued)

F. Income Taxes (continued)

The combined provincial and federal statutory tax and mining tax rate was 38%. The Company's effective tax rate ("ETR") was 42% for the three-month period ended June 30, 2023, compared to 41% for the same period in 2022. The ETR for the three-month period ended June 30, 2023, was higher than the statutory rate due to the impact of withholding tax on the dividend paid by QIO, the non recognized tax benefits on the losses generated by other subsidiaries than QIO, partially offset by a non taxable unrealized capital foreign exchange gain.

As at June 30, 2023, the Company had an income and mining taxes receivable of $31.9 million and income and mining taxes payable of $2.7 million. During the three-month period ended June 30, 2023, no tax installment was made since current income and mining taxes of $7.3 million were below the income and mining taxes receivable balance of $37.9 million as at March 31, 2023. In addition, $1.6 million of previous tax installments were refunded during the period.

G. Net Income & EBITDA

For the three-month period ended June 30, 2023, the Company generated an EBITDA of $65.8 million[1], representing an EBITDA margin of 22%[1], compared to $94.9 million[1], representing an EBITDA margin of 34%[1], for the same period in 2022. Lower EBITDA was mainly due to lower net average realized selling prices, partially offset by higher sales volume and lower cost of sales per dmt sold.

For the three-month period ended June 30, 2023, the Company generated net income of $16.7 million (EPS of $0.03), compared to $41.6 million (EPS of $0.08) for the same period last year. The year-over-year decrease in net income was mainly affected by lower gross profit, as described above.

H. All In Sustaining Cost and Cash Operating Margin

	Three Months Ended June 30,		
	2023	2022	Variance
(in dollars per dmt sold)			
Iron ore concentrate sold (dmt)	**2,563,500**	2,013,900	27 %
Net average realized selling price[1]	**115.9**	138.7	(16)%
C1 cash cost[1]	**81.3**	74.0	10 %
Sustaining capital expenditures	**7.7**	13.4	(43)%
G&A expenses	**5.1**	6.1	(16)%
AISC[1]	**94.1**	93.5	1 %
Cash operating margin[1]	**21.8**	45.2	(52)%

During the three-month period ended June 30, 2023, the Company realized an AISC of $94.1/dmt[1], compared to $93.5/dmt[1] for the same period in 2022. The increase was due to higher C1 cash cost, partially offset by the positive impact of higher sales volume on G&A expenses and sustaining capital expenditures. The AISC in the comparative period was impacted by the capitalization of certain mining costs on the Company's stripping assets, as well as higher sustaining capital expenditures related to mining equipment. Refer to section 10 — Cash Flows for details on sustaining capital expenditures.

The Company generated a cash operating margin of $21.8/dmt[1] for each tonne of high-grade iron ore concentrate sold during the three-month period ended June 30, 2023, compared to $45.2/dmt[1] for the same prior-year period. The variation is mainly due to a lower net average realized selling price for the period.

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 measure 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. Additionally, the Company is currently evaluating the suitability of the project to produce a DR grade product. The updated feasibility study is expected to be completed by the end of 2023 as part of the Company's strategy to evaluate its growth alternatives within its portfolio.

Exploration and Evaluation Activities

During the three-month period ended June 30, 2023, the Company maintained all of its properties in good standing and did not enter into any farm-in/farm-out arrangements. During the three-month period ended June 30, 2023, $2.7 million in exploration and evaluation expenditures were incurred, compared to $2.1 million for the same prior-year period. During the three-month period ended June 30, 2023, exploration and evaluation expenditures mainly consisted of costs associated with work related to updating the Kami Project feasibility study, claim renewal fees and claim staking around the Kami property.

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 June 30,	
	2023	2022
(in thousands of dollars)		
Operating cash flows before working capital	**53,307**	79,113
Changes in non-cash operating working capital	**(4,039)**	(111,360)
Net cash flow from (used in) operating activities	**49,268**	(32,247)
Net cash flow used in investing activities	**(66,268)**	(95,650)
Net cash flow used in financing activities	**(54,796)**	(43,087)
Net decrease in cash and cash equivalents	**(71,796)**	(170,984)
Effects of exchange rate changes on cash and cash equivalents	**(4,670)**	5,016
Cash and cash equivalents, beginning of period	**326,806**	321,892
Cash and cash equivalents, end of period	**250,340**	155,924
Operating cash flow (outflow) per share[1]	**0.10**	(0.06)

Operating

During the three-month period ended June 30, 2023, the Company generated operating cash flows of $53.3 million before working capital items, down $25.8 million, compared to $79.1 million for the same period last year, driven by lower EBITDA. Changes in non-cash operating working capital for the three-month period ended June 30, 2023, were impacted by the high level of iron ore concentrate inventories, higher prepayment balance for insurance, rail and port facilities handling services, partially offset by lower trade receivables, due to reduced shipments in June 2023 and lower prices. Last year's changes in working capital were driven by tax installments that were higher than the income and mining taxes expense and the increase in stockpiled ore inventories required to support the commissioning of Phase II.

The operating cash flow per share for the three-month period ended June 30, 2023, was $0.10[1], compared to an operating cash outflow per share of $0.06[1] for the same prior-year period, whereby the prior-year operating cash flows were negatively impacted by an increase in working capital.

[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 measure when applicable.

10. Cash Flows (continued)

Investing

i. Purchase of Property, Plant and Equipment

	Three Months Ended June 30,	
	2023	2022
(in thousands of dollars)		
Tailings lifts	**11,946**	8,985
Stripping and mining activities	**3,263**	11,063
Mining equipment rebuild and replacement	**4,552**	6,897
Other sustaining capital expenditures	**42**	—
Sustaining capital expenditures	**19,803**	26,945
DRPF Project	**11,083**	—
Other capital development expenditures at Bloom Lake	**24,784**	95,669
Purchase of property, plant and equipment as per cash flows	**55,670**	122,614

Sustaining Capital Expenditures

The increases in tailings-related investments for the three-month period ended June 30, 2023, were required to prepare the site for a higher level of operations with Phase II. 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 implementing its long-term tailings investment plan.

The decrease in stripping and mining activities during the three-month period ended June 30, 2023, compared to the same period in the previous financial year, is attributable to the low level of waste moved at the mine due to limited mining equipment availability early in the quarter, until all equipment was fully commissioned. The stripping and mining activities were slightly lower than the Company's plan for the 2024 financial year, due to the prioritization of critical activities to mitigate impacts of the forest fires.

The decrease in the Company's mining equipment rebuild program, despite an increase in additional equipment for the three-month period ended June 30, 2023, is attributable to Phase II mining equipment delivery delays which forced the Company to postpone rebuild investments in order to maintain full mining activities. During the next quarters, the Company should resume investments in the mining equipment rebuild program, with all mining equipment commissioned, which is in line with the Company's fleet management program for the 2024 financial year.

DRPF Project

During the three-month period ended June 30, 2023, $11.1 million was spent in capital expenditures related to the DRPF Project. Investments mainly consisted of on-site preparation activities, engineering work and equipment purchasing. Cumulative investments of $12.0 million were deployed on the DRPF Project as at June 30, 2023.

Other Capital Development Expenditures at Bloom Lake

During the three-month period ended June 30, 2023, other capital development expenditures at Bloom Lake totalled $24.8 million, compared to $95.7 million in the same period in 2022. During the three-month period ended June 30, 2023, the expenditures mainly consisted of $8.4 million in improvements and conformity of various infrastructure ($2.8 million for the same period last year), including the construction of two pads to expand the Company's capacity to stockpile concentrate near the loadout, $8.4 million for the expansion of the garage at the mine to support an expanded fleet, and $6.6 million in deposits for mining equipment ($14.8 million for the same period last year). The expenditures for the first quarter of the 2023 financial year also included $67.8 million related to Phase II and $4.4 million in capitalized borrowing costs.

ii. Other Main Investing Activities

During the three-month period ended June 30, 2023, the Company made advance payments of $8.2 million in connection with third-party major replacement parts and asset improvement capital expenditures, compared to $13.5 million in the same period in 2022 for infrastructure upgrades required to accommodate the anticipated increase in Phase II production volumes and rail access. During the three-month period ended June 30, 2022, the restricted account of $43.7 million (US$35.0 million) for potential Phase II project cost overruns was released.

10. Cash Flows (continued)

Financing

During the three-month period ended June 30, 2023, the Company drew down $10.5 million from the Caterpillar Financial Services Limited equipment facility ("CAT Financing"), in connection with the funding of mining equipment, compared to $19.8 million of drawdowns for the same prior-year period. During the three-month period ended June 30, 2023, the Company repaid $10.6 million of the CAT Financing and IQ Loan, compared to a total repayment of $7.8 million in the comparative period.

In June 2023, the Company also transferred $52.3 million in a restricted account, related to the dividend payment declared in May 2023 for the semi-annual financial results for the period ended March 31, 2023, which was paid to shareholders on July 5, 2023. During the three-month period ended June 30, 2022, the Company paid a dividend to its shareholders totalling $51.7 million in connection with the semi-annual financial results for the period ended March 31, 2022.

11. Financial Position

The following table details the changes to the statements of financial position as at June 30, 2023, compared to March 31, 2023:

	As at June 30, 2023	As at March 31, 2023	Variance
(in thousands of dollars)			
Cash and cash equivalents	**250,340**	326,806	(23%)
Restricted cash	**52,345**	—	100%
Short-term investments	**—**	312	(100%)
Receivables	**108,301**	162,268	(33%)
Inventories	**211,633**	167,670	26%
Other current assets	**96,281**	80,963	19%
Total current assets	**718,900**	738,019	(3%)
Property, plant and equipment	**1,286,518**	1,261,968	2%
Exploration and evaluation assets	**119,848**	117,127	2%
Other non-current assets	**197,410**	198,155	—%
Total assets	**2,322,676**	2,315,269	—%
Total current liabilities	**258,679**	205,658	26%
Long-term debt	**438,536**	448,201	(2%)
Lease liabilities	**71,813**	73,430	(2%)
Rehabilitation obligation	**84,550**	85,508	(1%)
Deferred tax liabilities	**220,726**	215,727	2%
Other non-current liabilities	**20,280**	24,041	(16%)
Total liabilities	**1,094,584**	1,052,565	4%
Equity attributable to Champion shareholders	**1,228,092**	1,262,704	(3%)
Total equity	**1,228,092**	1,262,704	(3%)
Total liabilities and equity	**2,322,676**	2,315,269	—%

Assets

The change in the Company's cash and cash equivalents balance on June 30, 2023, compared to the amount held on March 31, 2023, is detailed in section 10 — Cash Flows.

The restricted cash balance as at June 30, 2023, relates to funds transferred into a restricted account for the dividend payment declared in May 2023, which was paid on July 5, 2023.

The decrease in receivables for the three-month period ended June 30, 2023, was mainly attributable to lower trade receivables, reflecting the low sales volume caused by railway interruptions in June, together with the impact of P65 index decreases during the quarter, affecting the provisional amounts receivable as at June 30, 2023.

11. Financial Position (continued)

Assets (continued)
Higher inventories were mainly attributable to the increase in concentrate inventories due to lower shipment volumes, compared to production volumes.

The increase in property, plant and equipment is detailed in section 10 — Cash Flows.

Liabilities and Equity
The increase in total current liabilities is mainly due to the dividend paid in July 2023.

The change in total equity is mainly attributable to net income during the three-month period ended June 30, 2023, and the dividend declared on the ordinary shares in connection with the semi-annual financial results ending March 31, 2023.

Liquidity
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 undrawn available credit facilities. As at June 30, 2023, the Company held $250.3 million in cash, cash equivalents and short-term investments, and has $328.8 million in undrawn loans for a total available liquidity of $579.2 million[1].

In addition, discussions are currently underway with financial institutions and existing partners to support the funding of the DRPF Project.

	As at June 30, 2023
(in thousands of dollars)	
Revolving Facility	**291,280**
Caterpillar Financial Services Limited	**37,555**
Total available and undrawn loans	**328,835**

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

- Sustaining and other capital expenditures;
- Expenditures in relation with the DRPF Project;
- Additional investments in third-party infrastructure required to support the higher expected production volumes from the Bloom Lake mine;
- Semi-annual dividend payments to shareholders, if declared;
- Capital repayments related to lease liabilities, CAT Financing and IQ Loan; and
- Payment of mining and income taxes, when income and mining taxes exceed the amount of income and mining taxes currently receivable.

12. Financial Instruments

The nature and extent of risks arising from the Company's financial instruments are summarized in note 26 to the audited annual financial statements for the financial year ended March 31, 2023.

13. Contingencies

The Company is and may be from time to time subject to legal actions, including arbitration 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 June 30, 2023:

(in thousands of dollars)	Less than 1 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)	**210,086**	**—**	**—**	**210,086**
Long-term debt, including capital and future interest payment	**62,389**	**494,740**	**37,873**	**595,002**
Lease liabilities, including future interest	**16,525**	**28,859**	**79,984**	**125,368**
Cash-settled share-based payment liability	**3,635**	**4,559**	**—**	**8,194**
Commitments as per note 16 to the Financial Statements	**95,298**	**97,143**	**229,723**	**422,164**
	387,933	**625,301**	**347,580**	**1,360,814**

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

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

- A gross sales royalty 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 Government of Newfoundland and Labrador's Department of Finance.

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

Other Off-Balance Sheet Arrangements

The undrawn portion of the revolving facility totalled $291.3 million (US$220.0 million) as at June 30, 2023, and is subject to standby commitment fees.

As at June 30, 2023, the undrawn portion of the finance agreement with Caterpillar Financial Services amounted to $37.6 million (US$28.4 million) and is also subject to standby commitment fees.

15. Critical Accounting Estimates and Judgments

The Company’s significant accounting judgments, estimates and assumptions are summarized in note 2 to the Company’s audited annual financial statements for the financial year ended March 31, 2023.

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-month period ended June 30, 2023.

17. New Accounting Amendments Issued to Be Adopted at a Later Date

The new accounting standards issued but not yet in effect are disclosed in note 2 to the Financial Statements for the three-month period ended June 30, 2023.

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, 2023.

The Board approved in May 2023 the issuance of a secured loan to a related party. Additional information can be found in the note 4 - Receivables of the Financial Statements for the three-month period ended June 30, 2023.

19. Summary of Quarterly Results

The following information is derived from and should be read in conjunction with the Financial Statements for the three-month period ended June 30, 2023, 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, 2023.

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.

	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022
Financial Data ($ millions)								
Revenues	297.2	463.9	351.2	300.6	279.3	331.4	253.0	331.0
Operating income	39.1	153.2	87.7	55.9	74.5	173.7	109.2	190.4
EBITDA[1]	65.8	195.7	118.2	84.3	94.9	197.9	122.1	200.0
Net income	16.7	88.2	51.4	19.5	41.6	115.7	68.0	114.6
Adjusted net income[1]	19.0	88.2	54.1	29.3	54.1	121.3	73.0	118.3
EPS - basic	0.03	0.17	0.10	0.04	0.08	0.23	0.13	0.23
EPS - diluted	0.03	0.17	0.10	0.04	0.08	0.22	0.13	0.22
Adjusted EPS - basic[1]	0.04	0.17	0.10	0.06	0.10	0.24	0.14	0.23
Net cash flow (used in) from operating activities	49.3	167.7	13.4	87.1	(32.2)	4.3	104.6	374.1
Operating Data								
Waste mined and hauled (thousands of wmt)	5,199	5,024	4,372	4,573	5,606	5,072	5,442	5,300
Ore mined and hauled (thousands of wmt)	9,594	9,194	8,840	8,215	6,193	5,388	5,517	5,714
Stripping ratio	0.54	0.55	0.49	0.56	0.91	0.94	0.99	0.93
Ore milled (thousands of wmt)	9,896	9,055	8,503	8,103	6,022	4,904	5,161	5,680
Head grade Fe (%)	28.8	28.4	28.5	29.5	31.0	30.3	30.6	29.1
Fe recovery (%)	78.2	78.6	80.1	78.6	80.2	82.7	83.9	83.3
Product Fe (%)	66.1	66.1	66.0	66.1	66.1	66.2	66.2	66.3
Iron ore concentrate produced (thousands of wmt)	3,397	3,084	2,963	2,857	2,283	1,869	2,013	2,089
Iron ore concentrate sold (thousands of dmt)	2,564	3,093	2,694	2,793	2,014	1,890	1,832	1,954
Statistics (in dollars per dmt sold)								
Gross average realized selling price[1]	168.8	183.2	171.6	157.0	190.4	207.1	195.0	218.8
Net average realized selling price[1]	115.9	150.0	130.4	107.6	138.7	175.3	138.1	169.4
C1 cash cost[1]	81.3	79.0	76.0	65.9	74.0	60.0	59.5	56.2
AISC[1]	94.1	85.7	86.7	81.9	93.5	70.5	76.0	73.6
Cash operating margin[1]	21.8	64.3	43.7	25.7	45.2	104.8	62.1	95.8
Statistics (in U.S. dollars per dmt sold)[2]								
Gross average realized selling price[1]	125.7	135.5	126.5	120.6	149.6	164.1	154.8	174.6
Net average realized selling price[1]	86.3	110.9	96.1	83.2	108.8	139.1	109.5	134.7
C1 cash cost[1]	60.5	58.4	56.0	50.5	58.0	47.4	47.2	44.6
AISC[1]	70.1	63.4	63.9	62.7	73.2	55.7	60.3	58.4
Cash operating margin[1]	16.2	47.5	32.2	20.5	35.6	83.4	49.2	76.3

[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 measure when applicable.
[2] See the "Currency" subsection 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 substitutes 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.

The Company presents certain of its non-IFRS measures and other financial measures in U.S. dollars in addition to Canadian dollars to facilitate comparability with measures presented by other companies.

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, plus write-off of non-current investment 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 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
Cost of sales per dmt sold	Cost of sales 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
	September 30,	December 31,	March 31,	**June 30,**
	2022	2022	2023	**2023**
(in thousands of dollars)				
Income before income and mining taxes	45,511	85,629	144,457	**28,966**
Net finance costs	10,765	1,858	8,774	**6,926**
Depreciation	28,055	30,719	42,478	**29,913**
EBITDA	84,331	118,206	195,709	**65,805**
Revenues	300,621	351,233	463,913	**297,162**
EBITDA margin	28%	34%	42%	**22%**

				Three Months Ended
	September 30,	December 31,	March 31,	June 30,
	2021	2021	2022	2022
(in thousands of dollars)				
Income before income and mining taxes	189,564	108,574	181,312	70,948
Net finance costs	1,012	3,377	2,269	4,190
Depreciation	9,437	10,176	14,357	19,792
EBITDA	200,013	122,127	197,938	94,930
Revenues	331,006	253,016	331,376	279,321
EBITDA margin	60%	48%	60%	34%

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 were 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 did not include the inefficiency costs associated with the COVID-19 pandemic across all areas of the Company's operations.

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

Adjusted Net Income and Adjusted EPS (continued)

Pre-commercial start-up costs for the Phase II project were 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.

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
	September 30, 2022	December 31, 2022	March 31, 2023	**June 30, 2023**
(in thousands of dollars except per share)				
Net income	19,530	51,406	88,217	**16,657**
Non-cash item				
Write-off of non-current investment	—	—	—	**2,744**
	—	—	—	**2,744**
Cash items				
Incremental costs related to COVID-19	305	—	—	**—**
Bloom Lake Phase II start-up costs	15,391	4,292	—	**—**
	15,696	4,292	—	**—**
Tax effect of adjustments listed above[1]	(5,964)	(1,631)	—	**(370)**
Adjusted net income	29,262	54,067	88,217	**19,031**
Weighted average number of ordinary shares outstanding - Basic	517,104,000	517,193,000	517,193,000	**517,193,000**
Adjusted EPS	0.06	0.10	0.17	**0.04**

				Three Months Ended
	September 30, 2021	December 31, 2021	March 31, 2022	June 30, 2022
(in thousands of dollars except per share)				
Net income	114,596	67,997	115,653	41,554
Cash items				
Loss on disposal of non-current investments	232	—	—	—
Incremental costs related to COVID-19	1,099	1,366	3,310	840
Bloom Lake Phase II start-up costs	4,613	7,174	5,965	19,476
	5,944	8,540	9,275	20,316
Tax effect of adjustments listed above[1]	(2,228)	(3,501)	(3,617)	(7,720)
Adjusted net income	118,312	73,036	121,311	54,150
Weighted average number of ordinary shares outstanding - Basic	506,429,000	506,492,000	511,237,000	516,691,000
Adjusted EPS	0.23	0.14	0.24	0.10

[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 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 June 30, 2023	As at March 31, 2023
Cash and cash equivalents	**250,340**	326,806
Short-term investments	**—**	312
Undrawn amounts under credit facilities	**328,835**	346,596
Available liquidity	**579,175**	673,714

C1 Cash Cost per dmt Sold

C1 cash cost per dmt 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 with 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 from the Phase II commissioning in April 2022 to the commencement of commercial production. Depreciation expense is not a component of C1 cash cost.

				Three Months Ended
	September 30, 2022	December 31, 2022	March 31, 2023	**June 30, 2023**
Per tonne sold				
Iron ore concentrate sold (dmt)	2,793,400	2,694,200	3,092,900	**2,563,500**
(in thousands of dollars except per tonne)				
Cost of sales	199,841	209,070	244,444	**208,485**
Less: Incremental costs related to COVID-19	(305)	—	—	**—**
Less: Bloom Lake Phase II start-up costs	(15,391)	(4,292)	—	**—**
	184,145	204,778	244,444	**208,485**
C1 cash cost (per dmt sold)	65.9	76.0	79.0	**81.3**

				Three Months Ended
	September 30, 2021	December 31, 2021	March 31, 2022	June 30, 2022
Per tonne sold				
Iron ore concentrate sold (dmt)	1,953,900	1,832,100	1,889,900	2,013,900
(in thousands of dollars except per tonne)				
Cost of sales	110,884	110,290	116,658	169,407
Less: Incremental costs related to COVID-19	(1,099)	(1,366)	(3,310)	(840)
Less: Bloom Lake Phase II start-up costs	—	—	—	(19,476)
	109,785	108,924	113,348	149,091
C1 cash cost (per dmt sold)	56.2	59.5	60.0	74.0

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, net finance 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
	September 30, 2022	December 31, 2022	March 31, 2023	**June 30, 2023**
Per tonne sold				
Iron ore concentrate sold (dmt)	2,793,400	2,694,200	3,092,900	**2,563,500**
(in thousands of dollars except per tonne)				
Cost of sales	199,841	209,070	244,444	**208,485**
Less: Incremental costs related to COVID-19	(305)	—	—	**—**
Less: Bloom Lake Phase II start-up costs	(15,391)	(4,292)	—	**—**
Sustaining capital expenditures[1]	36,181	19,495	9,303	**19,803**
G&A expenses	8,564	9,212	11,466	**12,949**
	228,890	233,485	265,213	**241,237**
AISC (per dmt sold)	81.9	86.7	85.7	**94.1**

				Three Months Ended
	September 30, 2021	December 31, 2021	March 31, 2022	June 30, 2022
Per tonne sold				
Iron ore concentrate sold (dmt)	1,953,900	1,832,100	1,889,900	2,013,900
(in thousands of dollars except per tonne)				
Cost of sales	110,884	110,290	116,658	169,407
Less: Incremental costs related to COVID-19	(1,099)	(1,366)	(3,310)	(840)
Less: Bloom Lake Phase II start-up costs	—	—	—	(19,476)
Sustaining capital expenditures[1]	26,461	21,985	11,743	26,945
G&A expenses	7,548	8,323	8,094	12,272
	143,794	139,232	133,185	188,308
AISC (per dmt sold)	73.6	76.0	70.5	93.5

[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
	September 30, 2022	December 31, 2022	March 31, 2023	**June 30, 2023**
Per tonne sold				
Iron ore concentrate sold (dmt)	2,793,400	2,694,200	3,092,900	**2,563,500**
(in thousands of dollars except per tonne)				
Revenues	300,621	351,233	463,913	**297,162**
Net average realized selling price (per dmt sold)	107.6	130.4	150.0	**115.9**
AISC (per dmt sold)	81.9	86.7	85.7	**94.1**
Cash operating margin (per dmt sold)	25.7	43.7	64.3	**21.8**
Cash profit margin	24%	34%	43%	**19%**

				Three Months Ended
	September 30, 2021	December 31, 2021	March 31, 2022	June 30, 2022
Per tonne sold				
Iron ore concentrate sold (dmt)	1,953,900	1,832,100	1,889,900	2,013,900
(in thousands of dollars except per tonne)				
Revenues	331,006	253,016	331,376	279,321
Net average realized selling price (per dmt sold)	169.4	138.1	175.3	138.7
AISC (per dmt sold)	73.6	76.0	70.5	93.5
Cash operating margin (per dmt sold)	95.8	62.1	104.8	45.2
Cash profit margin	57%	45%	60%	33%

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 enables 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
	September 30,	December 31,	March 31,	**June 30,**
	2022	2022	2023	**2023**
Per tonne sold				
Iron ore concentrate sold (dmt)	2,793,400	2,694,200	3,092,900	**2,563,500**
(in thousands of dollars except per tonne)				
Revenues	300,621	351,233	463,913	**297,162**
Provisional pricing adjustments	20,931	5,205	(14,325)	**46,806**
Freight and other costs	117,131	105,987	117,137	**88,697**
Gross revenues	438,683	462,425	566,725	**432,665**
Gross average realized selling price (per dmt sold)	157.0	171.6	183.2	**168.8**

				Three Months Ended
	September 30,	December 31,	March 31,	June 30,
	2021	2021	2022	2022
Per tonne sold				
Iron ore concentrate sold (dmt)	1,953,900	1,832,100	1,889,900	2,013,900
(in thousands of dollars except per tonne)				
Revenues	331,006	253,016	331,376	279,321
Provisional pricing adjustments	11,229	7,466	(28,769)	15,668
Freight and other costs	85,219	96,849	88,757	88,361
Gross revenues	427,454	357,331	391,364	383,350
Gross average realized selling price (per dmt sold)	218.8	195.0	207.1	190.4

21. Share Capital Information

The Company's share capital consists of ordinary shares without par value. As of July 27, 2023, there were 517,193,126 ordinary shares issued and outstanding. In addition, there were 4,207,213 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, to monitor risks and adherence to market conditions, and the Company's activities.

Refer to the Company's 2023 Annual Information Form and the MD&A for the financial year ended March 31, 2023, available on SEDAR+ at www.sedarplus.ca, 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 risks, 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 April 1, 2023, and ended on June 30, 2023, 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 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 July 28, 2023.

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 losing 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 profile on SEDAR+ at www.sedarplus.ca, the ASX at www.asx.com.au and the Company's website at www.championiron.com.