Management's Discussion and Analysis

For the Three and Six-Month Periods Ended September 30, 2023

CHAMPION IRON

TSX: CIA - ASX: CIA

As at October 26, 2023

The following Champion Iron Limited ("Champion" or the "Company") Management's Discussion and Analysis ("MD&A") has been prepared as of October 26, 2023. This MD&A is intended to supplement the condensed interim consolidated financial statements for the three and six-month periods ended September 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$ or U.S. (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 wholly-owned 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 21 — 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.

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) Bloom Lake's life of mine, recovery rates, production, economic and other benefits;

Cautionary Note Regarding Forward-Looking Statements (continued)

Specific Forward-Looking Statements (continued)

(iii) 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;

(iv) the study evaluating the re-commissioning of the Pointe-Noire Iron Ore Pelletizing Facility to produce Direct Reduction grade pellets, including its anticipated completion timeline, economics, capital expenditure and expected premium that high quality DRPF products will attract;

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

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

(vii) 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 (including producing high quality DRPF products) and expected benefits thereof;

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

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

(x) collaboration between First Nations and Champion;

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

(xii) optimization work programs, their objectives and expected results and impact on production;

(xiii) benefits and expected impact of recently commissioned equipment on production and the Company's shipping capacity;

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

(xv) the Company's mining equipment rebuild program, fleet management program, tailings investment plan and related investments and benefits;

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

(xvii) the impact of interest 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;

(xxv) the Company's expected iron ore concentrate production and sales;

(xxvi) the Company's iron ore concentrate pricing trends compared the P65 index;

(xxvii) the closing of the refinancing of the Company's credit facility and its impact on liquidity and the Company's growth projects; and

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

Deemed Forward-Looking Statements

Statements relating to "reserves" or "resources" are deemed to be forward-looking statements as they involve the implied assessment, based on certain estimates and assumptions, that the reserves and resources described exist in the quantities predicted or estimated and that the reserves can be profitably mined in the future. Actual reserves and resources may be greater or less than the estimates provided herein.

Cautionary Note Regarding Forward-Looking Statements (continued)

Risks

Although Champion believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such forward-looking statements involve known and unknown risks, uncertainties and other factors, most of which are beyond the control of the Company, which may cause the Company's actual results, performance or achievements to differ materially from those expressed or implied by such forward-looking statements. Factors that could cause the actual results to differ materially from those expressed in forward-looking statements include, without limitation:

- the results of feasibility studies;
- changes in the assumptions used to prepare feasibility studies;
- project delays;
- timing and uncertainty of industry shift to green steel and electric arc furnaces, 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 the 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 low contaminant high-grade 66.2% Fe iron ore concentrate with a proven ability to produce a 67.5% Fe direct reduction quality iron ore concentrate. In January 2023, the Company announced the positive findings of a study evaluating the upgrade of half of the Bloom Lake mine's 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 September 30,			Six Months Ended September 30,		
	2023	2022	Variance	**2023**	2022	Variance
Iron ore concentrate produced (wmt)	**3,447,200**	2,857,300	21%	**6,844,400**	5,139,900	33%
Iron ore concentrate sold (dmt)	**2,883,800**	2,793,400	3%	**5,447,300**	4,807,300	13%
Financial Data (in thousands of dollars, except per share amounts)						
Revenues	**387,568**	300,621	29%	**684,730**	579,942	18%
EBITDA[1]	**155,036**	84,331	84%	**220,841**	179,261	23%
EBITDA margin[1]	**40 %**	28 %	43%	**32 %**	31 %	3%
Net income	**65,281**	19,530	234%	**81,938**	61,084	34%
Adjusted net income[1]	**65,281**	29,262	123%	**84,312**	83,412	1%
Basic EPS	**0.13**	0.04	225%	**0.16**	0.12	33%
Adjusted EPS[1]	**0.13**	0.06	117%	**0.16**	0.16	—%
Net cash flow from operating activities	**162,227**	87,069	86%	**211,495**	54,822	286%
Dividend per ordinary share paid	**0.10**	—	100%	**0.10**	0.10	—%
Cash and cash equivalents	**316,530**	276,858	14%	**316,530**	276,858	14%
Total assets	**2,407,938**	2,156,323	12%	**2,407,938**	2,156,323	12%
Statistics (in dollars per dmt sold)						
Gross average realized selling price[1]	**169.4**	157.0	8%	**169.1**	171.0	(1%)
Net average realized selling price[1]	**134.4**	107.6	25%	**125.7**	120.6	4%
C1 cash cost[1]	**73.7**	65.9	12%	**77.3**	69.3	12%
AISC[1]	**99.1**	81.9	21%	**96.7**	86.8	11%
Cash operating margin[1]	**35.3**	25.7	37%	**29.0**	33.8	(14%)
Statistics (in U.S. dollars per dmt sold)[2]						
Gross average realized selling price[1]	**126.2**	120.6	5%	**126.0**	132.7	(5%)
Net average realized selling price[1]	**100.3**	83.2	21%	**93.8**	93.8	—%
C1 cash cost[1]	**55.0**	50.5	9%	**57.6**	53.7	7%
AISC[1]	**73.9**	62.7	18%	**72.0**	67.2	7%
Cash operating margin[1]	**26.4**	20.5	29%	**21.8**	26.6	(18%)

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 21 — 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 7 — Key Drivers.

3. Quarterly Highlights

Sustainability and Health & Safety

- No serious injuries and no major environmental incidents reported in the quarter;
- Appointed Ms. Jessica McDonald to the Board at the Company's Annual General Shareholders' Meeting held in August 2023. Ms. McDonald brings extensive leadership and directorship experience to the Company and this appointment enabled Champion to exceed the 30% female Board representation threshold that the Company committed to in its 2022 Sustainability Report;
- Recognized National Day for Truth and Reconciliation on September 30 for the second year in a row, by organizing full day workshops and commemoration activities aimed at familiarizing Champion's employees with the Innu culture;
- Concluded a 10-year financial partnership with the Innu Nikamu Festival, one of the most important events celebrating First Nations music and art in North America, to help promote and increase awareness of the Innu culture and language; and
- Participated in several community engagements, including fundraising events to support local residents fighting cancer and struggling local families, sponsorship of the annual First Nations and Québec Regional Economic Circle, contributions to local facilities to promote First Nations employment and several 2023 scholarships offered in sports, arts and recreation to encourage young people from the Innu community to pursue their studies.

Operations and Finance

- Achieved a record quarterly production of 3.45 million wmt of high-grade 66.1% Fe concentrate for the three-month period ended September 30, 2023, an increase of 21%, compared to the same period last year due to the continued solid performance of Phase II since achieving commercial production in December 2022. Record production was realized despite several days of unscheduled outage related to a major crusher ore belt failure in one of the Company's conveyor systems, affecting the availability of the Phase II concentrator;
- Realized a record quarterly material mined and hauled of nearly 17 million wmt for the three-month period ended September 30, 2023, up 14% from the previous quarter, enabled by the contribution of additional mining equipment commissioned during the financial year. Ore milled by both plants reached a new high at 10 million wmt for the three-month period ended September 30, 2023, up 4% from the previous quarter, enabled by ongoing infrastructure optimization. With the solid performance of the mine and the processing plants, the Company continues its progress towards reaching its expanded 15 Mtpa production nameplate capacity;
- Quarterly iron ore concentrate sales of 2.9 million dmt for the three-month period ended September 30, 2023, comparable to the same period in 2022, and up 12% from the previous quarter, as railway capacity gradually resumed after the June 2023 forest fires. Shipments during the period were also impacted by the railway service provider's annual planned maintenance lasting several days, together with a few days of outage caused by a train derailment in the northern switching yard, which fortunately caused no injuries or negative environmental impact. As a result, the Company had 1.6 million wmt of iron ore concentrate stockpiled at Bloom Lake as at September 30, 2023. With additional locomotives in service and rail operations resuming at full capacity after the scheduled maintenance in September 2023, the Company expects its tonnage sold to meet and possibly exceed tonnage produced as it clears iron ore concentrate inventories at the mine site in upcoming periods;
- Cost of sales was $73.7/dmt[1] (US$55.0/dmt)[2], a decrease of 9% for the three-month period ended September 30, 2023, compared to $81.3/dmt[1] (US$60.5/dmt)[2] in the previous quarter, positively impacted by semi-annual railway services trailing fuel price adjustments and by higher shipment volumes amortizing fixed handling costs at the port. The cost of sales per dmt sold slightly increased, compared to $71.5/dmt[1] (US$54.8/dmt)[2] for the same period in 2022, and continued to be negatively impacted by the utilization of contractors to fill vacant positions, higher maintenance costs driven by planned and unplanned maintenance activities and below normal run rate shipment levels to amortize mostly fixed costs at the port facilities in Sept-Îles;

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[2] See the "Currency" subsection of this MD&A included in section 7 — Key Drivers.

3. Quarterly Highlights (continued)

Operations and Finance (continued)

- Revenues of $387.6 million for the three-month period ended September 30, 2023 ($300.6 million for the same period in 2022), net cash flow from operating activities of $162.2 million ($87.1 million for the same period in 2022), EBITDA of $155.0 million[1] ($84.3 million[1] for the same period in 2022) and net income of $65.3 million with EPS of $0.13 ($19.5 million with EPS of $0.04 for the same period in 2022);
- Strong cash position and liquidity at quarter-end with $316.5 million in cash and cash equivalents and short-term investments as at September 30, 2023 ($277.4 million as at September 30, 2022), an increase of $66.2M since June 30, 2023, and available liquidity, including amounts available from the Company's credit facilities, totalling $645.9 million[1] at quarter-end, compared to $579.2 million[1] as at June 30, 2023; and
- Fifth consecutive semi-annual dividend of $0.10 per ordinary share declared on October 25, 2023 (Montréal time) / October 26, 2023 (Sydney time), in connection with the semi-annual results for the period ended September 30, 2023.

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

- Cumulative investments totalled $28.9 million, as at September 30, 2023, from previously approved initial budgets, including ongoing detailed engineering work and on-site activities, in preparation for upcoming civil work programs; and
- Work programs completed to date secured the project completion timeline, scheduled for the second half of calendar year 2025 pending a final investment decision ("FID"), which is expected in the near term.

Other Growth and Development

- The Company continues to pursue organic growth opportunities, with the Kami Project's feasibility study, evaluating the viability to produce a Direct Reduction ("DR") grade pellet feed product, and an additional study, in collaboration with a major international steelmaking partner, to re-commission the Pointe-Noire Iron Ore Pelletizing Facility (the "Pellet Plant") to produce DR grade pellets. Both studies are expected to be completed in the near term; and
- Issued a technical report in respect of Bloom Lake prepared pursuant to National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("NI 43-101") and Chapter 5 of the ASX Listing Rules entitled "Mineral Resources and Mineral Reserves for the Bloom Lake Mine, Fermont, Québec, Canada", prepared by BBA Inc., SRK Consulting (U.S.), Inc., Soutex and Quebec Iron Ore Inc. and dated September 28, 2023 (the "2023 Technical Report"), confirming the 18-year LoM, based on the mineral reserves, with an opportunity to extend operations beyond the LoM plan, with a 40% increase to the measured and indicated resources and a 360% increase to inferred resources.

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4. Dividend on Ordinary Shares

The Board declared a fifth consecutive semi-annual dividend of $0.10 per ordinary share on October 25, 2023 (Montréal time) / October 26, 2023 (Sydney time), in connection with the semi-annual financial results for the period ended September 30, 2023, payable on November 28, 2023 (Montréal and Sydney time), to the Company's shareholders on record as at the close of business on November 7, 2023 (Montréal and Sydney time).

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

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

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

5. 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 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. An initial budget of $62 million was approved by the Board to advance the project and secure its estimated project construction timeline and potential completion by the second half of calendar year 2025, pending an FID expected in the near term.

The DRPF Project aims to capitalize on the steel industry's focus to reduce 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 rare 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.

During the three-month period ended September 30, 2023, detailed engineering work and on-site activities in preparation for upcoming civil work programs continued. Refer to section 11 — Cash Flows for investments made during the quarter.

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.

6. Green Steel Initiatives

With an increased focus on reducing greenhouse gas ("GHG") emissions in the 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 reduction in the BF-BOF process.

The Company is an early investor and collaborator with Binding Solutions Limited, a private 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.

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 works to align 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 "Pellet Plant 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 and six-month periods ended September 30, 2023, the Company advanced this study.

The MOU sets out a framework for Champion and the Pellet Plant Partner to collaborate in order to complete the study, anticipated in the near term. Good progress is expected in the next quarter as work is entering its final stages of estimation and economic modelling. 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 Pellet Plant 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.

7. Key Drivers

A. Iron Ore Concentrate Price

The price of iron ore concentrate is the most significant factor affecting the Company's financial results. As such, net 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 industries 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 IODEX 65% Fe CFR China Index ("P65"). The premium captured by the P65 index is attributable to steel mills recognizing that higher iron ore grades offer the benefit of optimizing output while also significantly decreasing CO_2 emissions in the steelmaking process.

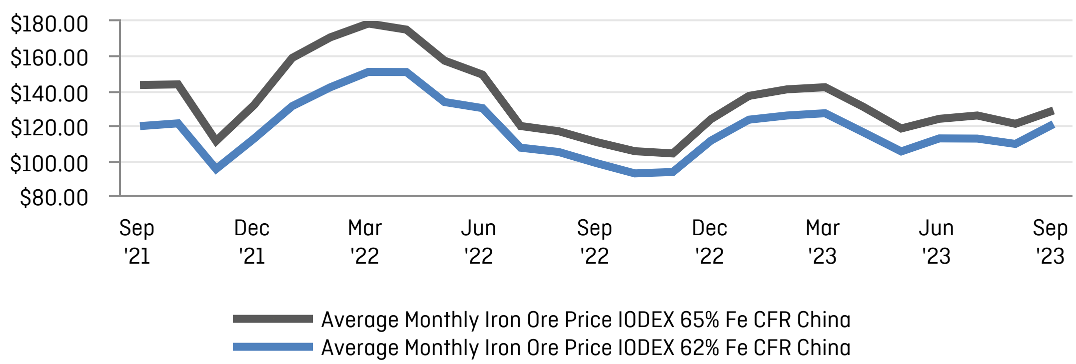
7. Key Drivers (continued)

A. Iron Ore Concentrate Price (continued)

During the three-month period ended September 30, 2023, the index P62 average price was 10% higher than during the corresponding period in 2022. This increase can likely be attributed to support measures introduced to stimulate economic activity, including the property sector, in China. Additionally, the lack of steel output restrictions previously discussed by Chinese authorities further supported a positive undertone as blast furnace utilization rates and hot metal production remained robust in the country. While iron ore prices remained stable through the period, high-grade iron ore premiums declined compared to the same period in 2022; as European steel output declined, impacting a key consuming region for high-grade iron ore, steel mills profitability remained challenged globally, prompting steelmakers to focus on low price, low grade, raw material rather than optimizing production through the use of high-grade iron ore.

According to the World Steel Association[1], global crude steel production during the three-month period ended September 30, 2023, witnessed a rise of 2.49% compared to the corresponding period in 2022, which totalled 460.8 million. Notably, China's crude steel production for the same period reached 259.3 million tonnes, increasing 2.85% compared to the previous year as output remained elevated with mills attempting to maximize production ahead of potential production curbs. The world ex-China also recorded a year-over-year increase in crude steel production of 2.03% from 2022, totalling 201.5 million tonnes. The growth was positively impacted by increased steel production originating from Russia, Ukraine and Africa, partially offset by a declining European output.

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



A significant portion of Champion's iron ore concentrate sales contracts are structured on a provisional pricing basis, where the final sale 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 September 30, 2023, an average final price of US$122.4/dmt was established for the 1.4 million tonnes of iron ore that were in transit as at June 30, 2023, which were previously evaluated using an average expected price of US$121.2/dmt. Accordingly, during the three-month period ended September 30, 2023, positive pricing adjustments of $1.6 million were recorded for tonnes subject to provisional prices as at June 30, 2023. For the total volume of 2.9 million dmt sold during the second quarter, the positive adjustments represent US$0.5/dmt. As at September 30, 2023, 1.3 million tonnes of iron ore sales remained subject to provisional pricing adjustments, with the final price to be determined in the subsequent reporting periods (September 30, 2022: 1.3 million tonnes). A gross forward provisional price of US$125.9/dmt was used as at September 30, 2023, to estimate the sales that remain subject to final pricing.

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

7. Key Drivers (continued)

A. Iron Ore Concentrate Price (continued)

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

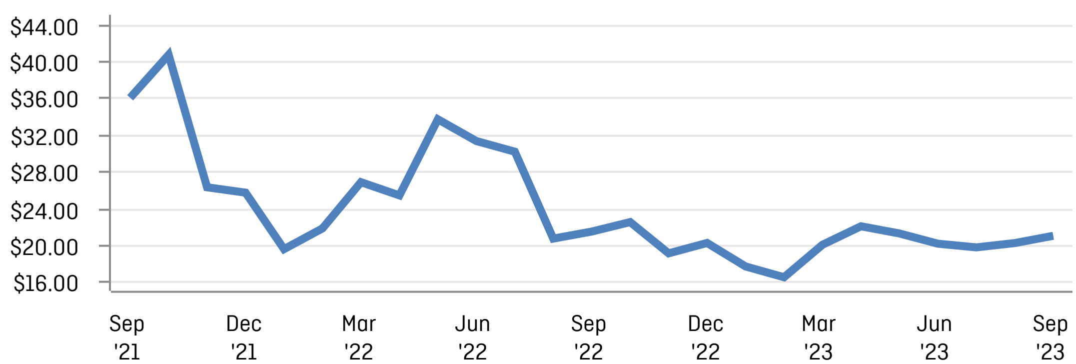
(in thousands of U.S. dollars)	As at September 30, 2023
Tonnes (dmt) subject to provisional pricing adjustments	**1,289,900**
10% increase in iron ore prices	**16,238**
10% decrease in iron ore prices	**(16,238)**

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 September 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.

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 September 30, 2023, the average C3 index stood at US$20.3/t, compared to US$24.0/t for the same period in 2022, representing a 15% 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.

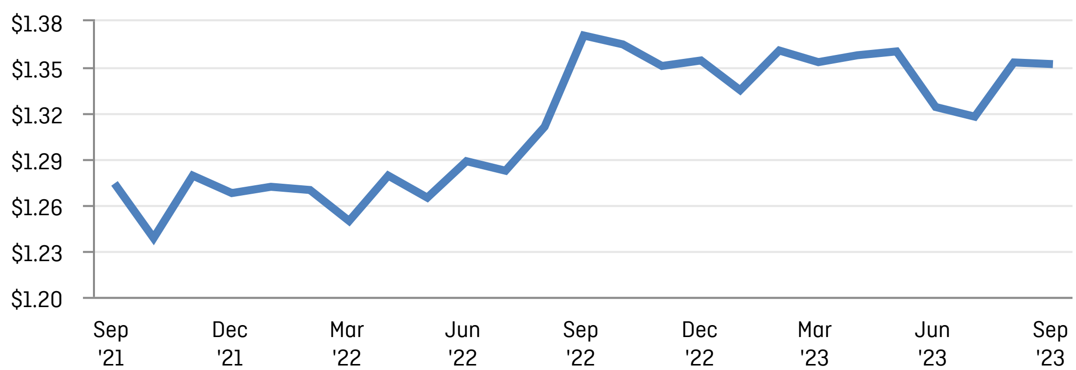
7. Key Drivers (continued)

C. Currency

The Canadian dollar is the Company's functional and reporting currency. The Company is exposed to foreign currency fluctuations 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%.

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	**1.3411**	1.3056	3 %	**1.3520**	1.3707	(1)%
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.

(Expressed in Canadian dollars, except where otherwise indicated)

8. Bloom Lake Mine Operating Activities

	Three Months Ended September 30,			**Six Months Ended September 30,**		
	2023	2022	Variance	**2023**	2022	Variance
Operating Data						
Waste mined and hauled (wmt)	**6,264,600**	4,572,900	37%	**11,463,100**	10,178,900	13%
Ore mined and hauled (wmt)	**10,593,600**	8,214,700	29%	**20,187,100**	14,407,800	40%
Material mined and hauled (wmt)	**16,858,200**	12,787,600	32%	**31,650,200**	24,586,700	29%
Stripping ratio	**0.59**	0.56	5%	**0.57**	0.71	(20%)
Ore milled (wmt)	**10,339,700**	8,102,700	28%	**20,235,300**	14,124,900	43%
Head grade Fe (%)	**28.2**	29.5	(4%)	**28.5**	30.2	(6%)
Fe recovery (%)	**77.8**	78.6	(1%)	**78.0**	79.3	(2%)
Product Fe (%)	**66.1**	66.1	—%	**66.1**	66.1	—%
Iron ore concentrate produced (wmt)	**3,447,200**	2,857,300	21%	**6,844,400**	5,139,900	33%
Iron ore concentrate sold (dmt)	**2,883,800**	2,793,400	3%	**5,447,300**	4,807,300	13%

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 besides the destruction of the power and communication line on the affected rail sections. As forest fires subsided in the region, railway services resumed at partial capacity on June 10, 2023, until they returned to normal levels during the quarter ended September 30, 2023, after repairs to the damaged electrical poles and wires over several kilometers were completed. As a result, shipments and sales were impacted in the first half of the 2024 financial year.

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 managed 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 in the first quarter of the 2024 financial year. 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 full day.

As at September 30, 2023, the Company had 1.6 million wmt of iron ore concentrate in inventory at the Bloom Lake site. Although the recent commissioning of three additional locomotives received in June 2023 had a positive impact on the volume of concentrate transported to Sept-Îles, it was offset by an annual planned maintenance shutdown of the railway facilities lasting several days and its reduced capacity in the first half of the quarter, as well as a few days of outage caused by a train derailment. The Company and its rail service provider are working diligently to maximize the transportation of tonnes from Bloom Lake to Sept-Îles. The Company expects its stockpiled iron ore concentrate at Bloom Lake to be shipped and sold over several upcoming quarters. The Company also 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. As expected when delivering a project of this scale, the Company faced challenges, including delays in deliveries and commissioning of mining equipment, creating inefficiencies across the site, which negatively impacted the Company's ability to reach its full expanded nameplate capacity. Phase II produced at nameplate capacity for thirty consecutive days for the first time during the first quarter of the 2024 financial year. Considering its success in increasing its production at the mine and ore material milled quarter after quarter, and ongoing work programs, the Company continues its progress towards reaching its expanded 15 Mtpa production nameplate capacity on a consistent basis. Those programs aim to increase throughput and ore recoveries, optimize and synchronize operations, and adapt maintenance practices.

The main Phase II work on third-party infrastructure was completed in the three-month period ended September 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 recent commissioning of the stacker reclaimer and associated conveyors, and three additional locomotives required to support the expanded production capacity should positively impact the Company's shipment capacity and vessel loading time.

8. Bloom Lake Mine Operating Activities (continued)

Operational Performance

Second Quarter of the 2024 Financial Year vs Second Quarter of the 2023 Financial Year

In the three-month period ended September 30, 2023, 16.9 million tonnes of material were mined and hauled, compared to 12.8 million tonnes during the same period in 2022, an increase of 32%, attributable to the contribution of additional equipment commissioned during the financial year. This also represents a 14% improvement over the volume mined and hauled in the previous quarter due to a higher utilization of mining equipment associated with an increase in the number of operators and better equipment availability. The stripping ratio of 0.59 for the three-month period ended September 30, 2023, is comparable to the same period in 2022, and increased as planned, compared to 0.54 in the previous quarter.

During the three-month period ended September 30, 2023, an unscheduled outage related to a major crusher ore belt failure in one of the Company's conveyor systems negatively impacted the availability of the Phase II concentrator for several days. Despite this situation, the two plants processed 10.3 million tonnes of ore during the three-month period ended September 30, 2023, compared to 8.1 million tonnes for the same prior-year period, an increase of 28%, driven by the progress of the Phase II ramp-up to reach Bloom Lake's expanded production nameplate capacity of 15 Mtpa. Material processed by the two plants also increased by 4%, compared to 9.9 million tonnes in the previous quarter, and reached the two mills feed nameplate capacity during the three-month period ended September 30, 2023.

The iron ore head grade for the three-month period ended September 30, 2023, was 28.2%, compared to 29.5% for the same period in 2022, and 28.8% during the previous quarter. The variation in head grade was within expected normal variations in the mine plan.

The Company's average Fe recovery rate was 77.8% for the three-month period ended September 30, 2023, compared to 78.6% for the same period in 2022, and 78.2% during the previous quarter. In the context of constrained rail capacity, the Company adjusted the mine plan to process more challenging ore from some areas, which negatively impacted recovery rates during the period. The Company remains confident in its ability to reach the average LoM expected Fe recovery rate target of 82.0% in upcoming quarters at Bloom Lake, as detailed in the 2023 Technical Report.

Despite the impact of an unscheduled outage lasting several days to repair a conveyor system, and lower head grade and recovery, the two processing plants delivered a record production of 3.45 million wmt of high-grade iron ore concentrate during the three-month period ended September 30, 2023, an increase of 21% compared to 2.9 million wmt during the same period in 2022 and an increase of 1.5% compared to the previous quarter.

First Six Months of the 2024 Financial Year vs First Six Months of the 2023 Financial Year

The Company mined and hauled 31.7 million tonnes of material during the six-month period ended September 30, 2023, compared to 24.6 million tonnes for the same period in 2022, an increase of 29% driven by additional mining equipment in operation.

The stripping ratio was 0.57 for the six-month period ended September 30, 2023, compared to 0.71 for the same period in 2022, slightly lower than the Company's plan for the 2024 financial year. The Company strategically focused on mining ore in the first months of the 2024 financial year with a reduced mining equipment capacity and limited fuel reserves caused by supply challenges related to the June 2023 forest fires, as fuel inventories were prioritized for critical activities.

The two plants processed 20.2 million tonnes of ore during the six-month period ended September 30, 2023, an increase of 43% over the same period in 2022, and produced a record of 6.8 million wmt of high-grade iron ore concentrate, compared to 5.1 million wmt for the same period in 2022, benefiting from the Phase II ramp-up.

The iron ore head grade of 28.5% for the six-month period ended September 30, 2023, is consistent with the LoM head grade average. The lower average Fe recovery rate for the six-month period ended September 30, 2023, was mainly attributable to the processing of more challenging ore from some areas in the pits and to a slight backlog in the recovery circuit maintenance due to significant efforts deployed on solving conveying challenges in the past months. Significant improvements were made to increase the reliability and productivity of the Company's crushed ore conveying systems which should allow the Company to resume its proven ability to stabilize and optimize its recovery circuits.

9. Financial Performance

	Three Months Ended September 30,			Six Months Ended September 30,		
	2023	2022	Variance	**2023**	2022	Variance
Financial Data (in thousands of dollars)						
Revenues	**387,568**	300,621	29%	**684,730**	579,942	18%
Cost of sales	**212,584**	199,841	6%	**421,069**	369,248	14%
Other expenses	**20,192**	16,839	20%	**39,837**	32,444	23%
Net finance costs	**11,634**	10,765	8%	**18,560**	14,955	24%
Net income	**65,281**	19,530	234%	**81,938**	61,084	34%
EBITDA[1]	**155,036**	84,331	84%	**220,841**	179,261	23%
Statistics (in dollars per dmt sold)						
Gross average realized selling price[1]	**169.4**	157.0	8%	**169.1**	171.0	(1%)
Net average realized selling price[1]	**134.4**	107.6	25%	**125.7**	120.6	4%
C1 cash cost[1]	**73.7**	65.9	12%	**77.3**	69.3	12%
AISC[1]	**99.1**	81.9	21%	**96.7**	86.8	11%
Cash operating margin[1]	**35.3**	25.7	37%	**29.0**	33.8	(14%)

A. Revenues

	Three Months Ended September 30,			Six Months Ended September 30,		
	2023	2022	Variance	**2023**	2022	Variance
(in U.S. dollars per dmt sold)						
Index P62	**114.0**	103.3	10%	**112.5**	120.2	(6%)
Index P65	**125.0**	115.5	8%	**124.5**	137.3	(9%)
US$ Gross average realized selling price[1]	**126.2**	120.6	5%	**126.0**	132.7	(5%)
Freight and other costs	**(26.4)**	(32.1)	(18%)	**(26.1)**	(33.1)	(21%)
Provisional pricing adjustments	**0.5**	(5.3)	(109%)	**(6.1)**	(5.8)	5%
US$ Net average realized FOB selling price[1]	**100.3**	83.2	21%	**93.8**	93.8	—%
Foreign exchange rate conversion	**34.1**	24.4	40%	**31.9**	26.8	19%
C$ Net average realized FOB selling price[1]	**134.4**	107.6	25%	**125.7**	120.6	4%

Second Quarter of the 2024 Financial Year vs Second Quarter of the 2023 Financial Year

Revenues totalled $387.6 million for the three-month period ended September 30, 2023, compared to $300.6 million for the same period in 2022, due to a higher P65 index price, lower freight and other costs, a weaker Canadian dollar over the same prior-year period and a slight increase in sales volume to 2.9 million tonnes of high-grade iron ore concentrate, compared to 2.8 million tonnes for the same period in 2022.

As expected, sales volume for the period was affected by the reduced railway capacity at the beginning of the quarter due to the forest fires in June 2023 and a scheduled maintenance of the railway facilities lasting several days. A few days of unplanned interruption caused by a train derailment, which fortunately caused no injuries or environmental impact, also restricted the transport of iron ore concentrate to the port of Sept-Îles. With additional locomotives in service and rail operations resuming at full capacity, the Company expects its tonnage sold to exceed tonnage produced as it clears iron ore concentrate inventories at the mine site in upcoming periods.

[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 21 — 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. Financial Performance (continued)

A. Revenues (continued)

Second Quarter of the 2024 Financial Year vs Second Quarter of the 2023 Financial Year (continued)

The gross average realized price was US$126.2/dmt[1] during the second quarter of the 2024 financial year, up from US$120.6/dmt[1] for the same period last year, due to higher P65 index prices. During the three-month period ended September 30, 2023, the P65 index averaged US$125.0/dmt, an increase of 8% from the same quarter last year, representing a premium of 9.6% over the P62 index average price of US$114.0/dmt. Last year, the high-grade premium over the P62 index averaged 11.8%. The decline in premiums for high-grade iron ore for the quarter was mainly due to lower European steel output, a key consuming region for high-grade iron ore, struggling profitability at global steel mills together with the robust seasonal seaborn supply of high-grade iron ore.

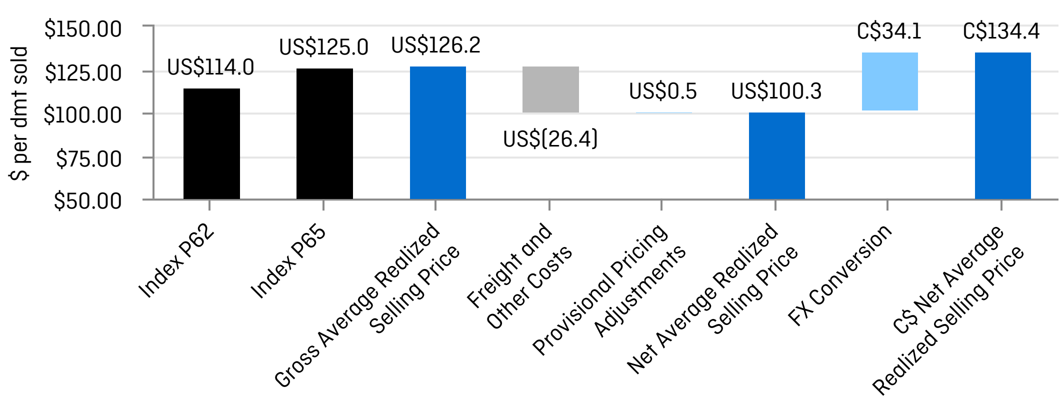
The gross average realized selling price of US$126.2/dmt[1] was higher than the P65 index average price of US$125.0/dmt for the period, due to the 1.3 million tonnes in transit as at September 30, 2023, that were provisionally priced using an average forward price of US$125.9/dmt, which is higher than the P65 index average price for the period. Gross selling prices on sale contracts using backward-looking iron ore index prices for the three-month period ended September 30, 2023, were also slightly higher than the P65 index average price for the period.

The average C3 index for the three-month period ended September 30, 2023, was US$20.3/t compared to US$24.0/t for the same period in 2022, representing a decrease of 15%, comparable to the decrease in the Company's freight and other costs in the three-month period ended September 30, 2023. While the C3 index declined from the previous quarter average of US$21.1/t, the Company's freight cost increased quarter on quarter to US$26.4/dmt due to sales contracts using backward-looking C3 index prices.

Provisional pricing adjustments on previous quarterly sales of $1.6 million were recorded during the three-month period ended September 30, 2023, representing a positive impact of US$0.5/dmt over the total volume of 2.9 million dmt sold during the period. This was due to a slight increase in the P65 index in the first half of the quarter. During the three-month period ended September 30, 2023, a final average price of US$122.4/dmt was established for the 1.4 million tonnes of iron ore that were in transit as at June 30, 2023, and which were previously evaluated using an average expected price of US$121.2/dmt.

After taking into account sea freight and other costs of US$26.4/dmt and the positive provisional pricing adjustment of US$0.5/dmt, the Company obtained a net average realized selling price of US$100.3/dmt (C$134.4/dmt)[1] for its high-grade iron ore shipped during the period.

Q2 FY2024 Net Realized Selling Price



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9. Financial Performance (continued)

A. Revenues (continued)

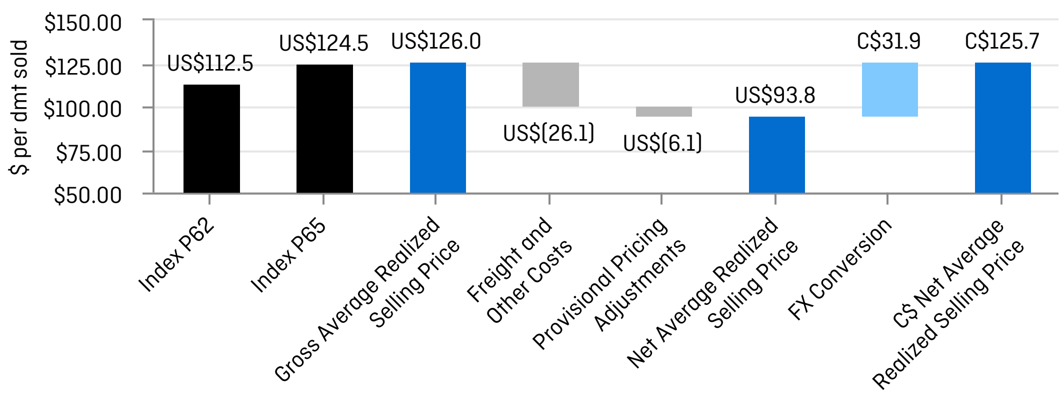
First Six Months of the 2024 Financial Year vs First Six Months of the 2023 Financial Year

Revenues totalled $684.7 million for the six-month period ended September 30, 2023, compared to $579.9 million for the same period in 2022, due to higher sales and higher net average realized selling prices in Canadian dollars, attributable to the weaker Canadian dollar over the same prior-year period.

For the six-month period ended September 30, 2023, the Company sold 5.4 million tonnes of iron ore concentrate, compared to 4.8 million tonnes for the same prior-year period. This represents an increase of 13% year-over-year due to Phase II achieving commercial production in December 2022. Sales volumes during the six-month period ended September 30, 2023, were negatively impacted by twelve days of railway interruptions from May 30 to June 10, 2023, due to forest fires in Québec and reduced service capacity extending into the early part of the second quarter ended September 30, 2023. As discussed above, shipments during the first half of the financial year were also impacted by planned and unplanned rail service interruptions.

The high-grade iron ore P65 index price averaged US$124.5/dmt for the six-month period ended September 30, 2023, representing a decrease of 9% from the period last year. The Company sold its product at a gross average realized selling price of US$126.0/dmt[1]. Benefiting from a premium product, the Company expects its iron ore concentrate pricing to continue tracking the P65 index in the long term. Deducting sea freight and other costs of US$26.1/dmt and the negative provisional pricing adjustments of US$6.1/dmt, the Company obtained a net average realized selling price of US$93.8/dmt (C$125.7/dmt)[1] for its high-grade iron ore concentrate.

FY2024 Net Realized Selling Price



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9. Financial Performance (continued)

B. Cost of Sales and C1 Cash Cost

	Three Months Ended September 30,			Six Months Ended September 30,		
	2023	2022	Variance	**2023**	2022	Variance
(in thousands of dollars except per dmt sold)						
Iron ore concentrate produced (dmt)	**3,350,400**	2,773,500	21 %	**6,641,800**	4,985,200	33 %
Iron ore concentrate sold (dmt)	**2,883,800**	2,793,400	3 %	**5,447,300**	4,807,300	13 %
Mining and processing costs	**158,577**	117,066	35 %	**324,176**	227,434	43 %
Change in concentrate inventories	**(22,916)**	1,493	(1635)%	**(54,922)**	(10,587)	419 %
Land transportation and port handling	**76,923**	65,586	17 %	**151,815**	116,389	30 %
C1 cash cost[1]	**212,584**	184,145	15 %	**421,069**	333,236	26 %
C1 cash cost per dmt sold[1]	**73.7**	65.9	12 %	**77.3**	69.3	12 %
Incremental costs related to COVID-19	**—**	305	(100)%	**—**	1,145	(100)%
Bloom Lake Phase II start-up costs	**—**	15,391	(100)%	**—**	34,867	(100)%
Cost of sales	**212,584**	199,841	6 %	**421,069**	369,248	14 %
Cost of sales per dmt sold[1]	**73.7**	71.5	3 %	**77.3**	76.8	1 %
Mining and processing costs per dmt produced	**47.3**	42.2	12 %	**48.8**	45.6	7 %

Second Quarter of the 2024 Financial Year vs Second Quarter of the 2023 Financial Year

For the three-month period ended September 30, 2023, the cost of sales totalled $212.6 million with a cost of sales per tonne sold of $73.7/dmt[1], compared to $199.8 million and $71.5/dmt[1] for the same period in 2022. The cost of sales per dmt sold dropped significantly during the three-month period ended September 30, 2023, as expected, compared to $81.3/dmt[1] for the first quarter, with increased shipments and semi-annual fuel price adjustments based on trailing prices, positively impacting rail service costs.

The cost of sales for the three-month period ended September 30, 2023, continued to be negatively impacted by the utilization of contractors to fill vacant positions, high maintenance costs relating to planned and unplanned maintenance activities, including costs associated with a breakdown in one of the Company's conveyor systems and below normal run rate shipment levels during the quarter to amortize mostly fixed costs at the port facilities in Sept-Îles. The Company also incurred rehandling costs at the mine site during the period. This was partially mitigated by lower fuel and explosives prices, and higher production levels.

Mining and processing costs for the 3.4 million dmt produced in the three-month period ended September 30, 2023, totalled $47.3/dmt produced, a decrease of 6% compared to $50.3/dmt produced in the first quarter of the 2024 financial year, reflecting a stronger mining performance.

First Six Months of the 2024 Financial Year vs First Six Months of the 2023 Financial Year

For the six-month period ended September 30, 2023, the cost of sales totalled $421.1 million, compared to $369.2 million for the same period in 2022, with cost of sales per tonne sold of $77.3/dmt[1], compared to $76.8/dmt[1] for the six-month period ended September 30, 2022.

The cost of sales for the six-month period ended September 30, 2023, was impacted by the same factors that affected the cost of sales for the second quarter ended September 30, 2023.

Mining and processing costs for the 6.6 million dmt produced in the six-month period ended September 30, 2023, totalled $48.8/dmt produced, compared to $45.6/dmt produced in the same prior-year period.

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

[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 21 — 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. Financial Performance (continued)

C. Gross Profit

The gross profit for the three-month period ended September 30, 2023, totalled $143.8 million, compared to $72.7 million for the same prior-year period, largely driven by the higher net average realized selling price of $134.4/dmt[1], compared to $107.6/dmt[1] for the three-month period ended September 30, 2022, and slightly higher sales volumes. The higher revenues were partially offset by higher depreciation expenses with Phase II achieving commercial production in December 2022 and slightly higher cost of sales per dmt sold.

The gross profit for the six-month period ended September 30, 2023, totalled $202.5 million, compared to $162.8 million for the same period in 2022. The increase is driven by higher shipments and higher net average realized selling prices in Canadian dollars, attributable to the weaker Canadian dollar over the same prior-year period, partially offset by higher depreciation and production costs.

D. Other Expenses

	Three Months Ended September 30,			Six Months Ended September 30,		
	2023	2022	Variance	**2023**	2022	Variance
(in thousands of dollars)						
Share-based payments	**1,880**	389	383 %	**916**	(2,041)	(145)%
G&A expenses	**12,729**	8,564	49 %	**25,678**	20,836	23 %
Sustainability and other community expenses	**4,315**	3,860	12 %	**8,284**	7,203	15 %
Innovation and growth initiative expenses	**1,268**	4,026	(69)%	**4,959**	6,446	(23)%
	20,192	16,839	20 %	**39,837**	32,444	23 %

Share-based payment expenses for the three and six-month periods ended September 30, 2023, were 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 and six-month periods ended September 30, 2023, compared to the same period in 2022, but in line with previous quarters. These expenses included headcount and consulting fees required to support the Company's expanded capacity, and increased insurance premiums, reflecting Phase II achieving commercial production in December 2022. The following table details G&A expenses:

	Three Months Ended September 30,			Six Months Ended September 30,		
	2023	2022	Variance	**2023**	2022	Variance
(in thousands of dollars)						
Salaries, benefits and other employee expenses	**6,024**	3,853	56 %	**13,425**	10,310	30 %
Insurance	**2,813**	2,439	15 %	**5,602**	4,887	15 %
Other	**3,892**	2,272	71 %	**6,651**	5,639	18 %
	12,729	8,564	49 %	**25,678**	20,836	23 %

[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 21 — 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. Financial Performance (continued)

D. Other Expenses (continued)

Sustainability and other community expenses were higher for the three and six-month periods ended September 30, 2023, with higher contributions related to the impact and benefits agreement, after Phase II reached commercial production in December 2022. The following table details sustainability and other community expenses:

	Three Months Ended September 30,			**Six Months Ended September 30,**		
	2023	2022	Variance	**2023**	2022	Variance
(in thousands of dollars)						
Property and school taxes	**1,672**	1,632	2 %	**3,172**	3,051	4 %
Impact and benefits agreement	**1,920**	1,378	39 %	**3,776**	2,819	34 %
Salaries, benefits and other employee expenses	**271**	139	95 %	**553**	366	51 %
Other expenses	**452**	711	(36)%	**783**	967	(19)%
	4,315	3,860	12 %	**8,284**	7,203	15 %

During the three and six-month periods ended September 30, 2023, the Company incurred innovation and growth initiative expenses of $1.3 million and $5.0 million, respectively, compared to $4.0 million and $6.4 million, respectively, for the same periods in 2022. The expenses for the three and six-month periods ended September 30, 2023, were comprised of consultant fees, salaries and benefits mainly related to the Pointe-Noire Pellet Plant study. The Company's strategic initiatives are detailed in section 6 — Green Steel Initiatives.

E. Net Finance Costs

	Three Months Ended September 30,			**Six Months Ended September 30,**		
	2023	2022	Variance	**2023**	2022	Variance
(in thousands of dollars)						
Interest on long-term debt	**8,635**	—	100 %	**17,064**	—	100 %
Standby commitment fees on long-term debt	**437**	390	12 %	**868**	1,321	(34)%
Interest expense on lease liabilities	**982**	870	13 %	**1,980**	1,720	15 %
Realized and unrealized foreign exchange loss	**2,439**	9,131	(73)%	**741**	10,527	(93)%
Interest income	**(2,981)**	(1,615)	85 %	**(6,398)**	(2,151)	197 %
Other	**2,122**	1,989	7 %	**4,305**	3,538	22 %
	11,634	10,765	8 %	**18,560**	14,955	24 %

Second Quarter of the 2024 Financial Year vs Second Quarter of the 2023 Financial Year

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"). The Company capitalized borrowing costs on its DRPF and Phase II projects based on the investments to date and ceased capitalizing borrowing costs for Phase II upon achieving commercial production in December 2022. This contributed to a higher interest expense in the three-month period ended September 30, 2023, as all interest expenses were capitalized during the same period in 2022. During the three-month period ended September 30, 2023, $0.4 million was capitalized relating to the DRPF Project, compared to $5.1 million for the same period in 2022 relating to the Phase II Project.

During the three-month period ended September 30, 2023, the foreign exchange loss was attributable to the impact of the appreciation of the U.S. dollar against the Canadian dollar as at September 30, 2023, compared to June 30, 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 September 30, 2023, compared to the same period last year, is attributable to higher interest rates.

9. Financial Performance (continued)

E. Net Finance Costs (continued)

First Six Months of the 2024 Financial Year vs First Six Months of the 2023 Financial Year

Net finance costs increased to $18.6 million for the six-month period ended September 30, 2023, compared to $15.0 million for the same period in 2022. Higher net finance costs are mainly attributable to lower capitalized borrowing costs due to the current level of investments in the DRPF Project compared to the Phase II expansion project during the same period last year. This was partially offset by a lower foreign exchange loss following the revaluation of the Company's net monetary liabilities denominated in U.S. dollars, and higher interest income.

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 and six-month periods ended September 30, 2023 (2022: 26.50%).

During the three and six-month periods ended September 30, 2023, current income and mining tax expenses totalled $27.4 million and $34.7 million, respectively, compared to $8.4 million and $19.3 million, respectively, for the same periods in 2022. The variation was mainly due to higher taxable income driven by higher gross profits.

During the three and six-month periods ended September 30, 2023, deferred income and mining tax expenses totalled $19.5 million and $24.5 million, respectively, compared to $17.6 million and $36.1 million, respectively, for the same periods in 2022. The variation in deferred tax expenses was mainly attributable to temporary differences between the carrying amounts of property, plant and equipment and the tax basis.

The combined provincial and federal statutory tax and mining tax rate was 38%. The Company's effective tax rate ("ETR") was 42% for the three and six-month periods ended September 30, 2023, compared to 57% and 48%, respectively for the same periods in 2022. The ETR for the three-month period ended September 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, and a non taxable unrealized capital foreign exchange loss.

With current income and mining taxes of $34.7 million and net tax installments of $1.9 million paid during the six-month period ended September 30, 2023, the Company had a net income and mining taxes receivable $5.1 million as at September 30, 2023, compared to a receivable balance of $37.9 million as at March 31, 2023.

9. Financial Performance (continued)

G. Net Income & EBITDA

Second Quarter of the 2024 Financial Year vs Second Quarter of the 2023 Financial Year

For the three-month period ended September 30, 2023, the Company generated EBITDA of $155.0 million[1], representing an EBITDA margin of 40%[1], compared to $84.3 million[1], representing an EBITDA margin of 28%[1], for the same period in 2022. Higher EBITDA was mainly due to higher revenues, as described above.

For the three-month period ended September 30, 2023, the Company generated net income of $65.3 million (EPS of $0.13), compared to $19.5 million (EPS of $0.04) for the same period last year. The year-over-year increase in net income is attributable to higher gross profits partially offset by higher current income and mining taxes.

First Six Months of the 2024 Financial Year vs First Six Months of the 2023 Financial Year

For the six-month period ended September 30, 2023, the Company generated EBITDA of $220.8 million[1], representing an EBITDA margin of 32%[1], compared to $179.3 million[1], representing an EBITDA margin of 31%[1], for the same prior-year period. This year-over-year increase in EBITDA is mainly attributable to higher sales volumes following the commissioning of Phase II and the increase in the net average realized selling price in Canadian dollars due to the weaker Canadian dollar over the same prior-year period, partially offset by higher production costs.

For the six-month period ended September 30, 2023, the Company generated net income of $81.9 million (EPS of $0.16), compared to $61.1 million (EPS of $0.12) for the same prior-year period. The year-over-year increase in net income is mainly due to higher gross profit.

H. All In Sustaining Cost and Cash Operating Margin

	Three Months Ended September 30,			**Six Months Ended September 30,**		
	2023	2022	Variance	**2023**	2022	Variance
(in dollars per dmt sold)						
Iron ore concentrate sold (dmt)	**2,883,800**	2,793,400	3 %	**5,447,300**	4,807,300	13 %
Net average realized selling price[1]	**134.4**	107.6	25 %	**125.7**	120.6	4 %
C1 cash cost[1]	**73.7**	65.9	12 %	**77.3**	69.3	12 %
Sustaining capital expenditures	**21.0**	13.0	62 %	**14.7**	13.1	12 %
G&A expenses	**4.4**	3.0	47 %	**4.7**	4.4	7 %
AISC[1]	**99.1**	81.9	21 %	**96.7**	86.8	11 %
Cash operating margin[1]	**35.3**	25.7	37 %	**29.0**	33.8	(14)%

During the three-month period ended September 30, 2023, the Company realized an AISC of $99.1/dmt[1], compared to $81.9/dmt[1] for the same period in 2022. The increase was due to higher C1 cash costs, higher sustaining capital expenditures and G&A expenses. Refer to section 11 — Cash Flows for details on sustaining capital expenditures.

The Company generated a cash operating margin of $35.3/dmt[1] for each tonne of high-grade iron ore concentrate sold during the three-month period ended September 30, 2023, compared to $25.7/dmt[1] for the same prior-year period. The variation is mainly due to a higher net average realized selling price for the period, partially offset by higher AISC.

During the six-month period ended September 30, 2023, the Company recorded an AISC of $96.7/dmt[1], compared to $86.8/dmt[1] for the same period in 2022. The increase was due to higher C1 cash costs as well as higher sustaining capital expenditures and G&A expenses per dmt sold.

The cash operating margin totalled $29.0/dmt[1] for the six-month period ended September 30, 2023, compared to $33.8/dmt[1] for the same prior-year period. The variation is mainly due to higher AISC, partially offset by a higher net average realized selling price in Canadian dollars.

[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 21 — 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. Exploration Activities and Regional Growth

Bloom Lake Mineral Resources and Reserves Update

The 2023 Technical Report, which was filed on October 3, 2023, confirmed the 18-year LoM based on the mineral reserves with an average LoM yearly production of 15.2 million wmt of high-purity iron ore concentrate at 66.2% Fe, an average iron metallurgical recovery of 82.0% and plant feed grade of 28.6% Fe. The 2023 Technical Report also confirmed an expansion opportunity considering a 40% increase to the measured and indicated resources and a 360% increase to the inferred resources.

The Company is not aware of any new information or data that materially affects the information included in the 2023 Technical Report and confirms that all material assumptions and technical parameters underpinning the estimates in the 2023 Technical Report continue to apply and have not materially changed.

The 2023 Technical Report can be found under the Company's profile on SEDAR+ at www.sedarplus.ca.

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 in the near term as part of the Company's strategy to evaluate its growth alternatives within its existing property portfolio.

Exploration and Evaluation Activities

During the three and six-month periods ended September 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 and six-month periods ended September 30, 2023, $4.6 million and $7.3 million in exploration and evaluation expenditures were incurred, respectively, compared to $0.9 million and $3.1 million, respectively, for the same prior-year periods. During the three and six-month periods ended September 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. In addition, the Company started a 2000 metres diamond drill campaign for hydro geological characterization in September 2023, expected to be completed by the end of 2023. Details on exploration projects and maps are available on the Company's website at www.championiron.com under the section Operations & Projects.

11. Cash Flows

The following table summarizes cash flow activities:

	Three Months Ended September 30,		**Six Months Ended September 30,**	
	2023	2022	**2023**	2022
(in thousands of dollars)				
Operating cash flows before working capital	**121,659**	76,305	**174,966**	155,418
Changes in non-cash operating working capital	**40,568**	10,764	**36,529**	(100,596)
Net cash flow from operating activities	**162,227**	87,069	**211,495**	54,822
Net cash flow used in investing activities	**(95,118)**	(65,137)	**(161,386)**	(160,787)
Net cash flow from (used in) financing activities	**(3,017)**	86,846	**(57,813)**	43,759
Net increase (decrease) in cash and cash equivalents	**64,092**	108,778	**(7,704)**	(62,206)
Effects of exchange rate changes on cash and cash equivalents	**2,098**	12,156	**(2,572)**	17,172
Cash and cash equivalents, beginning of period	**250,340**	155,924	**326,806**	321,892
Cash and cash equivalents, end of period	**316,530**	276,858	**316,530**	276,858
Operating cash flow per share[1]	**0.31**	0.17	**0.41**	0.11

[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 21 — 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.

11. Cash Flows (continued)

Operating

During the three-month period ended September 30, 2023, the Company generated operating cash flows of $121.7 million before working capital items, up $45.4 million, compared to $76.3 million for the same period last year, with higher EBITDA partially offset by higher current income and mining taxes. Changes in non-cash operating working capital for the three-month period ended September 30, 2023, were mainly impacted by higher accounts payable and the timing of supplier payments, partially offset by the high level of iron ore concentrate inventories, due to reduced railway capacity associated with the June 2023 forest fires, and higher trade receivables due to increased shipments compared to the first quarter. The operating cash flow per share for the three-month period ended September 30, 2023, was $0.31[1], compared to $0.17[1] for the same prior-year period.

During the six-month period ended September 30, 2023, the Company's operating cash flows before working capital items totalled $175.0 million, compared to $155.4 million for the same prior-year period. The variation is driven by higher EBITDA, partially offset by higher current income and mining taxes. Changes in non-cash operating working capital for the six-month period ended September 30, 2023, were impacted by higher accounts payable associated with property, plant and equipment, lower trade receivables and lower income and mining taxes receivable, partially offset by the high level of iron ore concentrate inventories and a lower prepayment balance for rail and port facilities handling services. Last year's changes in working capital were mainly affected by an excess of installment over current tax expense, the timing of advances for rail transportation services, as well as changes in stockpiled ore inventories to support Phase II ramp-up production and concentrate inventories attributable to the timing of sales compared to production volumes, partially offset by lower trade receivables driven by lower iron ore index prices. The operating cash flow per share for the period totalled $0.41[1], compared to $0.11[1] for the same prior-year period, whereby in the prior-year operating cash flows were negatively impacted by an increase in working capital.

Investing

i. Purchase of Property, Plant and Equipment

	Three Months Ended September 30,		Six Months Ended September 30,	
	2023	2022	**2023**	2022
(in thousands of dollars)				
Tailings lifts	**43,041**	28,440	**54,987**	37,425
Stripping and mining activities	**6,542**	3,730	**9,805**	14,793
Mining equipment rebuild and replacement	**10,683**	4,011	**15,235**	10,908
Other sustaining capital expenditures	**180**	—	**222**	—
Sustaining capital expenditures	**60,446**	36,181	**80,249**	63,126
DRPF Project	**16,938**	—	**28,021**	—
Other capital development expenditures at Bloom Lake	**13,002**	42,403	**37,786**	138,072
Purchase of property, plant and equipment as per cash flows	**90,386**	78,584	**146,056**	201,198

Sustaining Capital Expenditures

The increases in tailings-related investments for the three and six-month periods ended September 30, 2023, are part of the Company's long-term plan to prepare the site for a higher level of operations with the commissioning of 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 increase in stripping and mining activities during the three-month period ended September 30, 2023, compared to the same period in the previous financial year, is mainly attributable to investments made for the ongoing construction of additional access ramps for $1.8 million. No stripping cost was capitalized during the three-month period ended September 30, 2023. The decrease in stripping and mining activities during the six-month period ended September 30, 2023, is due to the low level of waste moved at the mine due to limited mining equipment availability early in the period, until all equipment was fully commissioned. The stripping and mining activities for the six-month period ended September 30, 2023, were slightly lower than the Company's plan for the 2024 financial year, due to the prioritization of critical activities to mitigate the impacts of the forest fires in the first quarter.

[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 21 — 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.

11. Cash Flows (continued)

Investing (continued)

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

Sustaining Capital Expenditures (continued)

The increase in the Company's mining equipment rebuild program for the three and six-month periods ended September 30, 2023, is attributable to the major overhaul of its growing mining fleet over the last two years to prepare for additional mining activities driven by the Company's expansion. The mining equipment rebuild program is in line with the Company's fleet management program for the 2024 financial year.

DRPF Project

During the three and six-month periods ended September 30, 2023, $16.9 million and $28.0 million, respectively, were spent in capital expenditures related to the DRPF Project. Investments mainly consisted of on-site preparation activities, engineering work and long lead-time equipment purchasing. Cumulative investments of $28.9 million were deployed on the DRPF Project as at September 30, 2023.

Other Capital Development Expenditures at Bloom Lake

During the three-month period ended September 30, 2023, other capital development expenditures at Bloom Lake totalled $13.0 million, compared to $42.4 million in the same 2022 period. During the three-month period ended September 30, 2023, the expenditures mainly consisted of $5.6 million in infrastructure improvements and conformity ($7.1 million for the same period last year), $6.8 million for the garage expansion to support the expanded fleet, and $5.1 million in deposits for mining equipment ($4.5 million for the same period last year). The expenditures for the same period last year also included $26.2 million related to Phase II and $5.1 million in capitalized borrowing costs. During the three-month periods ended September 30, 2023 and 2022, other capital development expenditures were partially offset by the receipt of a government grant of $5.2 million related to the Company's greenhouse gas emissions and energy consumption reduction initiatives.

During the six-month period ended September 30, 2023, other capital development expenditures at Bloom Lake totalled $37.8 million, compared to $138.1 million in the same prior-year period. During the six-month period ended September 30, 2023, the expenditures mainly consisted of $14.1 million in infrastructure improvements and conformity ($9.9 million for the same period last year), including the construction of two pads to expand the mine's capacity to stockpile concentrate near the loadout, $15.2 million for the expansion of the garage, and $11.7 million in deposits for mining equipment ($19.2 million for the same period last year). The expenditures for the first six-month period of last year also included $94.0 million related to Phase II and $9.6 million in capitalized borrowing costs.

ii. Other Main Investing Activities

During the three-month period ended September 30, 2023, the Company invested $4.6 million in exploration and evaluation assets, compared to $0.9 million for the same prior-year period. Refer to section 10 - Exploration Activities and Regional Growth. During the three-month period ended September 30, 2022, $30.8 million in short-term investments was released and the Company made advance payments of $16.5 million in connection with the purchase of major replacement parts and capital expenditures for infrastructure upgrades required to accommodate the anticipated increase in Phase II production volumes and rail access.

During the six-month period ended September 30, 2023, the Company made advance payments of $8.2 million in connection with the purchase of major replacement parts and asset improvement capital expenditures, compared to $30.0 million in the same period in 2022. During the three-month period ended September 30, 2023, the Company invested $7.3 million in exploration and evaluation assets, compared to $3.1 million for the same prior-year period. During the six-month period ended September 30, 2022, the restricted account of $43.7 million (US$35.0 million) for potential Phase II project cost overruns was released, as well as $30.8 million in short-term investments.

Financing

During the three-month period ended September 30, 2023, the Company drew down $6.3 million from the Caterpillar Financial Services Limited equipment facility ("CAT Financing"), in connection with the funding of mining equipment, compared to $90.5 million in drawdowns for the same prior-year period. During the three-month period ended September 30, 2023, the Company repaid $6.9 million of the CAT Financing and IQ Loan, compared to a total repayment of $2.9 million in the comparative period. In addition, during the three-month period ended September 30, 2023, a restricted account containing $52.3 million related to the dividend payment declared in May 2023 was released and paid to shareholders on July 5, 2023.

During the six-month period ended September 30, 2023, the Company made a net repayment of $0.7 million from the CAT Financing and IQ Loan, compared to a net drawdown of $99.7 million in the same prior-year period. In addition, during the six-month periods ended September 30, 2023 and 2022, the Company made a dividend payment to its shareholders totalling $51.7 million.

12. Financial Position

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

	As at September 30, 2023	As at March 31, 2023	Variance
(in thousands of dollars)			
Cash and cash equivalents	**316,530**	326,806	(3%)
Short-term investments	**—**	312	(100%)
Receivables	**123,628**	162,268	(24%)
Inventories	**252,816**	167,670	51%
Other current assets	**51,190**	80,963	(37%)
Total current assets	**744,164**	738,019	1%
Advance payments	**83,346**	166,943	(50%)
Property, plant and equipment	**1,430,568**	1,261,968	13%
Exploration and evaluation assets	**124,422**	117,127	6%
Other non-current assets	**25,438**	31,212	(18%)
Total assets	**2,407,938**	2,315,269	4%
Total current liabilities	**260,534**	205,658	27%
Long-term debt	**445,536**	448,201	(1%)
Lease liabilities	**71,763**	73,430	(2%)
Rehabilitation obligation	**77,976**	85,508	(9%)
Deferred tax liabilities	**240,272**	215,727	11%
Other non-current liabilities	**20,799**	24,041	(13%)
Total liabilities	**1,116,880**	1,052,565	6%
Total equity	**1,291,058**	1,262,704	2%
Total liabilities and equity	**2,407,938**	2,315,269	4%

Assets

The change in the Company's cash and cash equivalents balance on September 30, 2023, compared to the amount held on March 31, 2023, is detailed in section 11 — Cash Flows.

The decrease in receivables for the six-month period ended September 30, 2023, was mainly attributable to lower trade receivables, associated with revenues subject to provisional pricing, as the P65 index remained stable after the provisional payment following the vessels' departure. The lower trade receivables were partially offset by higher sales tax receivables due to higher trade payables.

Higher inventories were mainly attributable to the increase in concentrate inventories due to lower shipment volumes, compared to production volumes, attributable to reduced railway capacities.

A decrease in the balance of other current assets was mainly due to lower income and mining taxes receivable.

The increase in property, plant and equipment is detailed in section 11 — Cash Flows. In addition, the increase in property, plant and equipment is attributable to the reclassification of third-party transshipment infrastructure from non-current advance payments as at March 31, 2023, to right-of-use assets as at September 30, 2023, and the commissioning of three additional locomotives during the period to support higher production volume.

Liabilities and Equity

The increase in current liabilities related to higher trade payables due to the timing of supplier payments and an income and mining taxes payable of $8.8 million, compared to a receivable balance as at March 31, 2023.

The variation in the rehabilitation obligation is mainly attributable to the change in the discount rate used, reflecting the increase in interest rates, when compared to March 31, 2023.

12. Financial Position (continued)

Liabilities and Equity (continued)

The increase in deferred tax liabilities is mainly attributable to temporary differences between the carrying amounts of property, plant and equipment and the tax basis.

The change in total equity is mainly attributable to net income during the six-month period ended September 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 from its existing cash balance, forecasted cash flows from operating activities and undrawn available credit facilities. As at September 30, 2023, the Company held $316.5 million in cash, cash equivalents and short-term investments, and has $329.4 million in undrawn loans for a total available liquidity of $645.9 million[1].

	As at September 30,
	2023
(in thousands of dollars)	
Revolving Facility	**297,440**
Caterpillar Financial Services Limited	**31,946**
Total available and undrawn loans	**329,386**

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 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.

13. 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.

14. 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.

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

Contractual Obligations and Commitments

The following are the contractual maturities of the Company's liabilities segmented by period, with estimated future interest payments and the future minimum payments of the commitments, as at September 30, 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)	**203,646**	**—**	**—**	**203,646**
Long-term debt, including capital and future interest payment	**65,008**	**499,914**	**35,352**	**600,274**
Lease liabilities, including future interest	**17,374**	**28,324**	**80,287**	**125,985**
Cash-settled share-based payment liability	**4,691**	**5,284**	**—**	**9,975**
Commitments as per note 16 to the Financial Statements	**72,375**	**96,705**	**241,737**	**410,817**
	363,094	**630,227**	**357,376**	**1,350,697**

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 table 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 $297.4 million (US$220.0 million) as at September 30, 2023, and is subject to standby commitment fees.

As at September 30, 2023, the undrawn portion of the finance agreement with Caterpillar Financial Services amounted to $31.9 million (US$23.6 million) and is also subject to standby commitment fees.

16. Critical Accounting Estimates and Judgments

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

17. New Accounting Standards Issued and Adopted by the Company

The new accounting standards issued and adopted by the Company are disclosed in note 2 to the Financial Statements for the three and six-month periods ended September 30, 2023.

18. 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 and six-month periods ended September 30, 2023.

19. Related Party Transactions

Related party transactions consist of transactions with key management personnel. The Company considers its members of the Board and senior officers to be key management personnel.

Transactions with key management personnel are disclosed in note 28 to the Company’s audited annual financial statements for the year ended March 31, 2023. In connection with related party transactions, no significant changes occurred in the three and six-month periods ended September 30, 2023.

20. Summary of Quarterly Results

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

	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022
Financial Data ($ millions)								
Revenues	387.6	297.2	463.9	351.2	300.6	279.3	331.4	253.0
Operating income	123.6	39.1	153.2	87.7	55.9	74.5	173.7	109.2
EBITDA[1]	155.0	65.8	195.7	118.2	84.3	94.9	197.9	122.1
Net income	65.3	16.7	88.2	51.4	19.5	41.6	115.7	68.0
Adjusted net income[1]	65.3	19.0	88.2	54.1	29.3	54.1	121.3	73.0
EPS - basic	0.13	0.03	0.17	0.10	0.04	0.08	0.23	0.13
EPS - diluted	0.12	0.03	0.17	0.10	0.04	0.08	0.22	0.13
Adjusted EPS - basic[1]	0.13	0.04	0.17	0.10	0.06	0.10	0.24	0.14
Net cash flow (used in) from operating activities	162.2	49.3	167.7	13.4	87.1	(32.2)	4.3	104.6
Operating Data								
Waste mined and hauled (thousands of wmt)	6,265	5,199	5,024	4,372	4,573	5,606	5,072	5,442
Ore mined and hauled (thousands of wmt)	10,594	9,594	9,194	8,840	8,215	6,193	5,388	5,517
Stripping ratio	0.59	0.54	0.55	0.49	0.56	0.91	0.94	0.99
Ore milled (thousands of wmt)	10,340	9,896	9,055	8,503	8,103	6,022	4,904	5,161
Head grade Fe (%)	28.2	28.8	28.4	28.5	29.5	31.0	30.3	30.6
Fe recovery (%)	77.8	78.2	78.6	80.1	78.6	80.2	82.7	83.9
Product Fe (%)	66.1	66.1	66.1	66.0	66.1	66.1	66.2	66.2
Iron ore concentrate produced (thousands of wmt)	3,447	3,397	3,084	2,963	2,857	2,283	1,869	2,013
Iron ore concentrate sold (thousands of dmt)	2,884	2,564	3,093	2,694	2,793	2,014	1,890	1,832
Statistics (in dollars per dmt sold)								
Gross average realized selling price[1]	169.4	168.8	183.2	171.6	157.0	190.4	207.1	195.0
Net average realized selling price[1]	134.4	115.9	150.0	130.4	107.6	138.7	175.3	138.1
C1 cash cost[1]	73.7	81.3	79.0	76.0	65.9	74.0	60.0	59.5
AISC[1]	99.1	94.1	85.7	86.7	81.9	93.5	70.5	76.0
Cash operating margin[1]	35.3	21.8	64.3	43.7	25.7	45.2	104.8	62.1
Statistics (in U.S. dollars per dmt sold)[2]								
Gross average realized selling price[1]	126.2	125.7	135.5	126.5	120.6	149.6	164.1	154.8
Net average realized selling price[1]	100.3	86.3	110.9	96.1	83.2	108.8	139.1	109.5
C1 cash cost[1]	55.0	60.5	58.4	56.0	50.5	58.0	47.4	47.2
AISC[1]	73.9	70.1	63.4	63.9	62.7	73.2	55.7	60.3
Cash operating margin[1]	26.4	16.2	47.5	32.2	20.5	35.6	83.4	49.2

[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 21 — 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 7 — Key Drivers.

21. 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 per dmt sold	Revenues before provisional pricing adjustments and freight and other costs divided by iron ore concentrate sold in dmt
Cash profit margin	Cash operating margin as a percentage of net average realized selling price
Other Financial Measures	
Net average realized selling price or net average realized FOB selling price per dmt sold	Revenues divided by iron ore concentrate sold in dmt
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

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

EBITDA and EBITDA Margin

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

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

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

				Three Months Ended	Six Months Ended
	December 31,	March 31,	June 30,	September 30,	September 30,
	2022	2023	2023	2023	2023
(in thousands of dollars)					
Income before income and mining taxes	85,629	144,457	28,966	**112,187**	**141,153**
Net finance costs	1,858	8,774	6,926	**11,634**	**18,560**
Depreciation	30,719	42,478	29,913	**31,215**	**61,128**
EBITDA	118,206	195,709	65,805	**155,036**	**220,841**
Revenues	351,233	463,913	297,162	**387,568**	**684,730**
EBITDA margin	34%	42%	22%	**40%**	**32%**

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

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.

21. 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	**Six Months Ended**
	December 31,	March 31,	June 30,	**September 30,**	**September 30,**
	2022	2023	2023	**2023**	**2023**
(in thousands of dollars except per share)					
Net income	51,406	88,217	16,657	**65,281**	**81,938**
Non-cash item					
Write-off of non-current investment	—	—	2,744	**—**	**2,744**
	—	—	2,744	**—**	**2,744**
Cash items					
Bloom Lake Phase II start-up costs	4,292	—	—	**—**	**—**
	4,292	—	—	**—**	**—**
Tax effect of adjustments listed above[1]	(1,631)	—	(370)	**—**	**(370)**
Adjusted net income	54,067	88,217	19,031	**65,281**	**84,312**
Weighted average number of ordinary shares outstanding - Basic	517,193,000	517,193,000	517,193,000	**517,258,000**	**517,226,000**
Adjusted EPS	0.10	0.17	0.04	**0.13**	**0.16**

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

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

21. 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 September 30, 2023	As at June 30, 2023
Cash and cash equivalents	**316,530**	250,340
Undrawn amounts under credit facilities	**329,386**	328,835
Available liquidity	**645,916**	579,175

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	**Six Months Ended**
	December 31, 2022	March 31, 2023	June 30, 2023	**September 30, 2023**	**September 30, 2023**
Per tonne sold					
Iron ore concentrate sold (dmt)	2,694,200	3,092,900	2,563,500	**2,883,800**	**5,447,300**
(in thousands of dollars except per tonne)					
Cost of sales	209,070	244,444	208,485	**212,584**	**421,069**
Less: Bloom Lake Phase II start-up costs	(4,292)	—	—	**—**	**—**
	204,778	244,444	208,485	**212,584**	**421,069**
C1 cash cost (per dmt sold)	76.0	79.0	81.3	**73.7**	**77.3**

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

21. 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	**Six Months Ended**
	December 31,	March 31,	June 30,	**September 30,**	**September 30,**
	2022	2023	2023	**2023**	**2023**
Per tonne sold					
Iron ore concentrate sold (dmt)	2,694,200	3,092,900	2,563,500	**2,883,800**	**5,447,300**
(in thousands of dollars except per tonne)					
Cost of sales	209,070	244,444	208,485	**212,584**	**421,069**
Less: Bloom Lake Phase II start-up costs	(4,292)	—	—	**—**	**—**
Sustaining capital expenditures[1]	19,495	9,303	19,803	**60,446**	**80,249**
G&A expenses	9,212	11,466	12,949	**12,729**	**25,678**
	233,485	265,213	241,237	**285,759**	**526,996**
AISC (per dmt sold)	86.7	85.7	94.1	**99.1**	**96.7**

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

[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 11 — Cash Flows of this MD&A.

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

Cash Operating Margin and Cash Profit Margin

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

				Three Months Ended	**Six Months Ended**
	December 31,	March 31,	June 30,	**September 30,**	**September 30,**
	2022	2023	2023	**2023**	**2023**
Per tonne sold					
Iron ore concentrate sold (dmt)	2,694,200	3,092,900	2,563,500	**2,883,800**	**5,447,300**
(in thousands of dollars except per tonne)					
Revenues	351,233	463,913	297,162	**387,568**	**684,730**
Net average realized selling price (per dmt sold)	130.4	150.0	115.9	**134.4**	**125.7**
AISC (per dmt sold)	86.7	85.7	94.1	**99.1**	**96.7**
Cash operating margin (per dmt sold)	43.7	64.3	21.8	**35.3**	**29.0**
Cash profit margin	34%	43%	19%	**26%**	**23%**

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

21. 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	**Six Months Ended**
	December 31,	March 31,	June 30,	**September 30,**	**September 30,**
	2022	2023	2023	**2023**	**2023**
Per tonne sold					
Iron ore concentrate sold (dmt)	2,694,200	3,092,900	2,563,500	**2,883,800**	**5,447,300**
(in thousands of dollars except per tonne)					
Revenues	351,233	463,913	297,162	**387,568**	**684,730**
Provisional pricing adjustments	5,205	(14,325)	46,806	**(1,559)**	**45,247**
Freight and other costs	105,987	117,137	88,697	**102,411**	**191,108**
Gross revenues	462,425	566,725	432,665	**488,420**	**921,085**
Gross average realized selling price (per dmt sold)	171.6	183.2	168.8	**169.4**	**169.1**

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

22. Share Capital Information

The Company’s share capital consists of ordinary shares without par value. As of October 25, 2023, there were 517,295,735 ordinary shares issued and outstanding. In addition, there were 5,452,582 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.

23. Risk Factors

Champion is subject to several risks and uncertainties which could have a material adverse impact on its operations, its financial condition and the trading price of its shares.

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.

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

Disclosure Controls and Procedures

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

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

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

Internal Control over Financial Reporting

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

There have been no changes in the Company's ICFR that occurred during the period beginning on July 1, 2023, and ended on September 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.

25. 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 October 26, 2023.

26. 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.

27. 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.

28. Qualified Person and Data Verification

Mr. Vincent Blanchet, P. Eng., Engineer at QIO, the Company's subsidiary and operator of Bloom Lake, is a "qualified person" as defined by NI 43-101 and has reviewed and approved, or has prepared, as applicable, the disclosure of the scientific and technical information contained in this MD&A and has confirmed that the relevant information is an accurate representation of the available data and studies for the relevant projects. Mr. Blanchet's review and approval does not include statements as to the Company's knowledge or awareness of new information or data or any material changes to the material assumptions and technical parameters underpinning the 2023 Technical Report. Mr. Blanchet is a member of the *Ordre des ingénieurs du Québec*.