

APPENDIX 4D

For the half-year ended September 30, 2023

This Appendix should be read in conjunction with the Directors' Report and the consolidated financial statements ("Financial Statements") for the half-year ended September 30, 2023.

1. Name of Entity

Champion Iron Limited

ACN 119 770 142

2. Reporting Period

Reporting period: For the half-year ended September 30, 2023

Previous corresponding period: For the half-year ended September 30, 2022

3. Results for Announcement to the Market

	Half-Year Ended September 30,		Up (Down)	% Movement
	2023	2022		
	(in thousands of C\$)	(in thousands of C\$)	(in thousands of C\$)	
Revenue from ordinary activities	684,730	579,942	104,788	18%
Profit from ordinary activities after tax attributable to members	81,938	61,084	20,854	34%
Net profit attributable to members	81,938	61,084	20,854	34%

Dividends

For the half-year ended September 30, 2023, an unfranked interim dividend was declared on October 25, 2023 (Montréal time) / October 26, 2023 (Sydney time) at an amount of C\$0.10 per ordinary share, payable on November 28, 2023 (Montréal and Sydney time). The record date for determining the entitlement to the interim dividend is November 7, 2023 (Montréal and Sydney time).

An unfranked final dividend of C\$0.10 per ordinary share was paid on July 5, 2023 (Montréal and Sydney time). The record date for determining the entitlement to the final dividend was June 14, 2023 (Montréal and Sydney time).

For the half-year ended September 30, 2022, an unfranked interim dividend of C\$0.10 per ordinary share was paid on November 29, 2022 (record date: November 8, 2022), Montréal and Sydney times. An unfranked final dividend of C\$0.10 per ordinary share was paid on June 28, 2022 (record date: June 7, 2022), Montréal and Sydney times.

4. Net Tangible Assets per Security

	As at September 30,	
	2023	2022
	(C\$ per share)	(C\$ per share)
Net tangible assets per security ¹	2.48	2.25

¹Total equity minus intangible assets divided by the number of outstanding ordinary shares at the reporting period.

5. Associates and Joint Venture Entities

Associates are not considered to be material to the Company. The Company does not have joint venture entities.

6. Commentary on the Results for the Period

A commentary on the results for the period is contained within the Directors' Report and the Financial Statements that accompany this Appendix.

7. Status of Review

This report is based on Financial Statements for the half-year ended September 30, 2023, which have been reviewed by Ernst & Young.

For personal use only

FINANCIAL REPORT

FOR THE HALF-YEAR ENDED
SEPTEMBER 30, 2023

Internal use only



DIRECTORS' REPORT

Operating and Financial Review

The following Champion Iron Limited (“Champion” or the “Company”) Directors' Report has been prepared as of October 26, 2023. This Directors' Report 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 Annual Report for the 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 Directors' Report, 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 Directors' Report: 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 (Kamistatusset 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 Directors' Report contains forward-looking statements. Particular attention should be given to the risk factors described in the “Risk Factors” sections of the Company's 2023 Annual Information Form and the Annual Report for the financial year ended March 31, 2023, and to the “Cautionary Note Regarding Forward-Looking Statements” section of this Directors' Report.

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 Directors' Report 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 Directors' Report.

Cautionary Note Regarding Forward-Looking Statements

Forward-Looking Statements

This Directors' Report 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.

Champion Iron Limited

Directors' Report - Operating and Financial Review

(Expressed in Canadian dollars, except where otherwise indicated)

Cautionary Note Regarding Forward-Looking Statements (continued)

Specific Forward-Looking Statements

All statements, other than statements of historical facts, included in this Directors' Report that address future events, developments or performance that Champion expects to occur 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;
- (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 CO₂ 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.

Champion Iron Limited

Directors' Report - Operating and Financial Review

(Expressed in Canadian dollars, except where otherwise indicated)

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 Directors' Report 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.

Champion Iron Limited

Directors' Report - Operating and Financial Review

(Expressed in Canadian dollars, except where otherwise indicated)

2. Financial and Operating Highlights

	Three Months Ended September 30,			Six Months Ended September 30,		
	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 Directors' Report for definitions of these metrics and reconciliations to the most comparable IFRS measure when applicable.

² See the "Currency" subsection of this Directors' Report included in section 7 — Key Drivers.

Champion Iron Limited

Directors' Report - Operating and Financial Review

(Expressed in Canadian dollars, except where otherwise indicated)

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/dmt¹ [US\$55.0/dmt]², a decrease of 9% for the three-month period ended September 30, 2023, compared to \$81.3/dmt¹ [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/dmt¹ [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;

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 Directors' Report for definitions of these metrics and reconciliations to the most comparable IFRS measure when applicable.

² See the "Currency" subsection of this Directors' Report included in section 7 — Key Drivers.

For personal use only

Champion Iron Limited

Directors' Report - Operating and Financial Review

(Expressed in Canadian dollars, except where otherwise indicated)

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 million¹ (\$84.3 million¹ 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 million¹ at quarter-end, compared to \$579.2 million¹ 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.

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 Directors' Report for definitions of these metrics and reconciliations to the most comparable IFRS measure when applicable.

For personal use only

Champion Iron Limited

Directors' Report - Operating and Financial Review

(Expressed in Canadian dollars, except where otherwise indicated)

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.

Champion Iron Limited

Directors' Report - Operating and Financial Review

(Expressed in Canadian dollars, except where otherwise indicated)

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 CO₂ emissions in the steelmaking process.

Champion Iron Limited

Directors' Report - Operating and Financial Review

(Expressed in Canadian dollars, except where otherwise indicated)

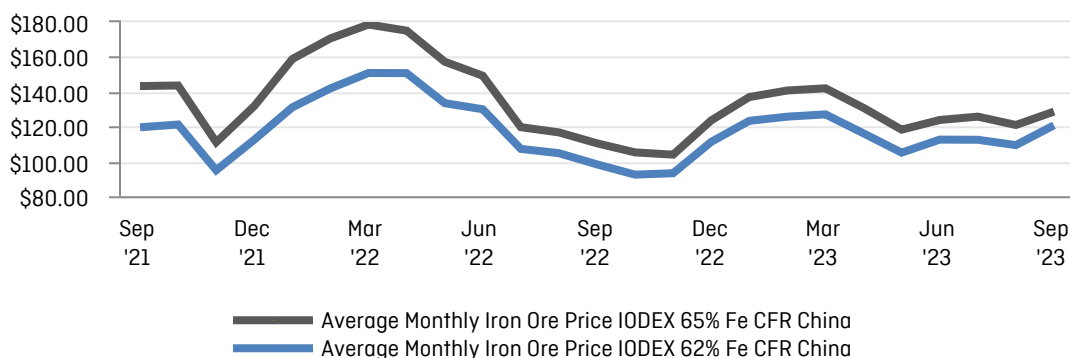
7. Key Drivers (continued)

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 Association¹, 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/>

Champion Iron Limited

Directors' Report - Operating and Financial Review

(Expressed in Canadian dollars, except where otherwise indicated)

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:

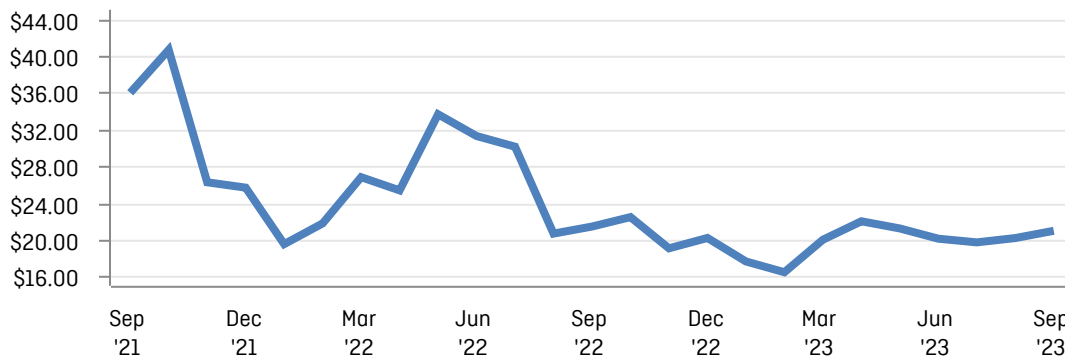
(in thousands of U.S. dollars)	As at September 30,
	2023
Tonnes (dmt) subject to provisional pricing adjustments	1,289,900
10% increase in iron ore prices	16,238
10% decrease in iron ore prices	(16,238)

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.

For personal use only

Champion Iron Limited

Directors' Report - Operating and Financial Review

(Expressed in Canadian dollars, except where otherwise indicated)

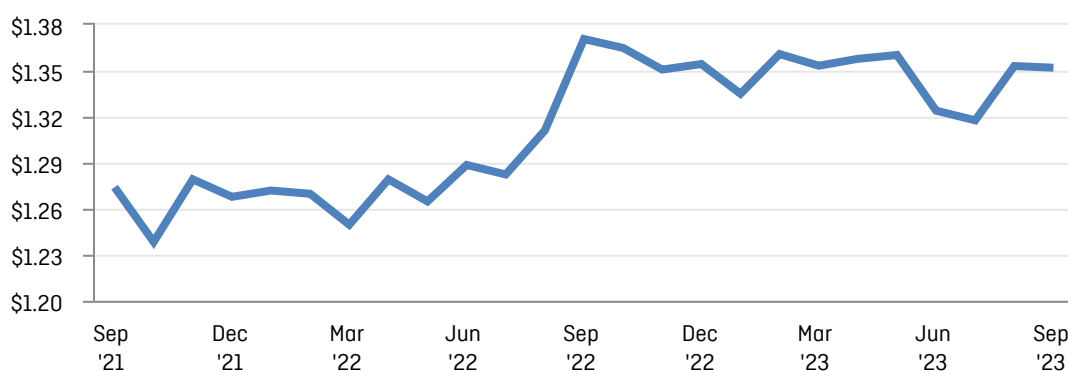
7. Key Drivers (continued)

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\$					
	FY2024	Average FY2023	Variance	FY2024	Closing 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 Annual Report 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.

For personal use only

Champion Iron Limited

Directors' Report - Operating and Financial Review

(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.

Champion Iron Limited

Directors' Report - Operating and Financial Review

(Expressed in Canadian dollars, except where otherwise indicated)

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.

Champion Iron Limited

Directors' Report - Operating and Financial Review

(Expressed in Canadian dollars, except where otherwise indicated)

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 price¹	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 price¹	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 Directors' Report for definitions of these metrics and reconciliations to the most comparable IFRS measure when applicable.

Champion Iron Limited

Directors' Report - Operating and Financial Review

(Expressed in Canadian dollars, except where otherwise indicated)

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/dmt¹ during the second quarter of the 2024 financial year, up from US\$120.6/dmt¹ 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 seaborne supply of high-grade iron ore.

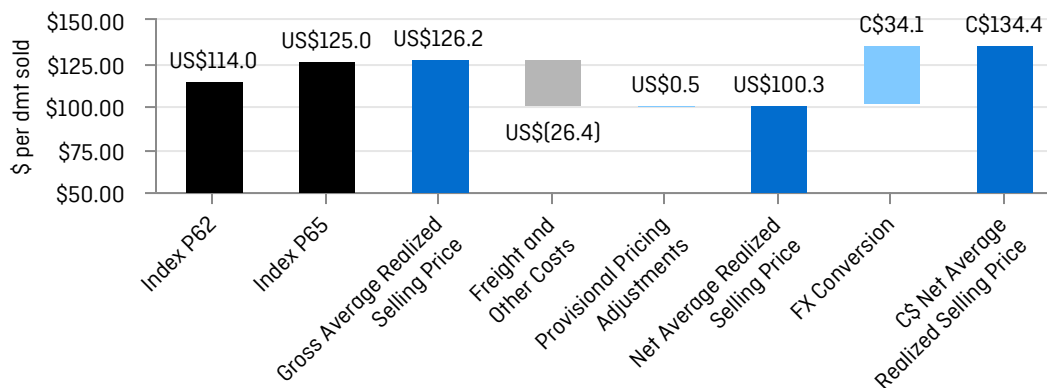
The gross average realized selling price of US\$126.2/dmt¹ was higher than the P65 index average price of US\$125.0/dmt for the period, due to the 1.3 million tonnes in transit as at September 30, 2023, that were provisionally priced using an average forward price of US\$125.9/dmt, which is higher than 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



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 Directors' Report for definitions of these metrics and reconciliations to the most comparable IFRS measure when applicable.

Champion Iron Limited

Directors' Report - Operating and Financial Review

(Expressed in Canadian dollars, except where otherwise indicated)

9. Financial Performance (continued)

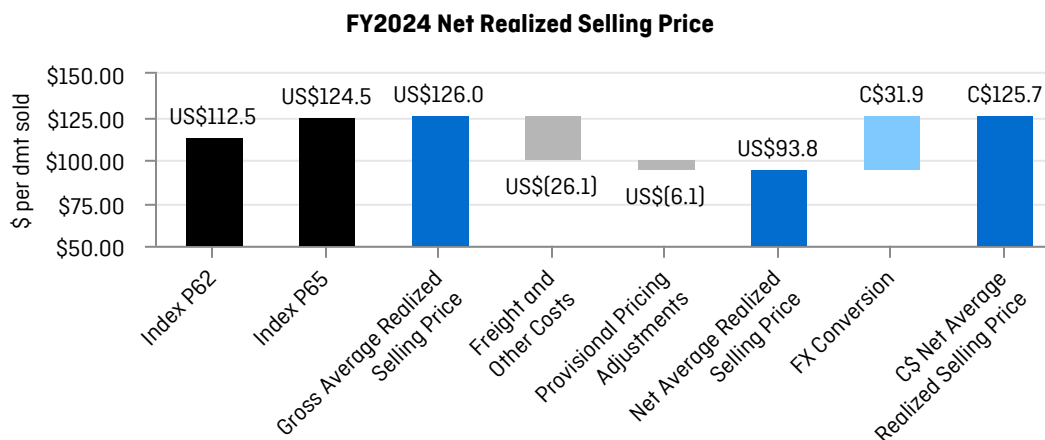
A. Revenues (continued)

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/dmt¹. 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.



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 Directors' Report for definitions of these metrics and reconciliations to the most comparable IFRS measure when applicable.

Champion Iron Limited

Directors' Report - Operating and Financial Review

(Expressed in Canadian dollars, except where otherwise indicated)

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 sold¹	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 sold¹	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/dmt¹, compared to \$199.8 million and \$71.5/dmt¹ 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/dmt¹ 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/dmt¹, compared to \$76.8/dmt¹ 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 Directors' Report for definitions of these metrics and reconciliations to the most comparable IFRS measure when applicable.

Champion Iron Limited

Directors' Report - Operating and Financial Review

(Expressed in Canadian dollars, except where otherwise indicated)

9. Financial Performance (continued)

C. Gross Profit

The gross profit for the three-month period ended September 30, 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/dmt¹, compared to \$107.6/dmt¹ 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 Directors' Report for definitions of these metrics and reconciliations to the most comparable IFRS measure when applicable.

Champion Iron Limited

Directors' Report - Operating and Financial Review

(Expressed in Canadian dollars, except where otherwise indicated)

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.

Champion Iron Limited

Directors' Report - Operating and Financial Review

(Expressed in Canadian dollars, except where otherwise indicated)

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. Q10 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 Q10'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, Q10 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 Q10, the non recognized tax benefits on the losses generated by other subsidiaries than Q10, 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.

Champion Iron Limited

Directors' Report - Operating and Financial Review

(Expressed in Canadian dollars, except where otherwise indicated)

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 million¹, representing an EBITDA margin of 40%¹, compared to \$84.3 million¹, 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 million¹, representing an EBITDA margin of 32%¹, compared to \$179.3 million¹, 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 %
AISC¹	99.1	81.9	21 %	96.7	86.8	11 %
Cash operating margin¹	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/dmt¹, compared to \$81.9/dmt¹ 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/dmt¹ for each tonne of high-grade iron ore concentrate sold during the three-month period ended September 30, 2023, compared to \$25.7/dmt¹ 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/dmt¹, compared to \$86.8/dmt¹ 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/dmt¹ for the six-month period ended September 30, 2023, compared to \$33.8/dmt¹ 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 Directors' Report for definitions of these metrics and reconciliations to the most comparable IFRS measure when applicable.

Champion Iron Limited

Directors' Report - Operating and Financial Review

(Expressed in Canadian dollars, except where otherwise indicated)

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 share¹	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 Directors' Report for definitions of these metrics and reconciliations to the most comparable IFRS measure when applicable.

Champion Iron Limited

Directors' Report - Operating and Financial Review

(Expressed in Canadian dollars, except where otherwise indicated)

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 \$0.31¹, compared to \$0.17¹ 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 \$0.41¹, compared to \$0.11¹ 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		Six Months Ended	
	September 30,		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 Directors' Report for definitions of these metrics and reconciliations to the most comparable IFRS measure when applicable.

Champion Iron Limited

Directors' Report - Operating and Financial Review

(Expressed in Canadian dollars, except where otherwise indicated)

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.

Champion Iron Limited

Directors' Report - Operating and Financial Review

(Expressed in Canadian dollars, except where otherwise indicated)

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.

Champion Iron Limited

Directors' Report - Operating and Financial Review

(Expressed in Canadian dollars, except where otherwise indicated)

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 million¹.

	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.

For personal use only

Champion Iron Limited

Directors' Report - Operating and Financial Review

(Expressed in Canadian dollars, except where otherwise indicated)

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.

Champion Iron Limited

Directors' Report - Operating and Financial Review

(Expressed in Canadian dollars, except where otherwise indicated)

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.

For personal use only

Champion Iron Limited

Directors' Report - Operating and Financial Review

(Expressed in Canadian dollars, except where otherwise indicated)

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 Directors' Report for definitions of these metrics and reconciliations to the most comparable IFRS measure when applicable.

² See the "Currency" subsection of this Directors' Report included in section 7 — Key Drivers.

Champion Iron Limited

Directors' Report - Operating and Financial Review

(Expressed in Canadian dollars, except where otherwise indicated)

21. Non-IFRS and Other Financial Measures

The Company has included certain non-IFRS financial measures, ratios and supplementary financial measures in this Directors' Report, 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

For personal use only

Champion Iron Limited

Directors' Report - Operating and Financial Review

(Expressed in Canadian dollars, except where otherwise indicated)

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.

	December 31,	March 31,	June 30,	Three Months Ended September 30,	Six Months Ended 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%

	December 31,	March 31,	June 30,	Three Months Ended September 30,	Six Months Ended 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.

For personal use only

Champion Iron Limited

Directors' Report - Operating and Financial Review

(Expressed in Canadian dollars, except where otherwise indicated)

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.

	December 31,	March 31,	June 30,	Three Months Ended September 30,	Six Months Ended 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
	December 31,	March 31,	June 30,	Three Months Ended September 30,	Six Months Ended 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

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

Champion Iron Limited

Directors' Report - Operating and Financial Review

(Expressed in Canadian dollars, except where otherwise indicated)

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.

	December 31, 2022	March 31, 2023	June 30, 2023	Three Months Ended September 30, 2023	Six Months Ended 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

	December 31, 2021	March 31, 2022	June 30, 2022	Three Months Ended September 30, 2022	Six Months Ended 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

Champion Iron Limited

Directors' Report - Operating and Financial Review

(Expressed in Canadian dollars, except where otherwise indicated)

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.

	December 31,	March 31,	June 30,	Three Months Ended September 30,	Six Months Ended 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

	December 31,	March 31,	June 30,	Three Months Ended September 30,	Six Months Ended 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 Directors' Report.

Champion Iron Limited

Directors' Report - Operating and Financial Review

(Expressed in Canadian dollars, except where otherwise indicated)

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.

	December 31, 2022	March 31, 2023	June 30, 2023	Three Months Ended September 30, 2023	Six Months Ended 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)					
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%

	December 31, 2021	March 31, 2022	June 30, 2022	Three Months Ended September 30, 2022	Six Months Ended 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)					
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%

For personal use only

Champion Iron Limited

Directors' Report - Operating and Financial Review

(Expressed in Canadian dollars, except where otherwise indicated)

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.

	December 31, 2022	March 31, 2023	June 30, 2023	Three Months Ended September 30, 2023	Six Months Ended 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)					
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

	December 31, 2021	March 31, 2022	June 30, 2022	Three Months Ended September 30, 2022	Six Months Ended 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)					
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.

Champion Iron Limited

Directors' Report - Operating and Financial Review

(Expressed in Canadian dollars, except where otherwise indicated)

23. Risk Factors

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

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 Annual Report 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. 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.

25. 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.

26. Qualified Person and Data Verification

Mr. Vincent Blanchet, P. Eng., Engineer at QIO, the Company's subsidiary and operator of Bloom Lake, is a "qualified person" as defined by NI 43-101 and has reviewed and approved, or has prepared, as applicable, the disclosure of the scientific and technical information contained in this Directors' Report 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*.

DIRECTORS' REPORT

Specific and General Information

The Board of Directors of Champion Iron Limited present herewith the consolidated financial report of the entity for the half-year ended September 30, 2023. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Principal Activities

Champion's principal activities include the production of high-grade iron ore concentrate and the development and exploration of its iron ore properties in the provinces of Québec and Newfoundland and Labrador in the Labrador Trough region, Canada.

Operating and Financial Review

The review of operations and financials is set out from page 3 to page 39 and forms part of this Directors' Report.

Events Occurring After the Reporting Period

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).

Other than this element, there are no significant matters, circumstances or events that have arisen since the end of the financial half-year that have significantly affected, or may significantly affect, the Company's operations, the results of those operations, or the Company's state of affairs, in the financial years subsequent to the financial half-year ended September 30, 2023.

Directors

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

Director	Position	Note
Michael O'Keeffe	Executive Chairman	Non-independent
Gary Lawler	Non-executive Director	Lead director
Michelle Cormier	Non-executive Director	Independent director
Jyothish George	Non-executive Director	Independent director
Louise Grondin	Non-executive Director	Independent director
Jessica McDonald ⁽¹⁾	Non-executive Director	Independent director
David Cataford	Executive Director and Chief Executive Officer	Non-independent
Andrew Love ⁽¹⁾	Non-executive Director	Former lead director
Wayne Wouters ⁽¹⁾	Non-executive Director	Independent director

Note:

[1] On August 30, 2023 (Montréal time) / August 31, 2023 (Sydney time), Ms. Jessica McDonald was appointed to the Board of Directors at the Company's FY2023 Annual General Meeting (the "AGM"). Messrs. Andrew Love and Wayne Wouters both retired at the AGM.

DIRECTORS' REPORT

Specific and General Information (continued)

Auditor's Independence Declaration

Ernst & Young are the auditors of the Company. A copy of their auditor's independence declaration for the half-year ended September 30, 2023, as required under section 307C of the Corporations Act 2001 is set out on page 42 and forms part of this Directors' Report.

Rounding

The Company is of a kind referred to in ASIC Corporation (Rounding in Financial/Directors' report) Instruments 2016/191 issued by the Australian Securities and Investments Commission. In accordance with the class order, amounts in this report and in the half-year financial report have been rounded to the nearest thousand dollars unless specifically stated to be otherwise.

Signed in accordance with a resolution of the Directors made pursuant to section 306(3) of the Corporations Act 2001.

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

/s/ Gary Lawler
Gary Lawler, Lead Director

Dated on October 26, 2023

For personal use only

AUDITOR'S INDEPENDENCE DECLARATION



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

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Auditor's independence declaration to the directors of Champion Iron Limited

As lead auditor for the review of the half-year financial report of Champion Iron Limited for the half-year ended September 30, 2023, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review;
- b. No contraventions of any applicable code of professional conduct in relation to the review; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

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

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

Ernst & Young

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

Scott Nichols
Partner
Sydney
October 26, 2023

For personal use only

DIRECTORS' DECLARATION

For personal use only

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

In the Opinion of the Directors:

1. The Financial Statements and notes of the Company are in accordance with the *Corporations Act 2001*, including:
 - a. Giving a true and fair view of the Company's consolidated financial position as at September 30, 2023, and the performance for the half-year ended on that date; and
 - b. Complying with Accounting Standard AASB 134: *"Interim Financial Reporting"*.
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.

/s/ Michael O'Keeffe

Michael O'Keeffe, Executive Chairman

Sydney, New South Wales

/s/ Gary Lawler

Gary Lawler, Lead Director

Dated on October 26, 2023

Champion Iron Limited

(ACN: 119 770 142)

Condensed Interim Consolidated Financial Statements

For the Three and Six-Month Periods Ended September 30, 2023 and 2022

(Expressed in thousands of Canadian dollars - unaudited)

For personal use only



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

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

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

Conclusion

We have reviewed the accompanying half-year financial report of Champion Iron Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at September 30, 2023, the consolidated statements of income and comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- a. Giving a true and fair view of the consolidated financial position of the Group as at September 30, 2023 and of its consolidated financial performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibilities for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at September 30, 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



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

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

Ernst & Young

A handwritten signature in black ink that reads 'Scott Nichols'.

Scott Nichols
Partner
Sydney
October 26, 2023

Champion Iron Limited

Interim Consolidated Statements of Financial Position

[Expressed in thousands of Canadian dollars - unaudited]

		As at September 30,	As at March 31,
	Notes	2023	2023
Assets			
Current			
Cash and cash equivalents		316,530	326,806
Short-term investments		—	312
Receivables	3	123,628	162,268
Income and mining taxes receivable		13,958	37,912
Prepaid expenses and advances	4	37,232	43,051
Inventories	5	252,816	167,670
		744,164	738,019
Non-current			
Non-current investments		11,768	14,751
Advance payments	6	83,346	166,943
Intangible assets		6,433	7,866
Property, plant and equipment	7	1,430,568	1,261,968
Exploration and evaluation assets		124,422	117,127
Other non-current assets	8	7,237	8,595
Total assets		2,407,938	2,315,269
Liabilities			
Current			
Accounts payable and other		221,913	178,578
Income and mining taxes payable		8,829	—
Current portion of long-term debt	8	29,792	27,080
		260,534	205,658
Non-current			
Long-term debt	8	445,536	448,201
Deferred grant	8	10,497	10,614
Lease liabilities		71,763	73,430
Rehabilitation obligation	9	77,976	85,508
Other long-term liabilities	10	10,302	13,427
Deferred tax liabilities		240,272	215,727
Total liabilities		1,116,880	1,052,565
Shareholders' equity			
Share capital	10	401,911	401,282
Contributed surplus		20,343	22,796
Warrants	10	22,288	22,288
Foreign currency translation reserve		431	430
Retained earnings		846,085	815,908
Total equity		1,291,058	1,262,704
Total liabilities and equity		2,407,938	2,315,269
Commitments and contingencies	16		
Subsequent event	19		

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

Approved on October 26, 2023 on behalf of the Directors

/s/ Michael O'Keeffe
Executive Chairman

/s/ Gary Lawler
Lead Director

Champion Iron Limited

Interim Consolidated Statements of Income

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

	Notes	Three Months Ended September 30,		Six Months Ended September 30,	
		2023	2022	2023	2022
Revenues	11	387,568	300,621	684,730	579,942
Cost of sales	12	(212,584)	(199,841)	(421,069)	(369,248)
Depreciation	17	(31,215)	(28,055)	(61,128)	(47,847)
Gross profit		143,769	72,725	202,533	162,847
Other expenses					
Share-based payments	10	(1,880)	(389)	(916)	2,041
General and administrative expenses		(12,729)	(8,564)	(25,678)	(20,836)
Sustainability and other community expenses		(4,315)	(3,860)	(8,284)	(7,203)
Innovation and growth initiative expenses		(1,268)	(4,026)	(4,959)	(6,446)
Operating income		123,577	55,886	162,696	130,403
Net finance costs	13	(11,634)	(10,765)	(18,560)	(14,955)
Other income (expense)	15	244	390	(2,983)	1,011
Income before income and mining taxes		112,187	45,511	141,153	116,459
Current income and mining taxes		(27,360)	(8,384)	(34,670)	(19,293)
Deferred income and mining taxes		(19,546)	(17,597)	(24,545)	(36,082)
Net income		65,281	19,530	81,938	61,084
Earnings per share					
Basic	14	0.13	0.04	0.16	0.12
Diluted	14	0.12	0.04	0.16	0.12
Weighted average number of ordinary shares outstanding					
Basic		517,258,000	517,104,000	517,226,000	516,899,000
Diluted		526,175,000	525,373,000	526,597,000	526,892,000

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

For personal use only

Champion Iron Limited

Interim Consolidated Statements of Comprehensive Income

[Expressed in thousands of Canadian dollars - unaudited]

	Three Months Ended September 30,		Six Months Ended September 30,	
	2023	2022	2023	2022
Net income	65,281	19,530	81,938	61,084
Other comprehensive income (loss)				
Item that may be reclassified subsequently to the consolidated statements of income:				
Net movement in foreign currency translation reserve	(24)	(67)	1	(110)
Total other comprehensive income (loss)	(24)	(67)	1	(110)
Total comprehensive income	65,257	19,463	81,939	60,974

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

For personal use only

Champion Iron Limited

Interim Consolidated Statements of Changes in Equity

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

	Attributable to Champion Shareholders							Total
	Note	Share Capital		Contributed Surplus	Warrants	Foreign Currency Translation	Retained Earnings	
		Ordinary Shares	\$					
	Shares ¹							
Balance - March 31, 2023		517,193,000	401,282	22,796	22,288	430	815,908	1,262,704
Net income		—	—	—	—	—	81,938	81,938
Other comprehensive income		—	—	—	—	1	—	1
Total comprehensive income		—	—	—	—	1	81,938	81,939
Release of performance share units	10	103,000	629	(1,345)	—	—	—	(716)
Dividends on ordinary shares	10	—	—	—	—	—	(51,686)	(51,686)
Dividend equivalents	10	—	—	75	—	—	(75)	—
Share-based payments	10	—	—	(1,183)	—	—	—	(1,183)
Balance - September 30, 2023		517,296,000	401,911	20,343	22,288	431	846,085	1,291,058
Balance - March 31, 2022		516,612,000	398,635	21,339	22,473	539	718,712	1,161,698
Net income		—	—	—	—	—	61,084	61,084
Other comprehensive loss		—	—	—	—	(110)	—	(110)
Total comprehensive income (loss)		—	—	—	—	(110)	61,084	60,974
Exercise of warrants	10	281,000	502	—	(185)	—	—	317
Exercise of stock options	10	300,000	2,145	(645)	—	—	—	1,500
Dividends on ordinary shares	10	—	—	—	—	—	(51,658)	(51,658)
Dividend equivalents	10	—	—	83	—	—	(83)	—
Share-based payments	10	—	—	1,015	—	—	—	1,015
Balance - September 30, 2022		517,193,000	401,282	21,792	22,288	429	728,055	1,173,846

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

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

Champion Iron Limited

Interim Consolidated Statements of Cash Flows

[Expressed in thousands of Canadian dollars - unaudited]

	Notes	Three Months Ended September 30,		Six Months Ended September 30,	
		2023	2022	2023	2022
Cash provided by (used in)					
Operating Activities					
Net income		65,281	19,530	81,938	61,084
Adjustments for non-cash items					
Depreciation	17	31,215	28,055	61,128	47,847
Share-based payments	10	1,880	389	916	(2,041)
Accretion expense of rehabilitation obligation	9	309	260	596	375
Write-off of a non-current investment	15	—	—	2,744	—
Change in fair value of non-current investments	15	(244)	(341)	239	(783)
Unrealized gain on derivative liabilities		—	—	—	(176)
Unrealized foreign exchange loss		2,500	9,644	408	11,044
Deferred income and mining taxes		19,546	17,597	24,545	36,082
Amortization of transaction cost		1,289	1,171	2,569	1,989
Amortization of deferred grant	8	(117)	—	(117)	—
Other		—	—	—	(3)
		121,659	76,305	174,966	155,418
Changes in non-cash operating working capital	17	40,568	10,764	36,529	(100,596)
Net cash flow from operating activities		162,227	87,069	211,495	54,822
Investing Activities					
Decrease in short-term investments		—	30,820	312	30,820
Purchase of property, plant and equipment	7, 17	(90,386)	(78,584)	(146,056)	(201,198)
Increase in non-current advance payments	6	—	(16,453)	(8,189)	(30,001)
Purchase of intangible assets		(158)	—	(158)	(1,092)
Decrease in restricted cash		—	—	—	43,736
Investment in exploration and evaluation assets		(4,574)	(920)	(7,295)	(3,052)
Net cash flow used in investing activities		(95,118)	(65,137)	(161,386)	(160,787)
Financing Activities					
Issuance of long-term debt	8	6,339	90,541	16,860	110,372
Repayment of long-term debt	8	(6,941)	(2,862)	(17,554)	(10,640)
Transaction costs on long-term debt	8	—	—	—	(3,903)
Exercise of warrants	10	—	317	—	317
Decrease in restricted cash		52,345	—	—	—
Exercise of stock options	10	—	—	—	1,500
Withholding taxes paid pursuant to the settlement of RSUs	10	(716)	—	(716)	—
Dividends paid on ordinary shares	10	(51,686)	—	(51,686)	(51,658)
Payment of lease liabilities		(2,358)	(1,150)	(4,717)	(2,229)
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)
Cash and cash equivalents, beginning of the period		250,340	155,924	326,806	321,892
Effects of exchange rate changes on cash and cash equivalents		2,098	12,156	(2,572)	17,172
Cash and cash equivalents, end of the period		316,530	276,858	316,530	276,858
Interest paid		9,480	4,153	17,893	7,184
Interest received		2,981	1,615	6,398	2,151
Net income and mining taxes paid		3,451	22,412	1,887	117,652

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

Champion Iron Limited

Notes to the Condensed Interim Consolidated Financial Statements

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

1. Description of Business

Champion Iron Limited ("Champion" or the "Company") was incorporated under the laws of Australia in 2006 and is listed on the Toronto Stock Exchange (TSX: CIA) and the Australian Securities Exchange (ASX: CIA) and trades on the OTCQX Best Market (OTCQX: CIAFF). The Company is domiciled in Australia and its principle administrative office is located on 1155 René-Lévesque Blvd. West, Suite 3300, Montreal, QC, H3B 3X7, Canada.

Champion, through its wholly-owned subsidiary Quebec Iron Ore Inc. ("QIO"), owns and operates the Bloom Lake Mining Complex ("Bloom Lake" or "Bloom Lake Mine"), located on the south end of the Labrador Trough, approximately 13 km north of Fermont, Québec. Bloom Lake is an open-pit operation with two concentrators that primarily source energy from renewable hydroelectric power. The two concentrators have a combined nameplate capacity of 15 million tonnes per annum and produce low contaminant high-grade 66.2% Fe iron ore concentrate with the 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 (the "DRPF Project") 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 Kamistatusset 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. Summary of Significant Accounting Policies and Future Accounting Changes

A. Basis of preparation

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

The nature of the operations and principal activities of the Company are described in the Directors' Report for the year ended March 31, 2023.

B. Statement of compliance

These financial statements have been prepared for a for-profit enterprise in accordance with the requirements of the Corporations Act 2001 and AASB 134/IAS 34, Interim Financial Reporting. These financial statements do not include certain information and disclosures normally included in the audited annual consolidated financial statements prepared in accordance with Australian Accounting Standards ("AAS") and International Financial Reporting Standards ("IFRS") and should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended March 31, 2023.

These financial statements were approved and authorized for issue by the Board of Directors ("the Board") on October 26, 2023.

C. Significant accounting policies

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

D. Significant accounting judgments, estimates and assumptions

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

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

Champion Iron Limited

Notes to the Condensed Interim Consolidated Financial Statements

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

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

E. New accounting amendments issued and adopted by the Company

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

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

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

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

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

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

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

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

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

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

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

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

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

Amendments to AASB 107 (IAS 7), Statement of Cash Flows ("IAS 7"), and AASB 7 (IFRS 7), Financial Instruments: Disclosures ("IFRS 7")

The amendments introduce disclosure requirements to enhance the transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk.

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

For personal use only

Champion Iron Limited

Notes to the Condensed Interim Consolidated Financial Statements

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

3. Receivables

		As at September 30, 2023	As at March 31, 2023
	Note		
Trade receivables		85,352	131,786
Sales tax		32,344	21,290
Grant receivable	7	2,543	7,075
Other receivables		3,389	2,117
		123,628	162,268

As at September 30, 2023, the trade receivables, associated with revenues subject to provisional pricing, amounted to a total balance of \$14,457 (March 31, 2023: \$76,984).

4. Prepaid Expenses and Advances

		As at September 30, 2023	As at March 31, 2023
	Note		
Railway transportation and terminal logistic	6	25,489	35,665
Port handling services	6	3,792	3,685
Insurance		4,658	1,794
Other		3,293	1,907
		37,232	43,051

The railway transportation and terminal logistic prepaid included the current portion of railway and port facilities agreements of \$15,319 (March 31, 2023: \$14,469), credits on monthly payments based on estimated costs and projected quantities of material transported exceeding actual costs and tonnage, and monthly prepayments pursuant to service agreements.

5. Inventories

		As at September 30, 2023	As at March 31, 2023
Stockpiled ore		33,761	37,955
Concentrate inventories		116,517	51,704
Supplies and spare parts		102,538	78,011
		252,816	167,670

For the three and six-month periods ended September 30, 2023, the amount of inventories recognized as an expense totalled \$243,799 and \$482,197, respectively (three and six-month periods ended September 30, 2022: \$212,505 and \$382,228, respectively).

Champion Iron Limited

Notes to the Condensed Interim Consolidated Financial Statements

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

6. Advance Payments

		As at September 30,	As at March 31,
	Notes	2023	2023
Advance payments related to transshipment infrastructure ⁽ⁱ⁾	7	—	83,464
Advance payments related to railway transportation and terminal logistic ⁽ⁱⁱ⁾		48,271	53,709
Prepaid future port handling services ⁽ⁱⁱⁱ⁾		21,009	22,226
Other long-term advance ^(iv)		33,177	25,698
		102,457	185,097
Less current portion classified in "Prepaid expenses and advances"	4	(19,111)	(18,154)
		83,346	166,943

(i) In May 2021, the Company entered into a construction agreement with Société Ferroviaire et Portuaire de Pointe-Noire ("SFPPN") and made advances to increase the transshipment capacity and support the Company's plans to increase production with the Phase II expansion project. These advance payments of \$83,464 were reclassified during the three and six-month periods ended September 30, 2023, to property, plant and equipment as a right-of-use asset concurrent with the completion of the work and the availability of related additional transshipment capacity.

(ii) In October 2017, the Company entered into a railway and stockyard facilities access agreement with SFPPN for the transportation, unloading, stockpiling and loading of iron ore concentrate from Sept-Îles to Pointe-Noire, Québec. In connection with the agreement, the Company makes annual payments of \$3,750 to SFPPN to cover the investments made at the time with respect to a portion of the infrastructure. Advance payments are amortized over the life of mine. As at September 30, 2023, the related advance payments amounted to \$10,373 (March 31, 2023: \$11,268).

In April 2021, the Company entered into an agreement to expand an existing long-term rail contract with a third-party railway services provider to accommodate the anticipated increased Phase II production volumes. Advance payments are recovered by means of a monthly credit per tonne hauled exceeding a predetermined tonnage. In connection with this agreement, remaining advance payments totalled \$37,898 as at September 30, 2023 (March 31, 2023: \$42,441). The current portion of the railway transportation and stockpiling advance payments totalled \$15,319 as at September 30, 2023 and is included under Prepaid expenses and advances in the consolidated statements of financial position (March 31, 2023: \$14,469).

(iii) Pursuant to the agreement between the Company and the Sept-Îles Port Authority ("Port"), the Company made an advance payment on its future shipping, wharfage and equipment fees. Advance payments totalled \$21,009 as at September 30, 2023 (March 31, 2023: \$22,226) and are recovered by means of a monthly credit per tonne sold. The current portion of the port advances totalled \$3,792 as at September 30, 2023 (March 31, 2023: \$3,685).

(iv) The other long-term advance totalled \$33,177 as at September 30, 2023 (March 31, 2023: \$25,698) and relates to amounts paid to SFPPN annually which are recoverable from SFPPN under the guarantee access agreement if certain conditions are met. It also includes advance payments for third-party major replacement parts and transshipment and rail assets improvement expenditures, which are amortized based on the expected useful life.

The increase in advance payments related to transshipment infrastructure and capital maintenance expenditures is presented under the investing activities in the consolidated statements of cash flows. For the three and six-month periods ended September 30, 2023, the increase in non-current advance payments totalled nil and \$8,189, respectively (three and six-month periods ended September 30, 2022: \$16,453 and \$30,001, respectively).

Champion Iron Limited

Notes to the Condensed Interim Consolidated Financial Statements

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

7. Property, Plant and Equipment

	Mining and Processing Equipment	Locomotives, Railcars and Rails	Tailings Dikes	Assets under Construction (i)(ii)	Mining Development and Stripping Asset (iii)	Asset Rehabilitation Obligation and Other	Subtotal	Right-of-use Assets (iv)	Total
Cost									
March 31, 2023	825,883	64,739	202,142	29,264	132,355	124,363	1,378,746	97,962	1,476,708
Additions	25,742	—	—	117,550	7,351	252	150,895	93,543	244,438
Transfers, disposals	16,564	(6)	5,035	(21,593)	—	—	—	—	—
Foreign exchange and other	—	(44)	—	—	—	(8,380)	(8,424)	—	(8,424)
September 30, 2023	868,189	64,689	207,177	125,221	139,706	116,235	1,521,217	191,505	1,712,722
Accumulated depreciation									
March 31, 2023	100,085	12,175	21,790	—	60,340	10,220	204,610	10,130	214,740
Depreciation	41,163	1,404	5,112	—	10,396	3,008	61,083	6,335	67,418
Foreign exchange and other	—	(4)	—	—	—	—	(4)	—	(4)
September 30, 2023	141,248	13,575	26,902	—	70,736	13,228	265,689	16,465	282,154
Net book value - September 30, 2023	726,941	51,114	180,275	125,221	68,970	103,007	1,255,528	175,040	1,430,568

	Mining and Processing Equipment	Locomotives, Railcars and Rails	Tailings Dikes	Assets under Construction (i)(ii)(v)	Mining Development and Stripping Asset (iii)	Asset Rehabilitation Obligation and Other	Subtotal	Right-of-use Assets	Total
Cost									
March 31, 2022	222,915	54,476	143,932	531,785	111,965	73,139	1,138,212	66,368	1,204,580
Additions	94,316	—	—	162,203	20,390	12,613	289,522	34,819	324,341
Transfers, disposals and lease termination	508,652	6,725	58,210	(664,724)	—	48,627	(42,510)	(3,225)	(45,735)
Foreign exchange and other	—	3,538	—	—	—	(10,016)	(6,478)	—	(6,478)
March 31, 2023	825,883	64,739	202,142	29,264	132,355	124,363	1,378,746	97,962	1,476,708
Accumulated depreciation									
March 31, 2022	89,760	8,891	13,637	—	10,780	6,436	129,504	5,046	134,550
Depreciation	51,793	2,524	8,153	—	49,560	4,002	116,032	8,073	124,105
Transfers, disposals and lease termination	(41,468)	—	—	—	—	(218)	(41,686)	(2,989)	(44,675)
Foreign exchange and other	—	760	—	—	—	—	760	—	760
March 31, 2023	100,085	12,175	21,790	—	60,340	10,220	204,610	10,130	214,740
Net book value - March 31, 2023	725,798	52,564	180,352	29,264	72,015	114,143	1,174,136	87,832	1,261,968

(i) During the development period of the DRPF Project, the amount of borrowing costs capitalized for the three and six-month periods ended September 30, 2023 was \$355 and \$452, respectively (three and six-month periods ended September 30, 2022: \$5,138 and \$9,559, respectively, during the development period of the Bloom Lake Phase II expansion project). Borrowing costs consisted of interest expense and the amortization of transaction costs on the long-term debt. Refer to note 8 — Long-Term Debt.

The capitalization rate used to determine the amount of borrowing costs eligible for capitalization for the three and six-month periods ended September 30, 2023 was 7.5% (three and six-month periods ended September 30, 2022: 4.5% and 4.3%, respectively).

Champion Iron Limited

Notes to the Condensed Interim Consolidated Financial Statements

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

7. Property, Plant and Equipment (continued)

- (ii) The Company qualified for a government grant up to \$21,817, payable in multiple advances, in relation to energy consumption reduction initiatives under certain conditions. The Company must reach gas emissions reduction targets over a period of 10 years and must complete the construction before August 5, 2025. The grant was recognized as a reduction of property, plant and equipment. The additions of property, plant and equipment for the three and six-month periods ended September 30, 2023 are net of government grants of \$42 and \$663, respectively; and a total grant of \$2,543 was receivable as at September 30, 2023 (for the three and six-month periods ended September 30, 2022: \$1,550 and \$5,163, respectively, were recognized as grants and \$7,075 was receivable as at March 31, 2023). Refer to note 3 – Receivables.
- (iii) For the three and six-month periods ended September 30, 2023, the addition to the stripping asset includes: i) production expenses capitalized amounting to nil and \$264, respectively (three and six-month periods ended September 30, 2022: \$42 and \$6,126, respectively) and ii) allocated depreciation of property, plant and equipment amounting to nil and \$55, respectively (three and six-month periods ended September 30, 2022: \$9 and \$961, respectively).
- (iv) The addition of right-of-use assets for the six-month period ended September 30, 2023 included \$83,464 related to additional transshipment capacity and financed through advance payments (refer to note 6 - Advance Payments) as well as \$6,770 for additional locomotives paid in part by overpaid monthly service credits and classified as prepaid expenses.
- (v) In December 2022, the Company declared commercial production at the Bloom Lake Phase II plant. Consequently, Phase II assets were reclassified from assets under construction to other categories under property, plant and equipment. Those assets also started to be depreciated in December 2022.

8. Long-Term Debt

	As at September 30, 2023	As at March 31, 2023
Revolving Facility	243,360	243,593
IQ Loan	49,812	55,369
FTQ Loan	73,676	73,537
CAT Financing	108,480	102,782
	475,328	475,281
Less current portion	(29,792)	(27,080)
	445,536	448,201

	As at September 30, 2023	As at March 31, 2023
Face value of long-term debt	486,490	487,654
Unamortized transaction costs and other	(11,162)	(12,373)
Long-term debt, net of transaction costs	475,328	475,281

Revolving Facility

In December 2020, QIO entered into a lending arrangement with various lenders to fund the completion of Phase II, which was comprised of a US\$350,000,000 non-revolving credit facility and a US\$50,000,000 revolving credit facility (collectively the "Senior Debt"), maturing on December 23, 2025 and December 23, 2023, respectively. On May 24, 2022, the Company refinanced the Senior Debt with a US\$400,000,000 general purpose revolving facility (the "Revolving Facility") with various lenders maturing on May 24, 2026. Transaction costs of \$3,903 were incurred for this refinancing.

Given that the Senior Debt was replaced by the Revolving Facility with substantially the same terms, the Company treated the refinancing as a non-substantial modification. The Company reclassified its unamortized transaction costs on the Senior Debt at the modification date to Other non-current assets in the consolidated statements of financial position. Unamortized transaction costs totalled \$7,237 as at September 30, 2023 (March 31, 2023: \$8,595) and are amortized on a straight-line basis over the term of the Revolving Facility.

Champion Iron Limited

Notes to the Condensed Interim Consolidated Financial Statements

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

8. Long-Term Debt (continued)

Revolving Facility (continued)

The Revolving Facility is based on Secured Overnight Financing Rate ("SOFR"), plus a credit spread adjustment and a financial margin that fluctuates from 2.0% to 3.0% depending on whether the net debt to EBITDA ratio is below 0.5 or greater than 2.5. As at September 30, 2023, the undrawn portion of the Revolving Facility totalled US\$220,000,000. The Revolving Facility is payable anytime at the discretion of the Company or at maturity. Collaterals are comprised of all of the present and future undertakings, properties and assets of QIO and Lac Bloom Railcars Corporation Inc. The Company guaranteed all the obligations of QIO and Lac Bloom Railcars Corporation Inc. and pledged all of the shares it holds in QIO and Lac Bloom Railcars Corporation Inc.

IQ Loan

On July 21, 2021, QIO entered into an unsecured loan agreement with Investissement Québec ("IQ Loan") to finance the Company's share of the increase in transshipment capacity by SFPPN for an amount up to \$70,000 maturing on April 1, 2032. The repayment commences on April 1, 2022 in ten equal annual installments of the principal balance outstanding. The agreement comprises an option to prepay the loan at any time without penalty.

The loan bearing interest at 3.70% was determined to be at below-market rate. The fair value of the total advances of \$70,000 was estimated at \$59,386 and was determined based on the prevailing market interest rate for a similar instrument at the time the advances were made. The residual amount of \$10,614 was recognized as a government grant and presented as a deferred grant in the consolidated statements of financial position. The deferred grant is amortized straight-line over the life of mine starting when SFPPN's new infrastructure are available for use. The remaining deferred grant as at September 30, 2023 totalled \$10,497 (March 31, 2023: \$10,614).

During the six-month period ended September 30, 2023, the Company repaid \$6,400 of the IQ loan. The remaining balance was \$57,600 as at September 30, 2023 (March 31, 2023: \$64,000).

FTQ Loan

On May 21, 2021, QIO entered into an unsecured loan agreement with Fonds de Solidarité des Travailleurs du Québec ("FTQ Loan") to fund the completion of Phase II and for general purposes after the completion of Phase II for an amount up to \$75,000, maturing on May 21, 2028. The remaining balance was \$75,000 as at September 30, 2023 (March 31, 2023: \$75,000). The FTQ Loan includes an option to prepay in whole or in part at any time, but not prior to the second anniversary by paying a premium that varies from 2% to 6% based on the prepayment date.

CAT Financing

On April 1, 2021, the Company signed an agreement with Caterpillar Financial Services Limited ("CAT Financing") to finance Phase II mining equipment for a facility of up to US\$75,000,000 and available until March 31, 2023. In January 2023, the undrawn portion of the facility was increased by US\$50,000,000 with the availability period extended to March 31, 2024. Transaction costs of \$703 were incurred for this increase. During the three and six-month periods ended September 30, 2023, the Company drew \$6,339 (US\$4,736,000) and \$16,860 (US\$12,483,000), respectively, and repaid \$6,941 (US\$5,229,000) and \$11,154 (US\$8,362,000), respectively, resulting in a balance of \$110,530 (US\$81,754,000) as at September 30, 2023 (March 31, 2023: \$105,061 (US\$77,633,000)). The CAT Financing matures between 3 to 6 years depending on the equipment and is collateralized by all of the financed equipment. The CAT Financing includes an option to prepay the loan without penalty at any time. The carrying value of the financed equipment was \$107,459 as at September 30, 2023 (March 31, 2023: \$101,650).

During the three and six-month periods ended September 30, 2023, the weighted average interest rate for all long-term debt was 7.2% (three and six-month periods ended September 30, 2022: 4.6% and 4.5%, respectively).

The Revolving Facility, FTQ Loan and the CAT Financing are subject to operational and financial covenants, all of which have been met as at September 30, 2023. The undrawn portion of the Revolving Facility, FTQ Loan and the CAT Financing is subject to standby commitment fees varying from 0.35% to 0.50%.

Champion Iron Limited

Notes to the Condensed Interim Consolidated Financial Statements

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

9. Rehabilitation Obligation

	As at September 30, 2023	As at March 31, 2023
	(six-month period)	(twelve-month period)
Opening balance	85,508	86,021
Increase due to reassessment of the rehabilitation obligation	252	8,649
Accretion expense	596	854
Effect of change in discount rate	(8,380)	(10,016)
Ending balance	77,976	85,508

The accretion of the rehabilitation obligation was evaluated as the amount of the expenditure required to settle the present obligation at the end of the reporting period, discounted by the number of years between the reporting date and the rehabilitation date using a discount rate of 2.06% as at September 30, 2023 (March 31, 2023: 1.34%). The undiscounted amount related to the rehabilitation obligation is estimated at \$104,811 as at September 30, 2023 (March 31, 2023: \$104,358).

10. Share Capital and Reserves

a) Authorized

The Company's share capital consists of authorized:

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

b) Ordinary share issuances

	Six Months Ended September 30, 2023	2022
	(in thousands)	(in thousands)
Shares		
Opening balance	517,193	516,612
Shares issued for exercise of warrants	—	281
Shares issued for exercise of options - incentive plan	—	300
Shares issued for release of performance share units - incentive plan	103	—
Ending balance	517,296	517,193

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

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

c) Share-based payments

The Company has various share-based compensation plans for eligible employees and directors. The objective of the Omnibus incentive plan is to enhance the Company's ability to attract and retain talented employees and to provide alignment of interests between such employees and the shareholders of the Company. Under the Omnibus incentive plan, the Company grants stock option awards, restricted share unit ("RSU") awards, performance share unit ("PSU") awards and deferred share unit ("DSU") awards. If and when cash dividends are paid, the holders of RSUs, PSUs and DSUs are entitled to receive a dividend equivalent.

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

Champion Iron Limited

Notes to the Condensed Interim Consolidated Financial Statements

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

10. Share Capital and Reserves (continued)

c) Share-based payments (continued)

As at September 30, 2023, the Company is authorized to issue 51,730,000 stock options and share rights (September 30, 2022: 51,719,000) equal to 10% (September 30, 2022: 10%) of the issued and outstanding ordinary shares for issuance under the Omnibus incentive plan.

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

	Three Months Ended September 30,		Six Months Ended September 30,	
	2023	2022	2023	2022
Stock option	—	108	—	296
RSU	688	218	304	(977)
PSU	973	15	793	(736)
DSU	219	48	(181)	(624)
	1,880	389	916	(2,041)

For the six-month period ended September 30, 2023, the amount recognized as share-based payment includes recovery related to equity-settled awards of \$1,183 (six-month period ended September 30, 2022: share-based payment expense \$1,015). For the six-month period ended September 30, 2023, the amount recognized as share-based payment expense related to cash-settled awards was \$2,099 (six-month period ended September 30, 2022: share-based payment recovery \$3,056).

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

	As at September 30, 2023	As at March 31, 2023
Accounts payable and other	4,691	9,138
Other long-term liabilities	5,284	8,234
	9,975	17,372

d) Stock options

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

	Six Months Ended September 30,		Six Months Ended September 30,	
	2023		2022	
	Number of Stock Options (in thousands)	Weighted Average Exercise Price	Number of Stock Options (in thousands)	Weighted Average Exercise Price
Opening balance	1,200	5.00	1,500	5.00
Exercised	—	—	(300)	5.00
Ending balance	1,200	5.00	1,200	5.00
Options exercisable - end of the period	1,200	5.00	800	5.00

During the six-month period ended September 30, 2023, no stock options were granted or exercised. During the six-month period ended September 30, 2022, no stock options were granted and a total of 300,000 stock options were exercised and the weighted average share price at the exercise date was \$6.84.

The weighted average remaining life for the 1,200,000 stock options exercisable as at September 30, 2023, was 1.35 years.

Champion Iron Limited

Notes to the Condensed Interim Consolidated Financial Statements

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

10. Share Capital and Reserves (continued)

e) Restricted share units

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

	Six Months Ended September 30,		Six Months Ended September 30,	
	2023		2022	
	Number of RSUs	Weighted Average Share Price	Number of RSUs	Weighted Average Share Price
	(in thousands)		(in thousands)	
Opening balance	1,115	5.08	1,142	3.37
Granted	790	5.06	488	6.31
Dividend equivalents	20	5.63	14	6.95
Settled through cash payment	(349)	2.67	(431)	2.23
Forfeited	(20)	5.40	(2)	6.16
Ending balance	1,556	5.61	1,211	5.13
Vested - end of the period	354	6.17	319	3.56

During the six-month period ended September 30, 2023, 790,000 RSUs were granted to key management personnel (six-month period ended September 30, 2022: 488,000).

During the six-month period ended September 30, 2023, 349,000 RSUs were settled in exchange for cash consideration based on a share price of \$5.49 (six-month period ended September 30, 2022: 431,000 RSUs settled based on a share price of \$6.88).

f) Performance share units

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

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

	Six Months Ended September 30,		Six Months Ended September 30,	
	2023		2022	
	Number of PSUs	Weighted Average Share Price	Number of PSUs	Weighted Average Share Price
	(in thousands)		(in thousands)	
Opening balance	2,581	5.59	2,842	4.55
Granted	1,185	5.06	610	6.89
Dividend equivalents	52	5.63	39	6.95
Settled through cash payment	(859)	4.09	(614)	2.23
Forfeited	(132)	6.33	(3)	6.16
Released through the issuance of ordinary shares	(103)	6.16	—	—
Withheld as payment of withholding taxes	(117)	6.16	—	—
Ending balance	2,607	5.78	2,874	5.66
Vested - end of the period	—	—	—	—

During the six-month period ended September 30, 2023, 1,185,000 PSUs were granted to key management personnel (six-month period ended September 30, 2022: 610,000) and 103,000 ordinary shares were issued at a weighted average share price of \$6.12. Withholding taxes of \$716,000 were paid pursuant to the issuance of these aforementioned ordinary shares resulting in the Company not issuing an additional 117,000 PSUs.

During the six-month period ended September 30, 2023, 859,000 PSUs were settled in exchange for cash consideration based on a share price of \$5.74 (six-month period ended September 30, 2022: 614,000 PSUs settled based on a share price of \$6.88).

Champion Iron Limited

Notes to the Condensed Interim Consolidated Financial Statements

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

10. Share Capital and Reserves (continued)

g) Deferred share units

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

	Six Months Ended September 30,		Six Months Ended September 30,	
	2023		2022	
	Number of DSUs	Weighted Average Share Price	Number of DSUs	Weighted Average Share Price
	(in thousands)		(in thousands)	
Opening balance	366	3.97	285	3.56
Granted	43	5.55	34	4.54
Dividend equivalents	6	5.77	5	6.95
Settled through cash payment	(125)	3.66	—	—
Forfeited	(2)	6.06	—	—
Ending balance	288	4.37	324	3.71
Vested - end of the period	288	4.37	324	3.71

During the six-month period ended September 30, 2023, 125,000 DSUs were settled in exchange for cash consideration based on a share price of \$5.24 (six-month period ended September 30, 2022: nil).

h) Warrants

	Six Months Ended September 30,		Six Months Ended September 30,	
	2023		2022	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
	(in thousands)		(in thousands)	
Opening balance	15,000	2.45	15,281	2.43
Exercised	—	—	(281)	1.13
Ending balance	15,000	2.45	15,000	2.45

The Company's outstanding and exercisable warrants as at September 30, 2023 and 2022 is presented below:

Exercise Price	Expiry Date	Outstanding and Exercisable	
		As at September 30,	As at September 30,
		2023	2022
		(in thousands)	(in thousands)
\$2.45	August 16, 2026	15,000	15,000

All ordinary share warrants were accounted for as warrants in the consolidated statements of equity. There has been no change to the details of the warrants as disclosed in the Company's audited annual consolidated financial statements for the year ended March 31, 2023.

During the six-month period ended September 30, 2023, no warrants were exercised (six-month period ended September 30, 2022: 281,000 warrants at a weighted average exercise price of \$1.125).

Champion Iron Limited

Notes to the Condensed Interim Consolidated Financial Statements

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

11. Revenues

	Three Months Ended September 30,		Six Months Ended September 30,	
	2023	2022	2023	2022
Iron ore revenue	386,009	321,552	729,977	616,541
Provisional pricing adjustments	1,559	(20,931)	(45,247)	(36,599)
	387,568	300,621	684,730	579,942

Provisional pricing adjustments represent any difference between the revenue recognized at the end of the previous quarter and the final settlement price. Previous periods sales that were subject to provisional pricing as at June 30, 2023, and for which the final price was determined during the current quarter, were recorded within the "provisional pricing adjustments" line in the current period. Current period sales subject to provisional pricing as at September 30, 2023, were recorded within the "iron ore revenue" line in the current period and the adjustment upon determining the final price will be recorded as "provisional pricing adjustments" in the future periods.

During the three-month period ended September 30, 2023, a final price was established for the 1.4 million tonnes of iron ore that were in transit as at June 30, 2023. Accordingly, during the three-month period ended September 30, 2023, positive provisional pricing adjustments of \$1,559 were recorded as an increase of revenues for the 1.4 million tonnes. As at September 30, 2023, 1.3 million tonnes of iron ore sales remained subject to provisional pricing, with the final price to be determined in the subsequent reporting periods (September 30, 2022: 1.3 million tonnes).

12. Cost of Sales

	Three Months Ended September 30,		Six Months Ended September 30,	
	2023	2022	2023	2022
Mining and processing costs	158,577	117,066	324,176	227,434
Change in concentrate inventories	(22,916)	1,493	(54,922)	(10,587)
Land transportation and port handling	76,923	65,586	151,815	116,389
Incremental costs related to COVID-19	—	305	—	1,145
Bloom Lake Phase II start-up costs	—	15,391	—	34,867
	212,584	199,841	421,069	369,248

For the three and six-month periods ended September 30, 2023, the amount recognized as an expense for defined contribution plans was \$2,721 and \$5,507, respectively (three and six-month periods ended September 30, 2022: \$2,324 and \$4,596, respectively) and is included in mining and processing costs.

Champion Iron Limited

Notes to the Condensed Interim Consolidated Financial Statements

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

13. Net Finance Costs

	Three Months Ended September 30,		Six Months Ended September 30,	
	2023	2022	2023	2022
Interest on long-term debt	8,635	—	17,064	—
Amortization of transaction costs	1,289	1,171	2,569	1,989
Standby commitment fees on long-term debt	437	390	868	1,321
Interest expense on lease liabilities	982	870	1,980	1,720
Realized and unrealized foreign exchange loss	2,439	9,131	741	10,527
Amortization of deferred grant	(117)	—	(117)	—
Interest income	(2,981)	(1,615)	(6,398)	(2,151)
Other	950	818	1,853	1,549
	11,634	10,765	18,560	14,955

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

14. Earnings per Share

Earnings per share amounts are calculated by dividing the net income attributable to Champion shareholders for the three and six-month periods ended September 30, 2023 and 2022 by the weighted average number of shares outstanding during the period.

	Three Months Ended September 30,		Six Months Ended September 30,	
	2023	2022	2023	2022
Net income	65,281	19,530	81,938	61,084
Weighted average number of common shares outstanding - Basic	517,258,000	517,104,000	517,226,000	516,899,000
Dilutive share options, warrants and equity settled awards	8,917,000	8,269,000	9,371,000	9,993,000
Weighted average number of outstanding shares - Diluted	526,175,000	525,373,000	526,597,000	526,892,000
Basic earnings per share	0.13	0.04	0.16	0.12
Diluted earnings per share	0.12	0.04	0.16	0.12

Champion Iron Limited

Notes to the Condensed Interim Consolidated Financial Statements

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

15. Financial Instruments

Measurement Categories

Financial assets and financial liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value, whether changes in fair value are recognized in the profit or loss or in other comprehensive income. These categories are financial assets and financial liabilities at fair value through profit of loss ("FVTPL"), financial assets at amortized cost, and financial liabilities at amortized cost. The following tables show the carrying values and the fair value of assets and liabilities for each of these categories as at September 30, 2023 and March 31, 2023:

As at September 30, 2023		Financial instruments at FVTPL	Financial Assets at Amortized Cost	Financial Liabilities at Amortized Cost	Total Carrying Amount and Fair Value
Assets					
Current					
Cash and cash equivalents	Level 1	—	316,530	—	316,530
Trade receivables	Level 2	85,352	—	—	85,352
Other receivables (excluding sales tax and grant)	Level 2	—	3,389	—	3,389
Non-current					
Equity investment in publicly listed entity (included in non-current investments)	Level 1	9	—	—	9
Convertible loan and equity investment in private entity (included in non-current investments)	Level 3	11,759	—	—	11,759
		97,120	319,919	—	417,039
Liabilities					
Current					
Accounts payable and other (excluding current portion of lease liabilities and cash-settled share-based payment liability)	Level 2	—	—	203,646	203,646
Cash-settled share-based payment liability (included in accounts payable and other)	Level 1	4,691	—	—	4,691
Current portion of long-term debt	Level 3	—	—	29,792	29,792
		4,691	—	233,438	238,129
Non-current					
Long-term debt	Level 3	—	—	445,536	445,536
Cash-settled share-based payment liability (included in other long-term liabilities)	Level 1	5,284	—	—	5,284
		9,975	—	678,974	688,949

For personal use only

Champion Iron Limited

Notes to the Condensed Interim Consolidated Financial Statements

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

15. Financial Instruments (continued)

Measurement Categories (continued)

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

Current financial assets and financial liabilities are valued at their carrying amounts, which are reasonable estimates of their fair value due to their near-term maturities; this includes cash and cash equivalents, short-term investments, other receivables and accounts payable and other (excluding current portion of lease liabilities and cash-settled share-based payment liability). Long-term debt was accounted for at amortized cost using the effective interest method, and its fair values approximate its carrying values.

Fair Value Measurement Hierarchy

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

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

There were no transfers between Level 1, Level 2 and Level 3 during the three and six-month periods ended September 30, 2023 (three and six-month periods ended September 30, 2022: nil).

Champion Iron Limited

Notes to the Condensed Interim Consolidated Financial Statements

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

15. Financial Instruments (continued)

Financial Instruments Measured at FVTPL

Trade Receivables

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

Equity Instruments Publicly Listed

Equity instruments publicly listed are classified as a Level 1 in the fair value hierarchy. Their fair values are a recurring measurement and are estimated using the closing share price observed on the relevant stock exchange. No adjustment in the fair value was recorded in the consolidated statements of income in the three and six-month periods ended September 30, 2023 (three and six-month periods ended September 30, 2022: nil).

Convertible Loan and Equity Instruments in Private Entity

The Company holds a convertible loan and equity instruments in an European-based private entity which collaborates with the Company in industrial trials related to cold pelletizing technologies. The loan is convertible at the discretion of the Company and automatically convertible at maturity in October 25, 2025. The Company also had the right to subscribe equity instruments of this European-based private entity at any time prior to June 2023 at a subscription price below the current market value. During the six-month period ended September 30, 2023, the Company wrote off the related derivative asset upon the expiry of the right to subscribe equity instruments amounting to \$2,744 (fair value as at March 31, 2023: \$2,971). As at September 30, 2023, the convertible loan and equity instruments totalled \$11,759 (March 31, 2023: \$11,771).

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

The change in fair value on the convertible loan, equity instruments and derivative asset for the three and six-month periods ended September 30, 2023 amounted to a gain of \$244 and a loss of \$239, respectively, and was attributable to the changes in exchange rates (three and six-month periods ended September 30, 2022: a gain of \$341 and \$783, respectively).

Cash-Settled Share-Based Payment Liability

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

16. Commitments and Contingencies

The Company's future minimum payments of commitments as at September 30, 2023 are as follows:

	Less than a year	1 to 5 years	More than 5 years	Total
Impact and Benefits Agreement with the Innu community	7,193	31,708	130,621	169,522
Take-or-pay fees related to the Port agreement	7,632	33,406	110,866	151,904
Capital expenditure obligations	6,155	—	—	6,155
Other obligations	51,395	31,591	250	83,236
	72,375	96,705	241,737	410,817

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

Champion Iron Limited

Notes to the Condensed Interim Consolidated Financial Statements

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

16. Commitments and Contingencies (continued)

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

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

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

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

a) Changes in non-cash operating working capital

	Three Months Ended September 30,		Six Months Ended September 30,	
	2023	2022	2023	2022
Receivables	(18,725)	40,271	35,909	48,769
Prepaid expenses and advances	20,353	(6,640)	(951)	(30,589)
Inventories	(34,330)	(5,318)	(77,320)	(26,694)
Advance payments	4,080	3,366	8,322	8,208
Accounts payable and other	46,874	(5,600)	47,456	3,722
Income and mining taxes receivable or payable	24,077	(11,490)	32,783	(98,439)
Other long-term liabilities	(1,761)	(3,825)	(9,670)	(5,573)
	40,568	10,764	36,529	(100,596)

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

	Three Months Ended September 30,		Six Months Ended September 30,	
	2023	2022	2023	2022
Additions of property, plant and equipment as per note 7	187,509	83,699	244,438	219,644
Right-of-use assets	(91,948)	(939)	(93,543)	(15,845)
Depreciation of property, plant and equipment allocated to stripping activity asset	—	(9)	(55)	(961)
Non-cash increase of the asset rehabilitation obligation	(22)	(452)	(252)	(942)
Government grant recognized	42	1,550	663	5,163
Government grant received	(5,195)	(5,195)	(5,195)	(5,195)
Capitalized amortization of transaction costs	—	(70)	—	(666)
Net cash flow used in investing activities - purchase of property, plant and equipment	90,386	78,584	146,056	201,198

The additions of property, plant and equipment for the three and six-month periods ended September 30, 2023 are net of government grants of \$42 and \$663, respectively, and a total grant of \$2,543 was receivable as at September 30, 2023.

The additions of right-of-use assets for the three and six-month periods ended September 30, 2023 comprised assets financed by advance payments of \$83,464 and prepaid expenses and advances of \$6,770.

Champion Iron Limited

Notes to the Condensed Interim Consolidated Financial Statements

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

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

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

	Three Months Ended September 30,		Six Months Ended September 30,	
	2023	2022	2023	2022
Depreciation of property, plant and equipment as per note 7	37,263	29,615	67,418	52,529
Depreciation of property, plant and equipment allocated to stripping activity asset	—	(9)	(55)	(961)
Depreciation of intangible assets	805	783	1,591	1,561
Net effect of depreciation of property, plant and equipment allocated to inventory	(6,853)	(2,334)	(7,826)	(5,282)
Depreciation as per consolidated statements of income	31,215	28,055	61,128	47,847

d) Reconciliation of movements of liabilities to cash flows arising from financing activities

	Three Months Ended September 30,		Six Months Ended September 30,	
	2023	2022	2023	2022
Opening balance - Long-Term Debt	468,042	351,488	475,281	323,360
Cash provided by (used in) financing activities				
Proceeds	6,339	90,541	16,860	110,372
Repayments	(6,941)	(2,862)	(17,554)	(10,640)
Non-cash changes				
Foreign exchange movement	7,278	22,967	(470)	30,901
Reclassification of transaction costs	—	—	—	6,958
Transaction costs and other	610	562	1,211	1,745
Ending balance - Long-Term Debt	475,328	462,696	475,328	462,696

	Three Months Ended September 30,		Six Months Ended September 30,	
	2023	2022	2023	2022
Opening balance - Lease liabilities	84,545	69,221	86,841	53,979
Cash used in financing activities				
Repayments	(2,358)	(1,150)	(4,717)	(2,229)
Non-cash changes				
Foreign exchange movement	1,438	3,944	(94)	5,599
New lease liabilities	1,714	699	3,309	15,605
Lease termination	—	—	—	(240)
Ending balance - Lease liabilities	85,339	72,714	85,339	72,714

For personal use only

Champion Iron Limited

Notes to the Condensed Interim Consolidated Financial Statements

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

18. Segmented Information

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

Three Months Ended September 30, 2023	Iron Ore Concentrate	Exploration and Evaluation	Corporate	Total
Revenues	387,568	—	—	387,568
Cost of sales	(212,584)	—	—	(212,584)
Depreciation	(30,799)	—	(416)	(31,215)
Gross profit (loss)	144,185	—	(416)	143,769
Share-based payments	—	—	(1,880)	(1,880)
General and administrative expenses	—	—	(12,729)	(12,729)
Sustainability and other community expenses	(1,672)	—	(2,643)	(4,315)
Innovation and growth initiative expenses	—	—	(1,268)	(1,268)
Operating income (loss)	142,513	—	(18,936)	123,577
Net finance costs, other income and taxes expenses				(58,296)
Net income				65,281
Segmented total assets	2,251,869	124,422	31,647	2,407,938
Segmented total liabilities	(1,096,479)	—	(20,401)	(1,116,880)
Segmented property, plant and equipment	1,421,292	—	9,276	1,430,568
Three Months Ended September 30, 2022	Iron Ore Concentrate	Exploration and Evaluation	Corporate	Total
Revenues	300,621	—	—	300,621
Cost of sales	(199,841)	—	—	(199,841)
Depreciation	(27,990)	—	(65)	(28,055)
Gross profit (loss)	72,790	—	(65)	72,725
Share-based payments	—	—	(389)	(389)
General and administrative expenses	—	—	(8,564)	(8,564)
Sustainability and other community expenses	(1,633)	—	(2,227)	(3,860)
Innovation and growth initiative expenses	—	—	(4,026)	(4,026)
Operating income (loss)	71,157	—	(15,271)	55,886
Net finance costs, other income and taxes expenses				(36,356)
Net income				19,530
Segmented total assets	1,994,093	110,862	51,368	2,156,323
Segmented total liabilities	(967,624)	—	(14,853)	(982,477)
Segmented property, plant and equipment	1,230,703	—	339	1,231,042

Champion Iron Limited

Notes to the Condensed Interim Consolidated Financial Statements

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

18. Segmented Information (continued)

Six Months Ended September 30, 2023	Iron Ore Concentrate	Exploration and Evaluation	Corporate	Total
Revenues	684,730	—	—	684,730
Cost of sales	(421,069)	—	—	(421,069)
Depreciation	(60,514)	—	(614)	(61,128)
Gross profit (loss)	203,147	—	(614)	202,533
Share-based payments	—	—	(916)	(916)
General and administrative expenses	—	—	(25,678)	(25,678)
Sustainability and other community expenses	(3,172)	—	(5,112)	(8,284)
Innovation and growth initiative expenses	—	—	(4,959)	(4,959)
Operating income (loss)	199,975	—	(37,279)	162,696
Net finance costs, other expense and taxes expenses				(80,758)
Net income				81,938
Segmented total assets	2,251,869	124,422	31,647	2,407,938
Segmented total liabilities	(1,096,479)	—	(20,401)	(1,116,880)
Segmented property, plant and equipment	1,421,292	—	9,276	1,430,568

Six Months Ended September 30, 2022	Iron Ore Concentrate	Exploration and Evaluation	Corporate	Total
Revenues	579,942	—	—	579,942
Cost of sales	(369,248)	—	—	(369,248)
Depreciation	(47,736)	—	(111)	(47,847)
Gross profit (loss)	162,958	—	(111)	162,847
Share-based payments	—	—	2,041	2,041
General and administrative expenses	—	—	(20,836)	(20,836)
Sustainability and other community expenses	(3,050)	—	(4,153)	(7,203)
Innovation and growth initiative expenses	—	—	(6,446)	(6,446)
Operating income (loss)	159,908	—	(29,505)	130,403
Net finance costs, other income and taxes expenses				(69,319)
Net income				61,084
Segmented total assets	1,994,093	110,862	51,368	2,156,323
Segmented total liabilities	(967,624)	—	(14,853)	(982,477)
Segmented property, plant and equipment	1,230,703	—	339	1,231,042

19. Subsequent Event

On October 25, 2023 (Montréal time) / October 26, 2023 (Sydney time), the Board declared a dividend of \$0.10 per ordinary share of the Company in connection with the semi-annual results for the period ended September 30, 2023, payable on November 28, 2023 (Montréal time and Sydney time), to registered shareholders at the close of business in Australia and Canada on November 7, 2023 (Montréal time and Sydney time).

COMPANY DIRECTORY

For personal use only

DIRECTORS	<p>Michael O’Keeffe (Executive Chairman) - Non-independent</p> <p>David Cataford (Executive Director and Chief Executive Officer) - Non-independent</p> <p>Gary Lawler (Non-Executive Director) - Independent</p> <p>Michelle Cormier (Non-Executive Director) - Independent</p> <p>Jyothish George (Non-Executive Director) - Independent</p> <p>Louise Grondin (Non-Executive Director) - Independent</p> <p>Jessica McDonald (Non-Executive Director) - Independent</p>
CORPORATE SECRETARY	Steve Boucraatie
COMPANY SECRETARY	Bill Hundy
REGISTERED OFFICE	<p>Level 1, 91 Evans Street Rozelle NSW 2039, Australia</p> <p>Telephone: +61 2 9810 7816 Facsimile: +61 2 8065 5017</p> <p>Website: www.championiron.com ACN 119 770 142</p>
PRINCIPLE ADMINISTRATIVE OFFICE	<p>3300-1155 René-Lévesque Blvd. West Montréal, QC, H3B 3X7, Canada</p> <p>Telephone: +1 514-316-4858 Facsimile: +1 514-819-8100</p>
AUDITORS	<p>Ernst & Young 200 George Street Sydney 2000 NSW, Australia</p>
SHARE REGISTRIES	<p>Automic Pty Ltd Level 5, 126 Phillip Street Sydney NSW 2000, Australia</p> <p>Telephone: +61 2 9698 5414 Facsimile: +61 2 8583 3040</p> <p>TSX Trust Company 301-100 Adelaide Street West Toronto, ON, M5H 4H1, Canada</p> <p>Telephone: 416-342-1091 Toll-Free: +1-866-600-5869 Facsimile: 416-361-0470</p>
STOCK EXCHANGES	The Company’s shares are listed on the Australian Stock Exchange (ASX) and the Toronto Stock Exchange (TSX) under the symbol CIA. The Company’s shares are also available to trade on the OTCQX Best Market under symbol CIAFF.
ASX CODE & TSX SYMBOL	CIA (Fully Paid Ordinary Shares)

CHAMPION IRON 