Management’s Discussion and Analysis

For the Three and Six-Month Periods Ended September 30, 2021

CHAMPION IRON

TSX: CIA - ASX: CIA

As at October 28, 2021

The following Champion Iron Limited ("Champion" or the "Company") Management Discussion and Analysis ("MD&A") has been prepared as of October 28, 2021. This MD&A is intended to supplement the condensed interim consolidated financial statements for the three and six-month periods ended September 30, 2021 and related notes thereto ("Financial Statements"), which have been prepared in accordance with AASB 134/IAS 34, *Interim Financial Reporting*, and should be read in conjunction with the Company's audited annual financial statements and MD&A for the year ended March 31, 2021. The Financial Statements and other information pertaining to the Company are available on SEDAR at www.sedar.com, the ASX at www.asx.com.au and the Company's website at www.championiron.com.

Champion's management team ("Management") is responsible for the preparation and integrity of the Financial Statements, including the maintenance of appropriate information systems, procedures and internal controls. Management is also responsible for ensuring that information disclosed externally, including the Financial Statements and MD&A, is complete and reliable.

Unless otherwise specified, all dollar figures stated herein are expressed in 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 are used throughout this MD&A: US$ (United States dollar), CA$ (Canadian dollar), t (tonnes), wmt (wet metric tonnes), dmt (dry metric tonnes), Mtpa (million tonnes per annum), M (million), km (kilometres), m (metres) 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.

This MD&A contains forward-looking statements. Particular attention should be given to the risk factors described in the "Risk Factors" sections of the Company's 2021 Annual Information Form and the MD&A for the fiscal year ended March 31, 2021 and to the "Cautionary Note Regarding Forward-Looking Statements" section of this MD&A.

Non-IFRS Financial Performance Measures

Certain financial performance measures with no standard meaning under IFRS are included in this MD&A. Champion believes that these measures, in addition to conventional measures prepared in accordance with IFRS, provide investors with an improved ability to evaluate the underlying performance of the Company. These measures are intended to provide additional information and should not be considered in isolation, or as a substitute for, measures of performance prepared in accordance with IFRS. These measures do not have any standardized meaning prescribed under IFRS and therefore may not be comparable to other issuers. The non-IFRS financial performance measures included in this MD&A are: total cash cost or C1 cash cost, all-in sustaining costs ("AISC"), net average realized selling price, cash operating margin and cash profit margin, earnings before interest, tax, depreciation and amortization ("EBITDA"), EBITDA margin, adjusted net income, adjusted EPS, operating cash flow per share and cash on hand. For a detailed description of each of the non-IFRS measures used in this MD&A and a detailed reconciliation to the most directly comparable measure under IFRS, please refer to the "Non-IFRS Financial Performance Measures" section of this MD&A.

1. Description of Business

Champion was incorporated under the laws of Australia in 2006 and is listed on the Toronto Stock Exchange (TSX: CIA), the Australian Securities Exchange (ASX: CIA) and is available to trade on the OTCQX Best Market (OTCQX: CIAFF).

Champion Iron Limited, through its 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 a concentrator that primarily sources energy from renewable hydroelectric power. The Bloom Lake Phase I plant has a nameplate capacity of 7.4 Mtpa and produces a low contaminant high-grade 66.2% Fe iron ore concentrate and proved its ability to produce a 67.5% Fe direct reduction quality concentrate, which has attracted a premium to the IODEX 62% Fe CFR China Index ("P62") iron ore benchmark. The Company ships iron ore concentrate from Bloom Lake by rail, to a ship loading port in Sept-Îles, Québec, and sells its iron ore concentrate to customers globally, including in China, Japan, the Middle East, Europe, South Korea, India and Canada. In addition to the ongoing construction to complete the Bloom Lake Phase II expansion project ("Phase II"), Champion owns a portfolio of exploration and development projects in the Labrador Trough, including the Kamistiatusset project (the "Kami Project") located a few kilometres south-east of Bloom Lake, and the Consolidated Fire Lake North iron ore project, located approximately 40 km south of Bloom Lake.

2. Financial and Operating Highlights

	Three Months Ended September 30,			Six Months Ended September 30,		
	2021	2020	Variance	**2021**	2020	Variance
Iron ore concentrate produced (wmt)	**2,089,100**	2,268,800	(8%)	**4,025,100**	4,067,600	(1%)
Iron ore concentrate sold (dmt)	**1,953,900**	2,063,400	(5%)	**3,928,600**	3,822,200	3%
Financial Data (in thousands of dollars, except per share amounts)						
Revenues	**331,006**	310,994	6%	**876,414**	555,568	58%
Gross profit	**210,685**	199,909	5%	**625,288**	328,205	91%
EBITDA[1]	**200,013**	198,972	1%	**605,752**	329,134	84%
EBITDA margin[1]	**60 %**	64 %	(6%)	**69 %**	59 %	17%
Net income	**114,596**	112,164	2%	**338,935**	187,720	81%
Adjusted net income[1]	**118,312**	113,759	4%	**343,421**	191,763	79%
Basic earnings per share	**0.23**	0.24	(4%)	**0.67**	0.40	68%
Adjusted earnings per share[1]	**0.23**	0.24	(4%)	**0.68**	0.41	66%
Net cash flow from operations	**374,141**	131,426	185%	**361,512**	206,714	75%
Cash and cash equivalents	**491,333**	408,500	20%	**491,333**	408,500	20%
Total assets	**1,773,545**	1,072,906	65%	**1,773,545**	1,072,906	65%
Total non-current financial liabilities	**232,023**	219,965	5%	**232,023**	219,965	5%
Statistics (in dollars per dmt sold)						
Gross average realized selling price	**218.8**	162.8	34%	**249.4**	156.6	59%
Net average realized selling price[1]	**169.4**	150.7	12%	**223.1**	145.4	53%
Total cash cost[1] (C1 cash cost)	**56.2**	48.5	16%	**58.2**	53.1	10%
All-in sustaining cost[1]	**73.6**	57.2	29%	**73.1**	60.7	20%
Cash operating margin[1]	**95.8**	93.5	2%	**150.0**	84.7	77%
Statistics (in US dollars per dmt sold)						
Gross average realized selling price	**174.6**	122.2	43%	**201.6**	115.6	74%
Net average realized selling price[1]	**134.7**	113.2	19%	**180.4**	107.3	68%
Total cash cost[1] (C1 cash cost)	**44.6**	36.4	23%	**46.8**	39.1	20%
All-in sustaining cost[1]	**58.4**	42.9	36%	**58.8**	44.7	32%
Cash operating margin[1]	**76.3**	70.3	9%	**121.6**	62.6	94%

[1] This is a non-IFRS financial performance measure with no standard definition under IFRS. See the "Non-IFRS Financial Performance Measures" section of this MD&A included in note 20.

3. Quarterly and Year-to-Date Highlights

Health & Safety and Sustainability

- No serious injuries reported and no major environmental issues during the period; awareness campaigns are in place and continuous improvement efforts are deployed throughout the organization;
- Fully operational COVID-19 testing laboratory and prevention measures maintained in line with the Government of Québec's (the "Government") directives to mitigate risks related to COVID-19;
- In line with our Company's values, and out of respect and in recognition of the ancestral landholders' bond with the natural environment, the Company organized workshops aimed at familiarizing its employees with the Innu culture. Additionally, the Company participated and contributed to the commemoration activities that took place in the Uashat mak Mani-utenam community for the inaugural National Day for Truth and Reconciliation on September 30, 2021;
- Launch of the women's mentoring program dedicated to improve the integration and recruitment of more women into the Company's workforce; and
- Completion of the Company's 2021 Modern Slavery Statement and its 2020 Sustainability Report, both available on the Company's website at www.championiron.com.

Financial

- Revenues of $331.0M and $876.4M for the three and six-month periods ended September 30, 2021, respectively, compared to $311.0M and $555.6M for the same periods in 2020;
- EBITDA[1] of $200.0M for the three-month period ended September 30, 2021, compared to $199.0M for the same period in 2020. EBITDA[1] of $605.8M for the six-month period ended September 30, 2021, compared to $329.1M for the same period in 2020;
- Net income of $114.6M for the three-month period ended September 30, 2021 (EPS of $0.23), compared to $112.2M for the same period in 2020 (EPS of $0.24). Net income of $338.9M for the six-month period ended September 30, 2021 (EPS of $0.67), compared to $187.7M for the same period in 2020 (EPS of $0.40);
- Net cash flow from operations of $374.1M for the three-month period ended September 30, 2021, representing an operating cash flow per share[1] of $0.74, compared to $131.4M or $0.28 for the same period in 2020. Net cash flow from operations of $361.5M for the six-month period ended September 30, 2021, representing an operating cash flow per share[1] of $0.71, compared to $206.7M or $0.44 for the same period in 2020;
- Full redemption of the remaining $125.0M balance of the total $185.0M of the Company's subsidiary, QIO, preferred shares held by Caisse de dépôt et placement du Québec ("CDPQ") which terminated preferred share dividend payments and reduced the overall cost of capital;
- Drawdown of $20.0M on the loan agreement with Investissement Québec, supported by the Fonds du développement économique ("IQ Loan") to finance the upgrade of Société Ferroviaire et Portuaire de Pointe-Noire's ("SFPPN") existing port and transboarding infrastructures; and
- Cash on hand[1] and restricted cash of $567.5M as at September 30, 2021, compared to $466.7M as at June 30, 2021 and $680.5M as at March 31, 2021.

[1] This is a non-IFRS financial performance measure with no standard definition under IFRS. See the "Non-IFRS Financial Performance Measures" section of this MD&A included in note 20.

3. Quarterly and Year-to-Date Highlights (continued)

Operations

- Production of 2,089,100 wmt of high-grade 66.3% iron ore ("Fe") concentrate for the three-month period ended September 30, 2021, compared to 2,268,800 wmt of high-grade 66.1% Fe concentrate for the same period in 2020. Production of 4,025,100 wmt of high-grade 66.3% Fe concentrate for the six-month period ended September 30, 2021, compared to 4,067,600 wmt of high-grade 66.3% for the same period in 2020;
- Fe recovery rate of 83.3% and 83.1% for the three and six-month periods ended September 30, 2021, respectively, compared to a Fe recovery rate of 85.2% and 83.8%, respectively, for the same periods in 2020; and
- Total cash cost[1] of $56.2/dmt (US$44.6/dmt) (C1) and $58.2/dmt (US$46.8/dmt) for the three and six-month periods ended September 30, 2021, respectively, compared to $48.5/dmt (US$36.4/dmt) and $53.1/dmt (US$39.1/dmt), respectively, for the same periods in 2020.

Growth and Development

- Commencement of a feasibility study, following laboratory work testing, to evaluate the reprocessing and infrastructure required for the commercial production of a 69% Fe Direct Reduction ("DR") pellet feed product;
- Advances in work related to the Kami Project's updated feasibility study, which is expected to be completed in the second half of 2022, in connection with the Company's strategy to evaluate its growth alternatives within its property portfolio;
- Completion of the Lac Lamêlée South property acquisition and the 1.5% net smelter return royalty on the Company's Moiré Lake property and Fermont Properties portfolio, which includes the Consolidated Fire Lake North project;
- Collaboration with Caterpillar Inc. ("Caterpillar") and Toromont Cat to develop, test and implement advanced drilling technologies aimed at optimizing Bloom Lake's operational productivity and reducing energy consumption;
- Receipt of a $6.2M government grant during the three-month period ended September 30, 2021, as part of a grant of up to $21.8M, related to the Company's greenhouse gas emissions and energy consumption reduction initiatives;
- In anticipation of the Phase II growth project completion, the Company amended terms of its marketing agreements to maintain existing relationships and develop new ones with customers globally; and
- Agreement for a freight contract signed for one vessel per month, from August 2021 to December 2022. The freight contract is expected to reduce the Company's freight premium volatility with a certain agreed-upon price premium above the average C3 Baltic Capesize Index ("C3") per tonne plus a seasonal additional premium for the winter condition.

Phase II Milestones

- Several critical construction items completed, including the major tie-in between Phase I and Phase II, enabling the Company to evaluate a potential accelerated completion schedule for the project currently expected by mid-2022;
- Advancing remaining work programs, in challenging times, with more than 400 individuals actively working on the project to maintain or accelerate the expected completion schedule; and
- Capital expenditures and start-up costs of $110.5M and advance payments to SFPPN totalling $14.1M incurred in the three-month period ended September 30, 2021, with $413.2M invested to date.

[1] This is a non-IFRS financial performance measure with no standard definition under IFRS. See the "Non-IFRS Financial Performance Measures" section of this MD&A included in note 20.

4. Response to the COVID-19 Pandemic

Since the beginning of the pandemic, the Company has consistently and proactively deployed several measures in its efforts to mitigate risks related to COVID-19, in line with or exceeding Government guidelines.

In a collective effort to improve immunity against COVID-19, including the Company's ongoing participation in the Côte-Nord Industry Vaccination Center, the Québec vaccination campaign is progressing rapidly. According to daily data published on the website of the *Institut National de Santé Publique du Québec*[1], approximately 79% of Québec's total population (90% of its eligible population) has received a first dose of vaccine and 76% of the total population (87% of its eligible population) are considered adequately vaccinated as at October 20, 2021. On September 1, 2021, a COVID-19 vaccination passport became effective in the province of Québec for non-essential businesses, which is anticipated to help limit the spread of the pandemic.

Although the Company is managing its operations to mitigate risks related to COVID-19, significant uncertainties remain regarding the ultimate impact that the pandemic may have on the overall economy and the demand for iron ore products. The pandemic's future impact on the Company, including operations and cash flows, remains uncertain and will depend on future developments, such as the duration of the pandemic, the emergence of variants, the efficacy and availability of vaccines and regulatory actions to contain the virus.

There has been no material change to the estimated impacts of the COVID-19 pandemic on the Company's ongoing and future operations and results since the filing of the 2021 annual MD&A on May 27, 2021. Refer to section 4 of the MD&A for the year ended March 31, 2021. The Company's full COVID-19 plan is available on its website at www.championiron.com.

5. Bloom Lake Phase II Update

The Phase II project aims to double Bloom Lake's nameplate capacity to 15 Mtpa of 66.2% Fe iron ore concentrate by completing the construction of the second plant which was partially built by the mine's former owner. Based on the new optimized mine plan, the Bloom Lake mining rate would also be increased to accelerate the supply of ore to the expanded facilities, while maintaining a life of mine ("LoM") of 20 years. On June 20, 2019, the Company announced the findings of the Bloom Lake Feasibility Study (the "Feasibility Study"), including proven and probable mineral reserve estimates of 807.0 Mt (346.0 Mt of proven reserves and 461.0 Mt of probable reserves) at an average grade of 29.0% Fe.

Bloom Lake Phase II reserves are based on the technical report entitled "Bloom Lake Mine – Feasibility Study Phase II", prepared pursuant to National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101") and the Joint Ore Reserves Committee ("JORC") Code (2012 edition) by BBA Inc., Soutex and WSP Canada Inc., having an effective date of June 20, 2019 and filed on August 2, 2019. Bloom Lake Phase II mineral reserves include Bloom Lake Phase I mineral reserves as of the effective date of the mineral reserve estimate reported in the Feasibility Study. The Company is not aware of any new information or data that materially affects the information included in the Feasibility Study and confirms that all material assumptions and technical parameters underpinning the estimates in the Feasibility Study continue to apply and have not materially changed. The Feasibility Study is available under the Company's filings at www.sedar.com, on the ASX at www.asx.com.au or the Company's website at www.championiron.com.

During the three-month period ended September 30, 2021, $110,532,000 in capital expenditures and start-up costs and $14,104,000 in advance payments were incurred for the Phase II project, with $413,216,000 invested to date, including $69,653,000 in advance payments related to existing port, rail and transboarding infrastructures.

As at September 30, 2021, the Company had total cash on hand[2] and restricted cash of $567,514,000.

The Company maintains a total undrawn credit facility (the "Senior Debt") of US$220,000,000, a financing agreement for an undrawn amount of US$75,000,000 in connection with the funding of Phase II mining equipment and a seven-year loan agreement with Fonds de Solidarité des Travailleurs du Québec ("FTQ") of $75,000,000, of which $45,000,000 remains undrawn as at September 30, 2021. Additionally, the Company's investment of $85,000,000 related to upgrades at SFPPN and budgeted in the overall Phase II capital expenditures, is partially financed through a term loan of up to $70,000,000, signed on July 21, 2021 with Investissement Québec and supported by Fonds du développement économique. As at September 30, 2021, $50,000,000 of the IQ Loan remained undrawn. The IQ Loan annual interest rate is 3.7%. Accordingly, as at September 30, 2021, the Company had a total $470,860,000 of undrawn available financing. Refer to section 12 - Financial Position.

1 https://mobile.inspq.qc.ca/covid-19/donnees/vaccination
2 This is a non-IFRS financial performance measure with no standard definition under IFRS. See the "Non-IFRS Financial Performance Measures" section of this MD&A included in note 20.

5. Bloom Lake Phase II Update (continued)

Based on the foregoing and the utilization of ongoing operational cash flows, the Company is fully funded for the remaining Phase II construction project, which is currently scheduled for completion by mid-2022, with an estimated $220,584,000 remaining to be spent, including deposits.

Milestones
The progression of construction works accelerated significantly in August and reached its peak during the three-month period ended September 30, 2021. With several critical construction work programs completed, including the major tie-in between the Phase I and Phase II projects, the Company is evaluating a potential accelerated completion schedule for the project currently expected by mid-2022. The Company continues to advance remaining work programs, in challenging times, with more than 400 individuals actively working on the project. Project milestones that were achieved and related works undertaken during the three-month period ended September 30, 2021 include:

- Completion of 97% of the detailed engineering;
- Steel structure erection in the concentrator, along with equipment installation, progressed as planned;
- Mechanical installation of the load-out conveyors from the concentrator to the train loading station completed;
- New overhead line electrical distribution for the mine continued; and
- Completion and handover of the Mamu accommodations complex, hosting a total capacity of 300 people.

6. Decarbonization Initiatives

Product Research and Development
The Company believes that the steel industry is undergoing a structural shift in its production methods, including an increased focus on reducing greenhouse gas emissions from the iron and steelmaking processes. This dynamic is expected to create a rising demand for higher-grade raw materials and a shift towards reduction technologies used to produce liquid iron, such as the use of direct reduced iron ("DRI") in electric arc furnaces ("EAF") instead of blast furnaces-basic oxygen furnaces ("BF-BOF") for liquid iron production.

Accordingly, the Company advanced its Research and Development ("R&D") program which aims to develop 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.

During the three and six-month periods ended September 30, 2021, the Company incurred product R&D expenses of $1,519,000 and $2,872,000, respectively ($514,000 for the three and six-month periods ended September 30, 2020). The expenses incurred focused on two main areas:

1. Development of an iron ore pellet feed consisting of more than 69% Fe; and
2. Development of a cold pelletizing technology.

Additionally, during the six-month period ended September 30, 2021, and as part of its commitment to participate in the iron and steel industry's decarbonization, the Company invested in and actively collaborates with a European-based company which holds a proprietary cold agglomeration technology. The objective of the cold pelletizing technology is to substantially reduce emissions linked to the agglomeration of its material. Promising laboratory results demonstrated that carbon emissions related to agglomeration could be reduced by more than 95% with this technology. The Company intends to further test the potential of cold pelletizing technologies, towards industrial trials, jointly with this European-based company.

[1] This is a non-IFRS financial performance measure with no standard definition under IFRS. See the "Non-IFRS Financial Performance Measures" section of this MD&A included in note 20.

6. Decarbonization Initiatives (continued)

Advanced Drilling Technologies
On August 16, 2021, the Company signed a Letter of Intent with Caterpillar Inc. to implement artificial intelligence based Advanced Drilling Technologies (the "Technologies") on Cat equipment at its Bloom Lake Mine.

The project will progressively implement a remote-controlled, semi-autonomous and fully autonomous Cat electric drilling fleet, utilizing the Technologies engineered, designed, and /or integrated by Caterpillar. With Champion contributing its experienced workforce, and Caterpillar's independent dealer, Toromont Cat, its aftermarket support, the collaboration will aim to optimize Bloom Lake's operational productivity and reduce energy consumption, while demonstrating the capabilities of Caterpillar's advanced drilling technologies. A Drill-to-Mill strategy ("D2M") is expected to be deployed based on a series of tightly integrated systems, driven by Cat® MineStar™ solutions, designed to optimize drilling, loading and hauling processes. D2M is focused on delivering improved milling performance by supplying optimized mill feed, while contending with dynamic operational conditions.

Using real-time data, artificial intelligence and analytics, Caterpillar's integrated technology will support Champion's ability to assess the status of machines, technologies, and material to enable more timely and accurate operational decisions and consistent execution across Champion's entire mining value chain. The goal of the collaborative effort will be to deliver a fully integrated drill-to-mill technology solution powered by data connectivity and advanced analytics to ultimately improve workflow between the mine and plant, providing a more efficient end-to-end enterprise process that delivers more consistent raw material for final product specification requirements.

Direct Reduction Grade Concentrate > 67.5% Fe
During the 2021 fiscal year, the Company received confirmation from DR pellet producers and DR plant operators that its initial commercial production test of 132,000 wmt of 67.98% Fe high-grade iron ore (with a combined silica plus alumina content of 2.6%), completed during the 2020 fiscal year, qualified as DR iron ore concentrate. With this confirmed product specification, during the 2021 fiscal year, the Company produced an additional 575,700 wmt of DR quality iron ore concentrate, at an average of 67.7% Fe, with an average combined silica and alumina content of 2.8%.

DR grade concentrate that is greater than 67.5% Fe is produced from modifying the operating conditions of the Company's existing plant with no additional required infrastructure. This demonstrates the Company's ability to produce and sell higher-quality iron ore products. The ability to produce DR quality iron ore strategically positions the Company to potentially increase its customer base. It also confirms that Bloom Lake is one of the few deposits globally that can transition its product offering in response to a likely shift in steelmaking methods in the coming years from traditional Blast Furnaces ("BF") and BOF to DRI and EAF.

Direct Reduction Pellet Feed > 69% Fe
Since the fourth quarter of the 2021 fiscal year, the Company has advanced ongoing laboratory work and testing on DR pellet feed to produce an iron ore concentrate higher than 69% Fe with an average combined silica and alumina content below 1%. Preliminary results indicate that the Company could upgrade the Bloom Lake iron ore concentrate to a higher grade with lower contaminants by using additional processes, including mild regrinding and a silica flotation stage. This new DR pellet feed product is expected to be finer than the Company's existing products and rank as one of the highest-quality pellet feed products available on the seaborne market.

As commercial production of DR pellet feed products would require additional reprocessing and infrastructure, the Company initiated a feasibility study to evaluate the required investments. Achieving DR pellet feed commercial production would enable the Company to further engage with DRI-EAF based iron and steel producers, potentially benefit from higher product pricing and position the Company for additional participation in reducing emissions in the steelmaking process.

7. Key Drivers

A. Iron Ore Concentrate Price

The price of iron ore concentrate is one of the most significant factors affecting the Company's financial results. As such, net cash flow from operations and the Company's development may, in the future, be significantly and adversely affected by a decline in the price of iron ore. The iron ore concentrate price fluctuates daily and is affected by several industry and macroeconomic factors beyond the Company's control.

Due to the high-quality properties of its 66.2% Fe iron ore concentrate, the Company's iron ore product has proven to attract a premium over the IODEX 62% Fe CFR China Index ("P62"), widely used as the reference price in the industry. As such, the Company quotes its products based on the high-grade CFR China Index ("P65"). The premium captured by the P65 index is attributable to two main factors: steel mills recognizing that higher iron ore grades offer the benefit of optimizing output, while also significantly decreasing CO_2 emissions per tonne of steel in the steelmaking process.

Sixty to seventy-five percent of Champion's iron ore sales contracts are structured on a provisional pricing basis, where the final sales price is determined using the iron ore price indices on or after the vessel's arrival to the port at discharge. The balance of iron ore sales not subject to provisional pricing are based on backward-looking iron ore prices known at the time of shipment.

During the three-month period ended September 30, 2021, iron ore prices and high-grade iron ore premiums experienced increased volatility. The Company believes that the iron ore price correction during the quarter can likely be attributed to several factors, including the various domestic crude steel production restrictions as well as power rationing measures enforced by the government of China. In addition, both Australia and Brazil increased output and exports of iron ore throughout the period, partially attributable to seasonality factors, contributing to a more balanced market. Although various uncertainties resulted from China's restricted steel production, the high-grade iron ore premium remained elevated due to ongoing global efforts to reduce carbon emissions in the steel industry.

Despite restrictions in China affecting domestic crude steel output, the global crude steel production decline was offset by a robust recovery ex-China in the three-month period ended September 30, 2021. In fact, the World Steel Association[1] reported that global crude steel production decreased by 3.5% in the three-month period ended September 30, 2021, compared to the same period in 2020. While China witnessed a decline of 14.2% in crude steel output year-over-year for the period, the global output was partially offset by a robust recovery of 12.6% year-over-year in crude steel output ex-China.

During the three-month period ended September 30, 2021, the P65 index for high-grade iron ore fluctuated from a high of US$256.1/dmt to a low of US$121.7/dmt. The P65 index average price for the period was US$189.9/dmt, a decrease of 18% from the previous quarter, resulting in an average premium of 16.6% over the P62 reference price of US$162.9/dmt. The Company's gross average realized selling price for the quarter was US$174.6/dmt, before provisional sales adjustments on tonnes in transit at the end of the previous quarter and ocean freight costs. The gross average realized selling price of US$174.6/dmt was impacted by sales provisionally priced using an average forward price of US$141.5/dmt at quarter-end, which was at a significant discount compared to the average P65 index for the period. This factor was partially offset by the positive impact of sales based on fixed backward-looking iron ore prices, when prices were substantially higher than the P65 index average for the period. Taking into account sales adjustments and sea freight costs, the Company's net realized FOB price was US$134.7/dmt compared to US$113.2/dmt for the same period in 2020. The Company believes that it remains well positioned to benefit from iron ore prices which continue to offer an attractive operating margin as it has no fixed price contracts in place, and the Bloom Lake Mine is not subject to royalties.

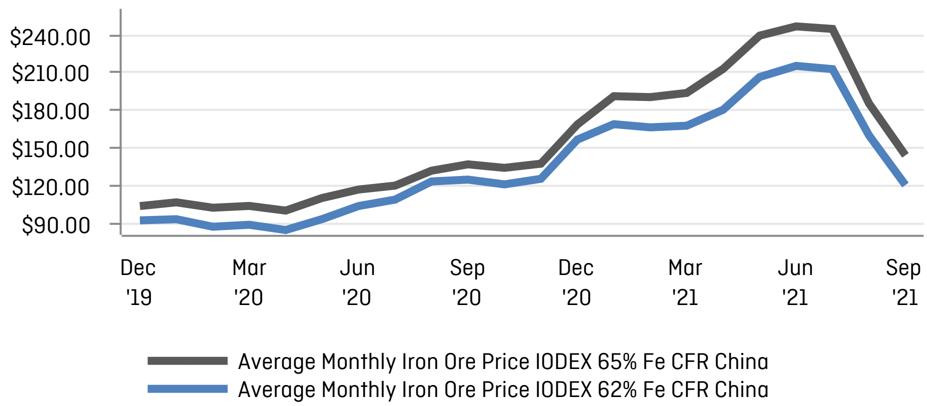
During the six-month period ended September 30, 2021, the P65 index price of high-grade iron ore fluctuated from a high of US$264.2/dmt to a low of US$121.7/dmt. The P65 index average price for the period was US$210.8/dmt, an increase of 77% from the same period in 2020, resulting in a premium of 16.3% over the P62 index reference price of US$181.2/dmt. The gross average realized selling price for the period was US$201.6/dmt, before provisional sales adjustments and ocean freight costs. The lower gross realized price compared to the P65 index average is attributable to sales provisionally priced using an average forward price of US$141.5/dmt at quarter-end, which is at a significant discount compared to the average P65 index for the six-month period. Taking into account the latter, and sea freight costs, the net realized FOB price was US$180.4/dmt, compared to US$107.3/dmt for the same period in 2020.

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

7. Key Drivers (continued)

A. Iron Ore Concentrate Price (continued)

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



As detailed above, a significant portion of Champion's iron ore sales contracts are structured on a provisional pricing basis, where the final sales price is determined using the iron ore price indices on or after the vessel's arrival to the port of discharge. The Company recognizes revenues from iron ore sales contracts upon vessel departure. In order to estimate the final sales price as assigned by sales contracts, the Company assigns a provisional price upon vessel departure. The estimated gross consideration in relation to the provisionally priced contracts is accounted for using the P65 forward iron ore price at the expected settlement date. Once the vessel arrives at its destination, the impact of the iron ore price fluctuations, compared to the estimated price at the time of departure, is accounted for as a provisional pricing adjustment to revenue.

As the Company's sales are subject to freight routes that take up to 55 days before reaching its customers, and since vessels subject to provisional price adjustments are already in transit at quarter end, the final price adjustments to the provisional price are structurally more exposed in the earlier months of each quarter. During the three-month period ended September 30, 2021, a final price of US$237.1 was established for the 1,156,100 tonnes of iron ore that were in transit as at June 30, 2021 and which were previously evaluated using an average expected price of US$245.8. Accordingly, during the three-month period ended September 30, 2021, negative pricing adjustments were recorded for tonnes subject to provisional prices as at June 30, 2021 and this negatively impacted revenues in the current quarter by US$8.7/dmt for the 1,156,100 tonnes of iron ore that were in transit as at June 30, 2021. Over the total volume sold during the current period, the negative adjustments represent US$5.2/dmt. As at September 30, 2021, 781,900 tonnes of iron ore sales remained subject to provisional pricing adjustments, with the final price to be determined in the subsequent reporting period (September 30, 2020: 1,188,000 tonnes). A gross forward provisional price of US$141.5/dmt has been used as at September 30, 2021, to estimate the sales of the Company that remain subject to final price setting.

The following table details the Company's exposure, as at September 30, 2021, in relation to the impact of movements in the iron ore price for the provisionally invoiced sales volumes:

(in U.S. dollars)	**As at September 30, 2021**
Tonnes (dmt) subject to provisional pricing adjustments	**781,900**
10% increase in iron ore prices	**11,061**
10% decrease in iron ore prices	**(11,061)**

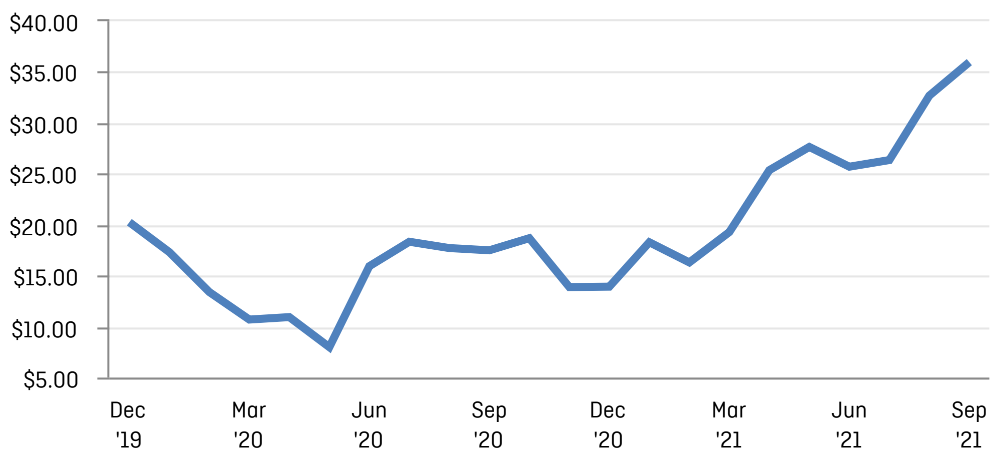
The sensitivities demonstrate the monetary impact on ore sales revenues resulting from a 10% increase and 10% decrease in realized selling prices as at September 30, 2021, while holding all other variables constant, including foreign exchange rates. The relationship between iron ore prices and exchange rates is complex, and movements in exchange rates can impact commodity prices. The above sensitivities should therefore be used with caution.

7. Key Drivers (continued)

B. Sea Freight

Sea freight is an important component of the Company's cost structure as it ships most of its iron ore concentrate to China, Japan, Europe and the Middle East. 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 which is considered the reference ocean freight cost for iron ore shipped from Brazil to the Far East. There is no index for the route between the port of Sept-Îles (Canada) and China. The route from Sept-Îles to the Far East totals approximately 14,000 nautical miles and is subject to different weather conditions during the winter season. Therefore, the freight cost per tonne associated with this voyage is generally higher than the C3 index price.

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



The industry has identified a historical relationship between the iron ore price and the freight cost for the Tubarao to Qingdao route captured in the C3 freight rate. Based on this observed correlation, when the price of iron ore fluctuates, the ocean freight rate usually fluctuates in tandem over time. As the freight cost for ocean transport between Sept-Îles and China is largely influenced by the C3 cost, a decrease in iron ore prices typically results in lower ocean freight costs for the Company, resulting in a natural hedge for one of the Company's largest operating costs. With recent events impacting the seaborne iron ore supply and other freight rates, this historical relationship has experienced a disconnect. Assuming a return to normal, and based on this observed historical correlation, when the price of iron ore fluctuates, the ocean freight cost usually follows the same pattern.

During the three-month period ended September 30, 2021, the C3 index averaged US$31.7/t. The C3 index reached levels not seen since 2009 and maintained an upward trend throughout the entire period. A combination of factors contributed to the rising price of the freight index, including port congestion caused by COVID-19 quarantine measures in China and adverse weather, increased supply of raw materials used for steelmaking as major iron ore producers exported higher volumes of iron ore during the period, and rising fuel prices. Despite these conditions influencing freight pricing, during the period, the Company secured a long-term freight contract for one vessel per month from August 2021 to December 2022. This long-term freight contract is expected to reduce the Company's freight premium volatility with a certain agreed upon price premium above the average C3 index plus a seasonal premium for winter conditions. The freight contract pricing is expected to provide additional protection for the Company's freight pricing premium, which is subject to the spot market.

Due to its distance from main shipping hubs, Champion typically contracts vessels three to four weeks prior to the desired laycan period. This creates a natural delay between the freight paid and the C3 route index price. The effects of these delays are eventually reconciled since Champion ships its high-grade iron ore concentrate uniformly throughout the year.

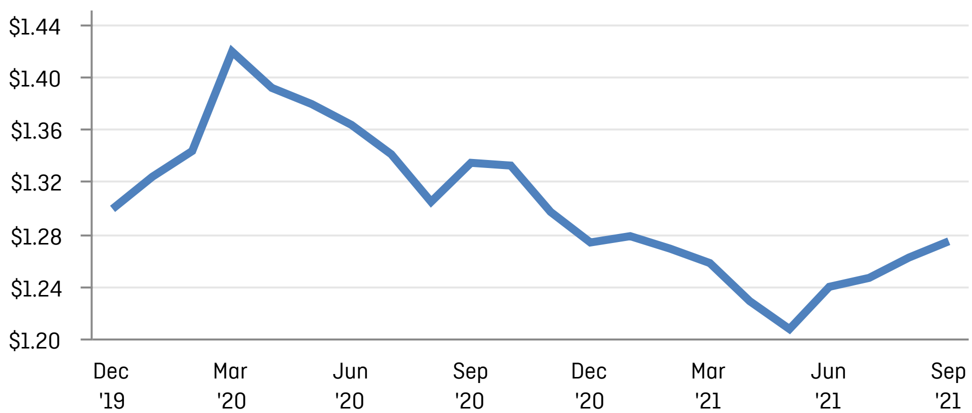
7. Key Drivers (continued)

C. Currency

The Canadian dollar is the Company’s functional and reporting currency. Consequently, the Company’s operating results and cash flows are influenced by changes in the exchange rate for the Canadian dollar against the U.S. dollar. The Company's sales, sea freight costs and Senior Debt are denominated in U.S. dollars. As such, the Company benefits from a natural hedge between its revenues and its sea freight costs and long-term debt. Despite this natural hedge, the Company is exposed to foreign currency fluctuations as its mining operating expenses are mainly incurred in Canadian dollars. During the six-month period ended September 30, 2021, the Company entered into forward foreign exchange contracts to reduce the risk of variability of future cash flows resulting from forecasted sales and comply with its Senior Debt covenants.

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 is denominated in U.S. dollars, the Company is subject to ongoing non-cash foreign exchange adjustments, which may impact its financial results. Assuming a stable selling price, a variation of CA$0.01 against the U.S. dollar will impact gross revenues by approximately 1%. Assuming a stable long-term debt balance, a variation of CA$0.01 against the U.S. dollar will impact the debt revaluation by approximately 1%.

Monthly Closing Exchange Rate – CA$/US$



Exchange rates are as follows:

	CA$ / US$					
	Average			Closing		
	FY2022	FY2021	Variance	**FY2022**	FY2021	Variance
Q1	**1.2282**	1.3853	(11)%	**1.2394**	1.3628	(9)%
Q2	**1.2600**	1.3321	(5)%	**1.2741**	1.3339	(4)%
Q3	**—**	1.3030	— %	**—**	1.2732	— %
Q4	**—**	1.2660	— %	**—**	1.2575	— %
Year-end as at March 31	**—**	1.3219	— %	**—**	1.2575	— %

Apart from these key drivers, the potential impact of the COVID-19 pandemic and the risk factors that are described in the “Risk Factors” sections of the Company's 2021 Annual Information Form and the MD&A for the fiscal year ended March 31, 2021, 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.

8. Bloom Lake Mine Operating Activities

	Three Months Ended September 30,			Six Months Ended September 30,		
	2021	2020	Variance	**2021**	2020	Variance
Operating Data						
Waste mined and hauled (wmt)	**5,299,600**	4,114,400	29%	**9,999,100**	6,727,200	49%
Ore mined and hauled (wmt)	**5,713,900**	6,070,000	(6%)	**11,357,800**	10,752,600	6%
Material mined and hauled (wmt)	**11,013,500**	10,184,400	8%	**21,356,900**	17,479,800	22%
Strip ratio	**0.93**	0.68	37%	**0.88**	0.63	40%
Ore milled (wmt)	**5,679,800**	5,562,600	2%	**10,907,000**	10,167,200	7%
Head grade Fe (%)	**29.1**	30.9	(6%)	**29.4**	31.1	(5%)
Fe recovery (%)	**83.3**	85.2	(2%)	**83.1**	83.8	(1%)
Product Fe (%)	**66.3**	66.1	—%	**66.3**	66.3	—%
Iron ore concentrate produced (wmt)	**2,089,100**	2,268,800	(8%)	**4,025,100**	4,067,600	(1%)
Iron ore concentrate sold (dmt)	**1,953,900**	2,063,400	(5%)	**3,928,600**	3,822,200	3%
Financial Data (in thousands of dollars)						
Revenues	**331,006**	310,994	6%	**876,414**	555,568	58%
Cost of sales	**110,884**	102,739	8%	**231,730**	210,077	10%
Other expenses	**20,313**	10,426	95%	**34,873**	19,967	75%
Net finance costs	**1,012**	4,530	(78%)	**5,399**	5,675	(5%)
Net income	**114,596**	112,164	2%	**338,935**	187,720	81%
EBITDA[1]	**200,013**	198,972	1%	**605,752**	329,134	84%
Statistics (in dollars per dmt sold)						
Gross average realized selling price	**218.8**	162.8	34%	**249.4**	156.6	59%
Net average realized selling price[1]	**169.4**	150.7	12%	**223.1**	145.4	53%
Total cash cost (C1 cash cost)[1]	**56.2**	48.5	16%	**58.2**	53.1	10%
All-in sustaining cost[1]	**73.6**	57.2	29%	**73.1**	60.7	20%
Cash operating margin[1]	**95.8**	93.5	2%	**150.0**	84.7	77%

Operational Performance

Second Quarter of the 2022 Fiscal Year vs Second Quarter of the 2021 Fiscal Year

In the three-month period ended September 30, 2021, 11,013,500 tonnes of material were mined and hauled, compared to 10,184,400 tonnes for the same period in 2020, an increase of 8%. The increase in waste mined and hauled is attributable to a higher strip ratio, as per the mine plan in connection with the preparation for Phase II project operations. The increase in material movement was enabled by the Company's ongoing mining equipment rebuild program and equipment maintenance, which provided a higher equipment utilization rate and additional equipment availability.

The iron ore head grade for the three-month period ended September 30, 2021 was 29.1%, compared to 30.9% for the same period in 2020. The decrease in head grade, when compared to the prior year period, was anticipated and is attributable to the presence of lower-grade ore sourced and blended from different pits, and is in line with the mining plan and the LoM head grade average.

Bloom Lake produced 2,089,100 wmt of 66.3% Fe high-grade iron ore concentrate during the three-month period ended September 30, 2021, a decrease of 8%, compared to 2,268,800 wmt of 66.1% Fe for the same period in 2020. The lower production is attributable to lower head grade, which was partially compensated by higher throughput.

1 This is a non-IFRS financial performance measure with no standard definition under IFRS. See the "Non-IFRS Financial Performance Measures" section of this MD&A included in note 20.

8. Bloom Lake Mine Operating Activities (continued)

First Six Months of the 2022 Fiscal Year vs First Six Months of the 2021 Fiscal Year

On March 24, 2020, the Company announced the ramp-down of its operations following Government directives in response to the COVID-19 pandemic. Operations gradually ramped up following the Government's announcement in April 2020 that mining activities were to be considered a "priority service" in Québec. Early actions implemented by the Company in response to the COVID-19 pandemic minimized its impact on the Company and its operations.

The Company mined and hauled 21,356,900 tonnes of material during the six-month period ended September 30, 2021, compared to 17,479,800 tonnes for the same period in 2020. This increase in material mined and hauled is attributable to the negative impact of the COVID-19 pandemic on several of the Company's other activities in the comparative period and to a higher strip ratio in the current period, as per the mine plan in connection with the preparation for the Phase II expansion project's operations. This increase in material movement is the result of a higher equipment utilization rate and additional equipment availability. The Company benefited from its previous and continuous investments in the mining equipment rebuild program, enabling it to maximize productivity.

The strip ratio increased to 0.88 for the six-month period ended September 30, 2021, compared to 0.63 for the same period in 2020. The strip ratio is consistent with the mine plan for this period of the year.

The plant processed 10,907,000 tonnes of ore during the six-month period ended September 30, 2021, an increase of 7% over the same period in 2020. The higher throughput is attributable to the combination of the COVID-19 imposed ramp-down in the comparative period and the higher mill throughput rate for the current period. The continuous improvements and operational innovations allowed the Company to increase throughput stability and reach a higher level of mill productivity.

The iron ore head grade of 29.4% for the six-month period ended September 30, 2021 was attributable to different sourcing pits, compared to 31.1% for the same period in 2020 and is consistent with the LoM.

Iron ore concentrate produced remained stable during the six-month period ended September 30, 2021, compared to the same period in 2020.

9. Financial Performance

A. Revenues

	Three Months Ended September 30,			Six Months Ended September 30,		
	2021	2020	Variance	**2021**	2020	Variance
(in U.S. dollars per dmt sold)						
Index P62	**162.9**	118.2	38%	**181.2**	106.0	71%
Index P65	**189.9**	128.9	47%	**210.8**	118.8	77%
US$ Gross average realized selling price	**174.6**	122.2	43%	**201.6**	115.6	74%
Freight and other costs	**(34.7)**	(19.6)	77%	**(31.3)**	(18.3)	71%
Provisional pricing adjustments	**(5.2)**	10.6	(149%)	**10.1**	10.0	1%
US$ Net average realized FOB selling price[1]	**134.7**	113.2	19%	**180.4**	107.3	68%
Foreign exchange rate conversion	**34.7**	37.5	(7%)	**42.7**	38.1	12%
CA$ Net average realized FOB selling price[1]	**169.4**	150.7	12%	**223.1**	145.4	53%

[1] This is a non-IFRS financial performance measure with no standard definition under IFRS. See the "Non-IFRS Financial Performance Measures" section of this MD&A included in note 20.

9. Financial Performance (continued)

A. Revenues (continued)

Second Quarter of the 2022 Fiscal Year vs Second Quarter of the 2021 Fiscal Year

During the three-month period ended September 30, 2021, 1,953,900 tonnes of high-grade iron ore concentrate were sold at the CFR China gross average realized price of US$174.6/dmt, before provisional sales adjustments and shipping costs. The gross average realized selling price of US$174.6/dmt represents a premium of 7.2% over the benchmark P62 price, compared to a premium of 3.4% for the same period in 2020. The gross average realized selling price reflects the sales at a determined price based on the average forward price of US$141.5 at the expected settlement date for 781,900 tonnes which were in transit at the end of the period. The forward price was at a significant discount compared to the average P65 index for the period. This factor was partially offset by the positive impact of sales based on backward-looking iron ore prices, when prices were substantially higher than the P65 index average for the period.

The Company believes that global carbon emissions reduction efforts will support the demand for high-grade raw materials, including iron concentrates and pellets. The Company has the ability to fully benefit from the premium pricing of its high-grade product.

During the three-month period ended September 30, 2021, the global economic recovery, rising fuel prices and decreased vessel availability due to high levels of port congestion in Asian ports, contributed to the rising sea freight index, when compared to the previous comparative period. As a result, the Company paid higher freight costs in the three-month period ended September 30, 2021, compared to the same period in 2020. The freight costs variation relative to the C3 index during the period is mainly due to the timing of the vessels' booking.

Although higher than the comparative period, the net average realized selling price[1] for the three-month period ended September 30, 2021, was negatively impacted by the increase in the C3 index. Freight and other costs represented 20% of the gross average realized selling price for the period, compared to 16% for the same period in 2020, which represents a variation of US$15.1/dmt. Provisional pricing adjustments on previous sales, which were directly correlated to the rapid and significant decrease in the P65 index in the quarter, also contributed to reducing the net average realized selling price[1]. During the three-month period ended September 30, 2021, the final price was established for the 1,156,100 tonnes of iron ore that were in transit as at June 30, 2021. Accordingly, during the three-month period ended September 30, 2021, net negative provisional pricing adjustments were recorded as a reduction in revenues for the 1,156,100 tonnes, representing a negative impact of US$5.2/dmt for the period, compared to a positive impact of US$10.6/dmt for the same period in 2020.

After taking into account sea freight costs of US$34.7/dmt and the negative provisional sales adjustment of US$5.2/dmt, the Company obtained a net average realized selling price[1] of US$134.7/dmt (CA$169.4/dmt) for its high-grade iron ore delivered to the end customer. Revenues totalled $331,006,000 for the three-month period ended September 30, 2021 compared to $310,994,000 for the same period in 2020. The increase is attributable to a higher net average realized selling price[1], partially offset by lower tonnages of iron ore concentrate being sold.

[1] This is a non-IFRS financial performance measure with no standard definition under IFRS. See the "Non-IFRS Financial Performance Measures" section of this MD&A included in note 20.

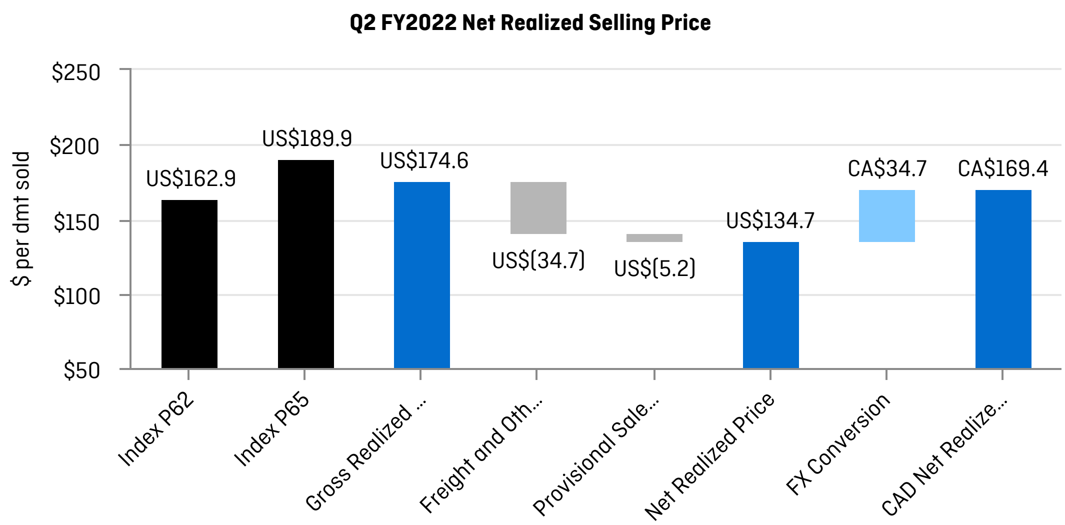
9. Financial Performance (continued)

A. Revenues (continued)

First Six Months of the 2022 Fiscal Year vs First Six Months of the 2021 Fiscal Year

For the six-month period ended September 30, 2021, the Company sold 3,928,600 tonnes of iron ore concentrate to customers in China, Japan and South Korea. While the high-grade iron ore P65 index price fluctuated between a low of US$121.7/dmt and a high of US$264.2/dmt during the six-month period ended September 30, 2021, the Company sold its product at a gross average realized selling price of US$201.6/dmt. The variation between the gross average realized selling price and the average P65 high-grade index of US$210.8/dmt for the period is attributable to the forward price of US$141.5 utilized for the sales in transit at the end of the period, which was significantly lower than the average P65 index for the period.

Combining the gross average realized selling price with the provisional sales adjustment of US$10.1/dmt, the Company sold its high-grade iron ore material at a price of US$211.7/dmt during the six-month period ended September 30, 2021, compared to the P65 high-grade index average of US$210.8/dmt. Deducting sea freight costs of US$31.3/dmt, the Company obtained a net average realized selling price[1] of US$180.4/dmt (CA$223.1/dmt) for its high-grade iron ore. The increase in freight and other costs in the six-month period ended September 30, 2021, compared to the same period in 2020, negatively impacted the net average realized selling price[1] for the period by US$13.0/dmt. As a result, revenues totalled $876,414,000 for the six-month period ended September 30, 2021, compared to $555,568,000 for the same period in 2020. Although the sales increase is mainly attributable to the net average realized selling price[1], the slight positive volume impact illustrates the benefit the Company yielded by investing in initiatives to improve production reliability and having the ability to increase its throughput capacity when the price of high-grade iron ore is elevated.



B. Cost of Sales

Cost of sales represents mining, processing, and mine site-related general and administrative ("G&A") expenses.

For the three-month period ended September 30, 2021, the cost of sales totalled $110,884,000, compared to $102,739,000 for the same period in 2020. During the three-month period ended September 30, 2021, the total cash cost[1] or C1 cash cost[1] per tonne, excluding specific and incremental costs related to COVID-19, totalled $56.2/dmt, compared to $48.5/dmt for the same period in 2020. The lower head grade and lower recovery as per the mine plan, resulted in lower volume of concentrate sold, which negatively impacted the total cash cost[1]. Additionally, the advancement of maintenance work on Crusher 2 and increased mining and land transportation costs, resulting from fuel price increases contributed to a higher total cash cost[1].

The six-month period ended September 30, 2021 total cash cost[1] amounted to $58.2/dmt, compared to $53.1/dmt for the same period in 2020. The variation is due to the same factors that affected the total cash cost[1] for the three-month period ended September 30, 2021, except that total cast cost[1] is, partially offset by higher iron ore concentrate sold.

[1] This is a non-IFRS financial performance measure with no standard definition under IFRS. See the "Non-IFRS Financial Performance Measures" section of this MD&A included in note 20.

9. Financial Performance (continued)

C. Gross Profit

The gross profit for the three-month period ended September 30, 2021 totalled $210,685,000, compared to $199,909,000 for the same period in 2020. The increase in gross profit is mainly attributable to higher revenues, as a result of a higher net average realized selling price[1] of $169.4/dmt for the three-month period ended September 30, 2021, compared to $150.7/dmt for the same period in 2020, partially offset by higher production costs. The slight increase in gross profit compared to the same period in 2020 is due to the negative impact of the increase in the C3 index during the period and an unfavorable provisional price adjustment on previous sales.

The gross profit for the six-month period ended September 30, 2021 totalled $625,288,000, compared to $328,205,000 for the same period in 2020. The increase is largely driven by the higher net average realized selling price[1] of $223.1/dmt for the six-month period ended September 30, 2021, compared to $145.4/dmt for the same period in 2020. The higher revenues were partially offset by higher production costs.

D. Other Expenses

	Three Months Ended September 30,			Six Months Ended September 30,		
	2021	2020	Variance	**2021**	2020	Variance
(in thousands of dollars)						
Share-based payments	**2,553**	489	422 %	**3,842**	1,374	180 %
G&A expenses	**7,548**	5,695	33 %	**15,352**	10,879	41 %
Sustainability and other community expenses	**4,080**	3,728	9 %	**8,194**	7,200	14 %
Product R&D expenses	**1,519**	514	196 %	**2,872**	514	459 %
Bloom Lake Phase II start-up costs	**4,613**	—	— %	**4,613**	—	— %
	20,313	10,426	95 %	**34,873**	19,967	75 %

The increase in share-based payments for the three and six-month periods ended September 30, 2021, compared to the same periods in 2020, mainly reflects the costs associated with an increase in the numbers of performance share units granted, compared to the previous periods, as well as the granting of additional awards to key employees at Bloom Lake, as part of the Company's remuneration policy to retain talented employees and provide alignment of interests between such key employees and the Company's shareholders. These awards granted do not have significant dilution impact on its current shareholders.

The variation in G&A expenses in the three and six-month periods ended September 30, 2021, compared to the same periods in 2020, is due to higher salaries and benefits from a higher headcount in administration and an increase in insurance costs.

During the three and six-month periods ended September 30, 2021, the Company incurred pre-commercial start-up costs for the Phase II project, mainly related to staff mobilization and training costs. These expenses are part of the construction budget of $633.8M.

During the three and six-month periods ended September 30, 2021, the Company incurred R&D expenses of $1,519,000 and $2,872,000, respectively, compared to $514,000 for the same periods in 2020, in connection with its strategy to develop technologies and products supporting emissions reduction. R&D expenses are mainly comprised of consultant fees and salaries and benefits, as detailed in section 6 — Decarbonization Initiatives. In addition, higher sustainability and other community expenses in the three and six-month periods ended September 30, 2021 reflected the Company's increased focus on sustainability.

E. Net Finance Costs

Second Quarter of the 2022 Fiscal Year vs Second Quarter of the 2021 Fiscal Year

Net finance costs decreased to $1,012,000 for the three-month period ended September 30, 2021, compared to $4,530,000 for the same period in 2020 mainly as a result of higher capitalization of borrowing costs during the construction period of Phase II, increased foreign exchange gain, which was partially offset by higher standby commitment fees.

1 This is a non-IFRS financial performance measure with no standard definition under IFRS. See the "Non-IFRS Financial Performance Measures" section of this MD&A included in note 20.

9. Financial Performance (continued)

E. Net Finance Costs (continued)

Second Quarter of the 2022 Fiscal Year vs Second Quarter of the 2021 Fiscal Year (continued)

The Company benefits from a natural hedge between its revenues generated in U.S. dollars and its U.S. denominated Senior Debt. During the three-month period ended September 30, 2021, the foreign exchange gain amounted to $1,878,000, compared to a foreign exchange loss of $1,424,000 in the same period in 2020. Higher realized and unrealized foreign exchange gain is due to the revaluation of its net monetary assets denominated in U.S. dollars, following a depreciation of the Canadian dollar against the U.S. dollar as at September 30, 2021, compared to June 30, 2021. The depreciation of the Canadian dollar contributed to an unrealized foreign exchange gain on its accounts receivable and cash on hand[1] denominated in U.S. dollars, partially offset by a foreign exchange loss on the Company's Senior Debt.

Interest expenses on long-term debt decreased in the three-month period ended September 30, 2021, compared to the same period in 2020, due to the progress on the Phase II project and the build-up of qualifying assets, resulting in a higher capitalization rate being used to determine the amount of borrowing costs eligible for capitalization. Standby commitment fees, which are not eligible for capitalization totalled $1,357,000 in the three-month period ended September 30, 2021, compared to $36,000 due to higher undrawn available long-term debt balance.

First Six Months of the 2022 Fiscal Year vs First Six Months of the 2021 Fiscal Year

Net finance costs for the six-month period ended September 30, 2021 remained stable, compared to the same period in 2020, whereas lower interest on long-term debt is offset by higher standby commitment fees. Lower interest expenses on long-term debt is attributable to the progress on the Phase II project and the build-up of qualifying assets, resulting in a higher capitalization rate being used to determine the amount of borrowing costs eligible for capitalization. Higher standby commitment fees on long-term debt is due to higher undrawn available long-term debt balances.

F. Other Income (Expense)

During the three and six-month periods ended September 30, 2021, other income totalled $204,000 and other expenses amounted to $4,059,000, respectively, and is mainly comprised of the non-cash unrealized gain or loss on derivative liabilities as the Company entered into forward foreign exchange contracts to reduce the variability risk of future cash flows resulting from forecasted sales to comply with its Senior Debt covenants. The Company did not apply hedge accounting on these contracts. For the same periods in 2020, other income of $1,143,000 and $3,610,000, respectively represents the change in fair value of non-current investments resulting from a share price increase of its equity investments during the periods.

G. Income Taxes

The Company and its subsidiaries are subject to tax in Australia and Canada. As a result of accumulated losses before tax, there are no current or deferred income taxes related to the Australian activities. There is no deferred tax asset recognized in respect of the unused losses in Australia as the Company believes it is not probable that there will be a taxable profit available against which the losses can be used. QIO is subject to Québec mining taxes at a progressive tax rate ranging from 16% to 28%, for which each rate is applied to a bracket of QIO's mining profit, depending on the mining profit margin for the year. The mining profit margin represents the mining profit, as defined by the *Mining Tax Act* (Québec), divided by revenues. The progressive tax rates are based on the mining profit margins as follows:

Mining Profit Margin Range	Tax Rate
Mining profit between 0% to 35%	**16 %**
Incremental mining profit over 35%, up to 50%	**22 %**
Incremental mining profit over 50%	**28 %**

In addition, QIO is subject to income taxes in Canada where the combined provincial and federal statutory rate was 26.50% for the three and six-month periods ended September 30, 2021 (2020: 26.50%).

During the three and six-month periods ended September 30, 2021, current income and mining tax expenses totalled $71,157,000 and $231,911,000, respectively, compared to $69,305,000 and $112,747,000, respectively, for the same periods in 2020. The variation is mainly due to higher taxable profit associated with higher iron ore prices, especially for the six-month period ended September 30, 2021.

1 This is a non-IFRS financial performance measure with no standard definition under IFRS. See the "Non-IFRS Financial Performance Measures" section of this MD&A included in note 20.

9. Financial Performance (continued)

G. Income Taxes (continued)

During the three and six-month periods ended September 30, 2021, deferred income and mining tax expenses totalled $3,811,000 and $10,111,000, respectively, compared to $4,627,000 and $5,706,000, respectively, for the same periods in 2020. The increase for the six-month period is mainly due to the application of a higher tax rate of 19% on the temporary differences, as per the progressive mining tax rates schedule detailed above, resulting from the Company's higher mining profit.

Combining the provincial, federal statutory tax and mining taxes, the Company's effective tax rates ("ETR") were 40% and 42%, respectively, for the three and six-month periods ended September 30, 2021, compared to 40% and 39%, respectively, for the same periods in 2020. Higher ETR for the six-month period ended September 30, 2021 was due to the Company's higher mining profit resulted in the application of a higher tax rate, as per the progressive mining tax rates schedule detailed above.

During the six-month period ended September 30, 2021, the Company paid $332,032,000 in income and mining taxes, of which $191,542,000 was for mining and income taxes for the period of April 1, 2020 to March 31, 2021, and $140,490,000 was for tax installments. Since monthly tax installments are based on the previous fiscal year's taxable income, which was lower due to the iron ore concentrate price increase during the six-month period ended September 30, 2021, the current income and mining taxes of $231,911,000 exceed the tax installments paid of $140,490,000, resulting in an income and mining taxes payable of $91,421,000 as at September 30, 2021.

H. Net Income & EBITDA[1]

Second Quarter of the 2022 Fiscal Year vs Second Quarter of the 2021 Fiscal Year

For the three-month period ended September 30, 2021, the Company generated a net income of $114,596,000 (EPS of $0.23), compared to $112,164,000 (EPS of $0.24) for the same period in 2020. Despite a higher gross average iron ore price during the period, the net income has been affected by higher sea freight costs and negative provisional adjustments compared to the same period last year.

For the three-month period ended September 30, 2021, the Company generated EBITDA[1] of $200,013,000, including non-cash share-based compensation and pre-commercial start-up costs for the Phase II totalling $4,613,000 representing an EBITDA margin[1] of 60%, compared to $198,972,000, representing an EBITDA margin[1] of 64% for the same period in 2020. The slight increase in EBITDA[1] period over period is primarily due to the greater revenue from higher net average realized selling price[1].

First Six Months of the 2022 Fiscal Year vs First Six Months of the 2021 Fiscal Year

For the six-month period ended September 30, 2021, the Company generated a net income of $338,935,000 (EPS of $0.67), compared to $187,720,000 (EPS of $0.40) for the same period in 2020. The increase in net income is mainly due to higher gross profit.

For the six-month period ended September 30, 2021, the Company generated an EBITDA[1] of $605,752,000, representing an EBITDA margin[1] of 69%, compared to $329,134,000, representing an EBITDA margin[1] of 59% for the same period in 2020. This increase in EBITDA[1] is mainly attributable to the increase in the net average realized selling price[1] and slightly higher volumes of iron ore concentrate sold, partially offset by higher production costs and higher other expenses.

I. All-In Sustaining Cost[1] and Cash Operating Margin[1]

During the three-month period ended September 30, 2021, the Company realized an AISC[1] of $73.6/dmt, compared to $57.2/dmt for the same period in 2020. The variation is due to higher total cash cost[1], higher sustaining capital expenditures related to higher stripping and mining activities, higher investments made in tailings lifts and higher mining equipment rebuild, combined with the negative impact of lower iron ore concentrate sold.

Overall, the sustaining capital expenditures were higher in the three and six-month periods ended September 30, 2021, compared to the same periods in 2020 since investments made last year were delayed as a result of the COVID-19 pandemic when the Company was experiencing a ramp-down of its operations and implementing substantial safety measures.

[1] This is a non-IFRS financial performance measure with no standard definition under IFRS. See the "Non-IFRS Financial Performance Measures" section of this MD&A included in note 20.

9. Financial Performance (continued)

I. All-In Sustaining Cost[1] and Cash Operating Margin[1] (continued)

During the three-month period ended September 30, 2021, the Company expended $14,174,000 on preventative work on dykes in its tailings system. The remaining work on the dykes will be completed early in the next quarter. During the 2021 fiscal year, lower investments in tailings were made since an accelerated $30M work program for the raising of the tailings containment dam to ensure safe tailings deposition was completed in the 2020 fiscal year. Refer to section 11 - Cash Flows (Investing - i. Purchase of Property, Plant and Equipment).

Deducting the AISC[1] of $73.6/dmt from the net average realized selling price[1] of $169.4/dmt, the Company generated a cash operating margin[1] of $95.8/dmt for each tonne of high-grade iron ore concentrate sold during the three-month period ended September 30, 2021, compared to $93.5/dmt for the same period in 2020. The variation, when compared to the three-month period ended June 30, 2021, is associated with the decrease of $106.8/dmt in the net average realized price.

During the six-month period ended September 30, 2021, the Company recorded an AISC[1] of $73.1/dmt, compared to $60.7/dmt for the same period in 2020. The variation is due to higher total cash costs[1] and higher sustaining capital expenditures. The cash operating margin[1] totalled $150.0/dmt for the six-month period ended September 30, 2021, compared to $84.7/dmt for the same period in 2020. The variation is mainly due to a higher net average realized selling price[1].

[1] This is a non-IFRS financial performance measure with no standard definition under IFRS. See the "Non-IFRS Financial Performance Measures" section of this MD&A included in note 20.

10. Exploration Activities and Regional Growth

Exploration Activities

During the three and six-month periods ended September 30, 2021, 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, 2021, $1,983,000 and $2,726,000 in exploration and evaluation expenditures were incurred, respectively, compared to $188,000 and $264,000 for the same periods in 2020.

During the three and six-month periods ended September 30, 2021, the exploration expenditures mainly consisted of $1,300,000 in acquisition costs for the Lac Lamêlée South property and costs associated with minor exploration work and preliminary work related to updating the Kami Project feasibility study for $103,000 and $366,000, respectively, and claim renewal fees. In the comparative periods, the exploration expenditures mainly consisted of fees required to maintain the Company's exploration properties, exploration expenses related to drilling and geophysical work at the Company’s Gullbridge-Powderhorn property, located in Northern Central Newfoundland, and the staking costs for additional exploration claims.

Acquisition of Exploration Property from Fancamp Exploration Ltd. (“Fancamp”)

On July 12, 2021, the Company completed the acquisition of the Lac Lamêlée South property and a 1.5% net smelter royalty interest on the Company's Moiré Lake property and the Company's Fermont property portfolio, including the O’Keefe-Purdy, Harvey-Tuttle, and Consolidated Fire Lake North properties from Fancamp.

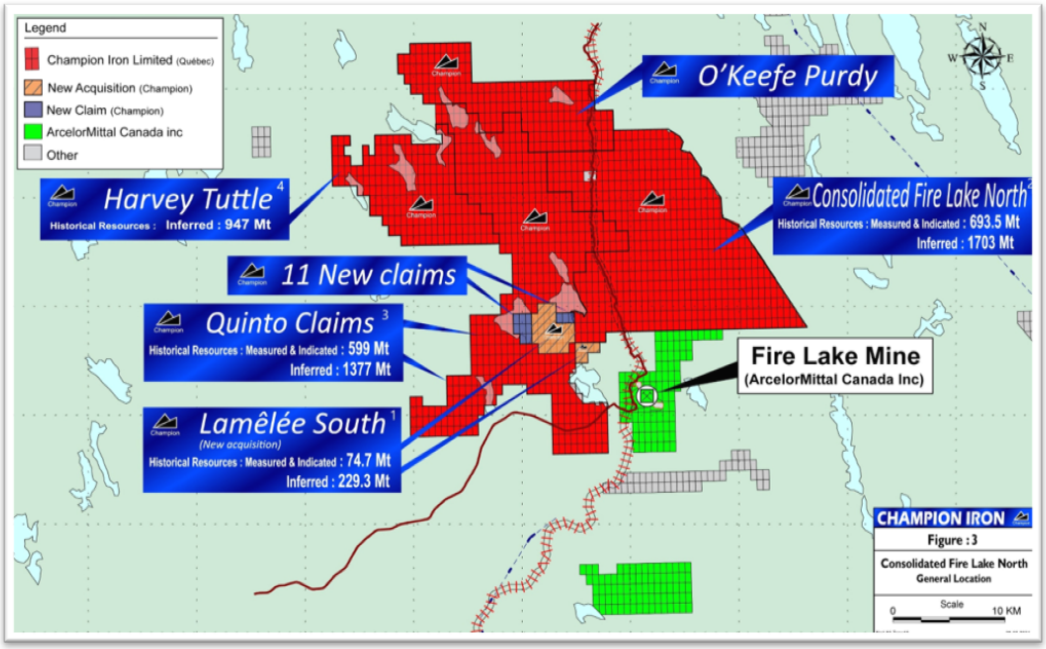
The Lac Lamêlée South property adds an additional 74.7 Mt[1] of historical indicated resources and 229.3 Mt[1] of historical inferred resources, with the project located adjacent to the Company's existing development properties south of Bloom Lake. The historical mineral resources mentioned are strictly historical in nature, are non-compliant with NI 43-101 and the JORC Code (2012 edition) and should therefore not be relied upon. A qualified person or competent person has not done sufficient work to upgrade or classify the historical estimates as current "mineral resources", "mineral reserves" or "ore reserves", as such terms are defined in NI 43-101 and the JORC Code (2012 edition), and it is uncertain whether, following evaluation and/or further exploration work, the historical estimates will be able to be reported as mineral resources, mineral reserves or ore reserves in accordance with NI 43-101 or the JORC Code (2012 edition). Champion is not treating the historical estimates as current mineral resources, mineral reserves or ore reserves.

Consideration paid to Fancamp included $1,300,000 in cash, an undertaking in favour of Fancamp to make future finite production payments on a fixed amount of future iron ore production payable once certain production thresholds have been reached with respect to the Lac Lamêlée South, Moiré Lake and Fermont property portfolio properties.

Concurrently with the transaction, the Company also staked 11 additional claims directly adjacent to the Lac Lamêlée South property.

1 The historical Lac Lamêlée resource estimates are based on the NI 43-101 technical report entitled “NI 43-10 Technical Report and Mineral Resource Estimate on the Lac Lamêlée South Resources Quebec - Canada” by Met-Chem, a division of DRA Americas Inc. dated July 28, 2017 and having an effective date of January 26, 2017. The historical mineral resources mentioned are strictly historical in nature, are non-compliant with NI 43-101 and the JORC Code (2012 edition) and should therefore not be relied upon. A qualified person or competent person has not done sufficient work to upgrade or classify the historical estimates as current "mineral resources", "mineral reserves" or "ore reserves", as such terms are defined in NI 43-101 and the JORC Code (2012 edition), and it is uncertain whether, following evaluation and/or further exploration work, the historical estimates will be able to be reported as mineral resources, mineral reserves or ore reserves in accordance with NI 43-101 or the JORC Code (2012 edition). Champion is not treating the historical estimates as current mineral resources, mineral reserves or ore reserves. These reserves and resources are not material mining projects and are for properties adjacent to or near the Company's existing mining tenements and therefore the reports on these mineralizations have not been prepared in accordance with the JORC Code (2012 edition) and the ASX Listing Rules.

10. Exploration Activities and Regional Growth (continued)



Notes

1. The historical Lac Lamêlée South resource estimates are based on the NI 43-101 technical report entitled "NI 43-10 Technical Report and Mineral Resource Estimate on the Lac Lamêlée South Resources Quebec - Canada" by Met-Chem, a division of DRA Americas Inc. dated July 28, 2017 and having an effective date of January 26, 2017. The historical mineral resources mentioned are strictly historical in nature, are non-compliant with NI 43-101 and the JORC Code (2012 edition) and should therefore not be relied upon. A qualified person or competent person has not done sufficient work to upgrade or classify the historical estimates as current "mineral resources", "mineral reserves" or "ore reserves", as such terms are defined in NI 43-101 and the JORC Code (2012 edition), and it is uncertain whether, following evaluation and/or further exploration work, the historical estimates will be able to be reported as mineral resources, mineral reserves or ore reserves in accordance with NI 43-101 or the JORC Code (2012 edition). Champion is not treating the historical estimates as current mineral resources, mineral reserves or ore reserves. These reserves and resources are not material mining projects and are for properties adjacent to or near the Company's existing mining tenements and therefore the reports on these mineralization have not been prepared in accordance with the JORC Code (2012 edition) and the ASX Listing Rules.
2. The historical Consolidated Fire Lake resource estimates are based on the NI 43-101 technical report entitled "Preliminary Feasibility Study of the West and East Pit Deposits of the Fire Lake North Project" by BBA Inc., P&E Mining Consultants Inc. and Rail Cantech Inc. dated February 22, 2013 and having an effective date of January 25, 2013. The historical mineral resources mentioned are strictly historical in nature, are non-compliant with NI 43-101 and the JORC Code (2012 edition) and should therefore not be relied upon. A qualified person or competent person has not done sufficient work to upgrade or classify the historical estimates as current "mineral resources", "mineral reserves" or "ore reserves", as such terms are defined in NI 43-101 and the JORC Code (2012 edition), and it is uncertain whether, following evaluation and/or further exploration work, the historical estimates will be able to be reported as mineral resources, mineral reserves or ore reserves in accordance with NI 43-101 or the JORC Code (2012 edition). Champion Iron Limited is not treating the historical estimates as current mineral resources, mineral reserves or ore reserves. These reserves and resources are not material mining projects and are for properties adjacent to or near Champion Iron Limited's existing mining tenements and therefore the reports on these mineralization have not been prepared in accordance with the JORC Code (2012 edition) and the ASX Listing Rules.
3. The historical Quinto Claims resource estimates are based on the NI 43-101 technical reports entitled "Mineral Resource Technical Report, Peppler Project, Quebec" (as regards Peppler Lake), "Mineral Resource Technical Report, Lamelee Project, Quebec" (as regards Lamêlée) and "Mineral Resource Technical Report, Hobdad Project, Quebec" (as regards Hobdad), each prepared by G H Wahl & Associates Consulting dated February 15, 2013 and having an effective date of December 31, 2012. The historical mineral resources mentioned are strictly historical in nature, are non-compliant with NI 43-101 and the JORC Code (2012 edition) and should therefore not be relied upon. A qualified person or competent person has not done sufficient work to upgrade or classify the historical estimates as current "mineral resources", "mineral reserves" or "ore reserves", as such terms are defined in NI 43-101 and the JORC Code (2012 edition), and it is uncertain whether, following evaluation and/or further exploration work, the historical estimates will be able to be reported as mineral resources, mineral reserves or ore reserves in accordance with NI 43-101 or the JORC Code (2012 edition). Champion Iron Limited is not treating the historical estimates as current mineral resources, mineral reserves or ore reserves. These reserves and resources are not material mining projects and are for properties adjacent to or near Champion Iron Limited's existing mining tenements and therefore the reports on these mineralization have not been prepared in accordance with the JORC Code (2012 edition) and the ASX Listing Rules.
4. The historical Harvey Tuttle resource estimates are based on the NI 43-101 technical report entitled "Technical Report and Resource Estimate on the Harvey-Tuttle Property Québec, Canada" by P&E Mining Consultants Inc. dated April 13, 2011 and having an effective date of February 25, 2011. The historical mineral resources mentioned are strictly historical in nature, are non-compliant with NI 43-101 and the JORC Code (2012 edition) and should therefore not be relied upon. A qualified person or competent person has not done sufficient work to upgrade or classify the historical estimates as current "mineral resources", "mineral reserves" or "ore reserves", as such terms are defined in NI 43-101 and the JORC Code (2012 edition), and it is uncertain whether, following evaluation and/or further exploration work, the historical estimates will be able to be reported as mineral resources, mineral reserves or ore reserves in accordance with NI 43-101 or the JORC Code (2012 edition). Champion Iron Limited is not treating the historical estimates as current mineral resources, mineral reserves or ore reserves. These reserves and resources are not material mining projects and are for properties adjacent to or near Champion Iron Limited's existing mining tenements and therefore the reports on these mineralization have not been prepared in accordance with the JORC Code (2012 edition) and the ASX Listing Rules.
5. Certain resources mentioned are foreign estimates from an Australian perspective.

10. Exploration Activities and Regional Growth (continued)

Acquisition of the Kami Project

On April 1, 2021, the Company completed the acquisition of the Kami Project and certain related contracts. The Kami Project and related mining properties are located in the Labrador Trough geological belt in southwestern Newfoundland, near the Québec border. Refer to note 5 - Acquisition of the Kami Project in the Financial Statements.

The Kami Project is a high-grade iron ore project near available infrastructure, situated only a few kilometers south-east of the Company's operating Bloom Lake Mine. Alderon Iron Ore Corp. ("Alderon"), the Kami Project's former owner, previously disclosed historical resources estimated at 1,274.5 Mt of measured and indicated resources (536.9 Mt measured and 737.6 Mt indicated) and proven and probable reserves of 517.2 Mt (392.7 Mt proven and 124.5 Mt probable). The historical mineral resources and reserves mentioned are strictly historical in nature, are non-compliant with NI 43-101 and the JORC Code (2012 edition), and should therefore not be relied upon. A qualified person or competent person has not done sufficient work to upgrade or classify the historical estimates as current "mineral resources", "mineral reserves" or "ore reserves", as such terms are defined in NI 43-101 and the JORC Code (2012 edition), and it is uncertain whether, following evaluation and/or further exploration work, the historical estimates will be able to be reported as mineral resources, mineral reserves or ore reserves in accordance with NI 43-101 or the JORC Code (2012 edition). Champion is not treating the historical estimates as current mineral resources, mineral reserves or ore reserves[1].

Alderon completed an updated feasibility study on the Kami Project in September 2018. The Company is currently revising the Kami Project's scope and has initiated work intended to update the feasibility study, which is expected to be completed in the second half of 2022, as part of the Company's strategy to evaluate its growth alternatives within its property portfolio.

1 The historical Kami Project resource estimates are based on the NI 43-101 technical report entitled "Feasibility Study of the Rose Deposit and Resource Estimate for the Mills Lake Deposit of the Kamistiatusset (Kami) Iron Ore Property, Labrador" prepared for Alderon Iron Ore Corp. by BBA Inc., Stantec and Watts, Griffis and McOuat Ltd. dated January 9, 2013 and having an effective date of December 17, 2012. The historical Kami Project reserve estimates are based on the NI 43-101 technical report entitled "Updated Feasibility Study of the Kamistiatusset (Kami) Iron Ore Property, Labrador" prepared for Alderon Iron Ore Corp. by BBA Inc., Gemtec Ltd., Watts, Griffis and McOuat Ltd. and Golder Associates Ltd. dated October 31, 2018 and having an effective date of September 26, 2018. Kami Project mineral resources include Kami Project mineral reserves. The historical mineral resources and reserves mentioned are strictly historical in nature, are non-compliant with NI 43-101 and the JORC Code (2012 edition) and should therefore not be relied upon. A qualified person or competent person has not done sufficient work to upgrade or classify the historical estimates as current "mineral resources", "mineral reserves" or "ore reserves", as such terms are defined in NI 43-101 and the JORC Code (2012 edition), and it is uncertain whether, following evaluation and/or further exploration work, the historical estimates will be able to be reported as mineral resources, mineral reserves or ore reserves in accordance with NI 43-101 or the JORC Code (2012 edition). Champion is not treating the historical estimates as current mineral resources, mineral reserves or ore reserves. These reserves and resources are not material mining projects and are for properties adjacent to or near the Company's existing mining tenements and therefore the reports on these mineralizations have not been prepared in accordance with the JORC Code (2012 edition) and the ASX Listing Rules. As stated above, the Company has initiated work to revise the Kami Project's scope and update the feasibility study.

11. Cash Flows

The following table summarizes cash flow activities:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2021	2020	**2021**	2020
(in thousands of dollars)				
Operating cash flows before working capital	**128,646**	126,365	**377,094**	208,885
Changes in non-cash operating working capital	**245,495**	5,061	**(15,582)**	(2,171)
Net cash flow from operating activities	**374,141**	131,426	**361,512**	206,714
Net cash flow used in investing activities	**(168,867)**	(31,283)	**(332,655)**	(54,980)
Net cash flow used in financing activities	**(109,045)**	(16,920)	**(144,051)**	(14,502)
Net increase (decrease) in cash and cash equivalents	**96,229**	83,223	**(115,194)**	137,232
Effects of exchange rate changes on cash and cash equivalents	**1,547**	(4,938)	**(2,789)**	(10,095)
Cash and cash equivalents, beginning of period	**393,557**	330,215	**609,316**	281,363
Cash and cash equivalents, end of period	**491,333**	408,500	**491,333**	408,500
Operating cash flow per share[1]	**0.74**	0.28	**0.71**	0.44

Operating

During the three-month period ended September 30, 2021, the Company generated operating cash flows of $128,646,000 before working capital items, compared to $126,365,000 for the same period in 2020. Changes in working capital items for the period were affected by the timing of supplier payments and customer receipts such as the $192,416,000 cash receipt from iron concentrate sales, including three vessels from last quarter's sales that were not yet collected. Based on the foregoing, the operating cash flow per share[1] for the three-month period ended September 30, 2021 was $0.74 compared to an operating cash flow per share[1] of $0.28 for the same period in 2020.

During the six-month period ended September 30, 2021, the Company's operating cash flows before working capital items totalled $377,094,000, compared to $208,885,000 for the same period in 2020. The variation is largely driven by a higher net average realized selling price[1] and slightly higher volumes of iron ore concentrate sold. In addition to the payment of $191,542,000 for mining and income taxes for the period of April 1, 2020 to March 31, 2021, changes in working capital items for the period were affected by the timing of supplier payments and customer receipts. After working capital items, the operating cash flow per share[1] for the period totalled $0.71, compared to $0.44 for the same period in 2020.

As iron ore concentrate prices remained elevated during the 2021 fiscal year, compared to the same period in 2020, it resulted in a higher taxable income in the current fiscal year. Since monthly tax installments are based on the previous fiscal year's taxable income, which was lower, the amount of income and mining taxes payable as at September 30, 2021 totalled $91,421,000, as currently reflected in the Company's statements of financial position. If the taxable income remains at the current level through the year, the amount will be payable in May 2022.

[1] This is a non-IFRS financial performance measure with no standard definition under IFRS. See the “Non-IFRS Financial Performance Measures” section of this MD&A included in note 20.

11. Cash Flows (continued)

Investing

i. Purchase of Property, Plant and Equipment

During the three and six-month periods ended September 30, 2021, the Company invested $153,653,000 and $263,592,000, respectively, in addition to property, plant and equipment, compared to $27,610,000 and $50,406,000, respectively, for the same periods in 2020. The following table details these investments:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2021	2020	**2021**	2020
(in thousands of dollars)				
Tailings lifts	**14,174**	6,349	**20,512**	6,903
Stripping and mining activities	**8,684**	4,415	**17,218**	7,045
Mining equipment rebuild	**3,603**	1,413	**5,498**	4,175
Sustaining capital expenditures	**26,461**	12,177	**43,228**	18,123
Phase II	**105,919**	13,328	**183,844**	19,167
Other capital development expenditures at Bloom Lake	**21,273**	2,105	**36,520**	13,116
Purchase of property, plant and equipment as per cash flows	**153,653**	27,610	**263,592**	50,406

Sustaining Capital Expenditures

Early in the 2021 fiscal year, the Company ramped-down its operations following Government directives in response to the COVID-19 pandemic and implemented several measures in its efforts to mitigate the risks related to the spread of the virus. As a result, the overall sustaining capital expenditures were lower and delayed in the 2021 fiscal year, compared to the 2022 fiscal year.

The increase in tailings-related investments for the three and six-month periods ended September 30, 2021, compared to the same periods in 2020, is due to preventive work performed on the dykes. As part of the Company's ongoing and thorough tailings infrastructure monitoring and inspections, the Company continues to invest in its safe tailings strategy. Preventive and corrective interventions on two specific dykes were scheduled for the 2022 fiscal year, with $20,512,000 spent to date, to correct identified discrepancies on specific dykes from their original designs compared to work completed by the asset's previous owner. The remaining work on the dykes will be completed early in the next quarter. The extent of investments in tailings were anticipated to be lower in the 2021 fiscal year since an accelerated $30M work program for the raising of the tailings containment dam to ensure safe tailings deposition was completed during the 2020 fiscal year.

Stripping activities for the three-month period ended September 30, 2021 were higher, as anticipated in connection with the preparation for Phase II project operations, compared to the same period in 2020. Refer to Section 8 - Bloom Lake Mine Operating Activities. The increase in stripping and mining activities during the six-month period ended September 30, 2021, compared to the same period in 2020, is also attributable to the ramp-down of operations in the first quarter of the 2021 fiscal year, mandated by the Government's COVID-19 containment directives, whereby operations were negatively affected in the comparable period.

The Company's mining equipment rebuild program reflects the work planned and undertaken during the three and six-month periods ended September 30, 2021.

11. Cash Flows (continued)

Investing (continued)

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

Phase II

Following the Board of Directors' final approval on November 12, 2020, to complete the Phase II expansion, the Company advanced several work programs and expects to incur additional expenditures until the project's completion, which is scheduled for mid-2022. For the six-month period ended September 30, 2021, $183,844,000 were spent in capital expenditures. As at September 30, 2021, the Phase II project advanced considerably with $413,216,000 invested by that date, including $69,653,000 in advance payments related to existing port, rail and transboarding infrastructures and start-up costs.

Major milestones achieved during the six-month period ended September 30, 2021 include: the completion of the load-out conveyors' mechanical installation from the concentrator to the train loading station, structural steel erection in the concentrator, milling and screening area, continuation of piping installation inside the plant, mechanical and electrical installation of the mill recirculation conveyors, completion of the Mamu accommodations complex construction with a total capacity of 300 people, progression of the new overhead line electrical distribution for the mine, as well as the progression of the Jean River crossing and civil works for the extension of the second rail track. In the same period in 2020, detailed engineering work was advanced, spirals were produced and equipment was transported on-site for the installation of the spirals.

Other Capital Development Expenditures at Bloom Lake

During the three and six-month periods ended September 30, 2021, other capital development expenditures at Bloom Lake totalled $21,273,000 and $36,520,000, respectively.

During the three-month period ended September 30, 2021, other capital development expenditures at Bloom Lake consisted of $7,970,000 in deposits for production equipment to be commissioned and financed in the future through the finance agreement with Caterpillar Finance Services, an investment of $10,454,000 to improve mill and other infrastructure capacity and $3,816,000 in borrowing costs capitalized during the development period of the Phase II project.

During the six-month period ended September 30, 2021, cash outflows include an additional investment of $3,800,000 in lodging infrastructure at the mine site, in order to accommodate the increasing workforce, a total of $12,438,000 in deposits for production equipment to be commissioned, an investment of $14,554,000 to increase mill capacity and other infrastructure improvements and capitalized borrowing costs of $6,529,000 related to the Phase II project. During the three and six-month periods ended September 30, 2021, other capital development expenditures were offset by the reception of a government grant totalling $6,234,000, related to the Company's greenhouse gas emissions and energy consumption reduction initiatives. The Company qualified for a grant of up to $21,817,000.

During the six-month period ended September 30, 2020, other capital development expenditures at Bloom Lake consisted of infrastructure upgrades at the mine, the commissioning of new service equipment and the acquisition of 100 additional used railcars at a cost of $5,500,000.

ii. Acquisition of the Kami Project

During the six-month period ended September 30, 2021, the Company completed the acquisition of the Kami Project and certain related contracts. Refer to note 5 - Acquisition of the Kami Project in the Financial Statements. The consideration included a cash payment of $15,000,000 in addition to transaction costs of $444,000.

11. Cash Flows (continued)

Investing (continued)

iii. Other Investing Activities

During the three-month period ended September 30, 2021, the Company fully disposed of one of its marketable securities investments for proceeds of $3,647,000, compared to nil for the same period in 2020. During the six-month period ended September 30, 2021, the Company also partially disposed of one of its marketable securities investments for proceeds, which was partially offset by the acquisition of a private entity's common shares in connection with its cold pelletizing R&D activities, resulting in net proceeds on disposal of non-current investments of $9,468,000, compared to nil for the same period in 2020.

Finally, during the three and six-month periods ended September 30, 2021, the Company made advance payments totalling $14,104,000 and $54,442,000, respectively, for infrastructure upgrades required to accommodate the anticipated increased Phase II production volumes and for Phase II rail access (three and six-month periods ended September 30, 2020: $3,077,000)

Financing

During the three-month period ended September 30, 2021, the Company drew down $20,000,000 related to the IQ Loan to finance the increase in transshipment capacity by SFPPN for an amount up to $70,000,000, of which $50,000,000 remained undrawn. During the six-month period ended September 30, 2021, in addition to the IQ Loan of $20,000,000, the Company made a drawdown of $30,000,000 related to the FTQ loan, of which $45,000,000 remained undrawn. During the three and six-month periods ended September 30, 2020, no long-term debt was drawn.

During the three and six-month periods ended September 30, 2020, 300,000 and 5,453,000 stock options, respectively, were exercised for proceeds totalling $307,000 and $2,958,000, respectively. During the six-month period ended September 30, 2021, 100,000 stock options were exercised for proceeds totalling $500,000, whereas no options were exercised for the three-month period ended September 30, 2021.

During the three-month period ended September 30, 2021, the Company’s subsidiary, QIO, completed the redemption of 125,000,000 of its preferred shares held by CDPQ, at par value, for a consideration of $125,000,000, having previously redeemed 60,000,000 QIO preferred shares in the previous quarter, also at par value, for a consideration of $60,000,000. The redemption of the QIO preferred shares terminated the preferred shares dividend payments and reduced the overall cost of capital for the Company. The consideration for the redemption of preferred shares totalled $185,000,000 in the six-month period ended September 30, 2021.

During the three and six-month periods ended September 30, 2021, QIO also declared and paid the accumulated dividends on its preferred shares for a total disbursement of $2,204,000 and $6,470,000, respectively, pursuant to the current 9.25% dividend rate. During the three and six-month periods ended September 30, 2020, the Company also declared and paid the accumulated dividends on QIO's preferred shares for a total disbursement of $16,980,000, representing the dividend rate of 9.25%.

12. Financial Position

As at September 30, 2021, the Company held $567,514,000 in cash on hand[1] and restricted cash. The Company is well positioned to fund all of its cash requirements for the next 12 months with its existing cash balance, forecasted cash flows from operations, available portion of the US$220,000,000 undrawn Senior Debt, master lease agreement with SMBC Rail Services Canada ULC to finance Phase II railcars, undrawn US$75,000,000 finance agreement with Caterpillar Financial Services Limited, FTQ loan of which $45,000,000 was undrawn, and IQ Loan with a remaining undrawn amount of $50,000,000 as at September 30, 2021. The following table summarizes the undrawn available financings:

	As at September 30, 2021
(in thousands of dollars)	
Senior Debt	**280,302**
Caterpillar Financial Services Limited	**95,558**
FTQ loan	**45,000**
IQ Loan	**50,000**
	470,860

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

- Remaining expenditures in relation to the Phase II expansion project;
- Payment of mining and income taxes;
- First two principal repayments of the Senior Debt, scheduled for June 30, 2022 and September 30, 2022; and
- The first principal repayment of the IQ Loan, scheduled for April 1, 2022.

The following table details the changes to the statement of financial position as at September 30, 2021 compared to March 31, 2021:

	As at September 30, 2021	As at March 31, 2021	Variance
(in thousands of dollars)			
Cash and cash equivalents	**491,333**	609,316	(19%)
Short-term investments	**31,588**	27,200	16%
Cash on hand[1]	**522,921**	636,516	(18%)
Receivables	**96,433**	98,755	(2%)
Other current assets	**87,707**	72,268	21%
Total current assets	**707,061**	807,539	(12%)
Restricted cash	**44,593**	44,012	1%
Property, plant and equipment	**793,981**	504,985	57%
Exploration and evaluation assets	**106,825**	76,106	40%
Other non-current assets	**121,085**	64,264	88%
Total assets	**1,773,545**	1,496,906	18%
Total current liabilities	**321,972**	293,767	10%
Long-term debt	**232,023**	214,951	8%
Rehabilitation obligation	**88,385**	45,074	96%
Other non-current liabilities	**105,076**	90,097	17%
Total liabilities	**747,456**	643,889	16%
Total equity	**1,026,089**	853,017	20%
Total liabilities and equity	**1,773,545**	1,496,906	18%

1 This is a non-IFRS financial performance measure with no standard definition under IFRS. See the "Non-IFRS Financial Performance Measures" section of this MD&A included in note 20.

12. Financial Position (continued)

The Company's cash and cash equivalents balance on September 30, 2021 decreased from the amount held on March 31, 2021 and is attributable to the payment of $191,542,000 in mining and income taxes for the period of April 1, 2020 to March 31, 2021, investments related to Phase II project capital expenditures and the redemption of QIO preferred shares for $185,000,000, partially offset by net cash flow from operating activities.

The increase in non-current assets is mainly attributable to the significant progress made on the Phase II expansion project, the acquisition of assets related to the Kami Project, the deposits and advance payments made in connection with Phase II and the increase in the asset rehabilitation obligation of $43,011,000, following an updated rehabilitation study. Refer to note 11 - Rehabilitation obligations in the Financial Statements.

Higher total current liabilities are mainly due to increased accounts payable balances, as the Phase II project continues to advance substantially and the payable balance on sale adjustments of $31,860,000 attributable to forward iron ore prices being below provisional prices as at September 30, 2021. In addition, higher total current liabilities are also due to the change in classification of the Senior Debt's first two principal payments totalling US$24,000,000 into a current liability, and the current portion of the IQ Loan which is due on April 1, 2022. The increase in total current liabilities is partially offset by lower income and mining taxes payable of $91,421,000 as at September 30, 2021, as income and mining taxes payable for the 2021 fiscal year were paid in May 2021.

The increase in long-term debt is mainly due to the $30,000,000 drawdown in relation to the loan agreement with FTQ during the first quarter of the 2022 fiscal year and the $20,000,000 drawdown of the IQ Loan in the three-month period ended September 30, 2021. This is partially offset by the classification to current liability of the IQ Loan's first principal payment and the Senior Debt's first two principal repayments totalling US$24,000,000 scheduled for June 30, 2022 and September 30, 2022.

The increase in the rehabilitation obligation is due to a new rehabilitation obligation study completed during the three-month period ended September 30, 2021 due to the upcoming Phase II completion.

The increase in total equity is mainly attributable to an increase in retained earnings through the net income during the six-month period ended September 30, 2021, partially offset by the redemption of 185,000,000 QIO preferred shares.

13. Financial Instruments

The nature and extent of risks arising from the Company's financial instruments are summarized in note 25 of the annual financial statements for the year ended March 31, 2021.

14. Contingencies

The Company is and may be from time to time subject to legal actions, including arbitrations and class actions, arising in the normal course of business. It is inherently difficult to predict the outcome of any of these proceedings with certainty, and it is possible that an adverse resolution could have a material adverse effect on the consolidated financial position of the Company. However, based on currently available information, it is not expected that any of the existing legal actions, either individually or in the aggregate, will have a material adverse effect on the consolidated financial position of the Company.

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

Contractual Obligations and Commitments

The following are the contractual maturities of the Company's liabilities, with estimated future interest payments, segmented by period, and the future minimum payments of the commitments, as at September 30, 2021:

(in thousands of dollars)	Less than a year	1 to 5 years	More than 5 years	Total
Accounts payable and other	193,993	—	—	193,993
Long-term debt, including capital and future interest payment	23,592	220,136	—	243,728
Lease liabilities, including future interest	362	1,161	374	1,897
Commitments as per note 19 of the Financial Statements	233,595	74,358	248,735	556,688
	451,542	295,655	249,109	996,306

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 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 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.

Other Off-Balance Sheet Arrangements

The undrawn portion of the Senior Debt totalled US$220,000,000, which is composed of a term facility of US$170,000,000 that is only available during the pre-completion period of Phase II, and a revolving credit facility of US$50,000,000; both are subject to standby commitment fees.

The undrawn portion of the FTQ loan amounted to $45,000,000 as at September 30, 2021 and is subject to standby commitment fees.

The finance agreement with Caterpillar Financial Services has not yet been drawn down and the undrawn amount was US$75,000,000 as at September 30, 2021, which may be increased at Caterpillar Financial Services' discretion up to an amount no greater than US$125,000,000. The finance agreement is subject to standby commitment fees.

The undrawn portion of the IQ Loan amounted to $50,000,000 as at September 30, 2021.

Based on the foregoing, as at September 30, 2021, the Company is benefiting from undrawn available financings totalling $470,860,000, which will allow the Company to fund all its cash requirements for the next 12 months.

16. Critical Accounting Estimates and Judgments

The Company's significant accounting judgments, estimates and assumptions are summarized in note 2 of the Company's audited annual financial statements for the year ended March 31, 2021.

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, 2021.

18. New Accounting Standards 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, 2021.

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 27 of the Company's audited annual financial statements for the year ended March 31, 2021. No significant changes occurred during the period beginning on April 1, 2021 and ended on September 30, 2021 in connection with the nature of related party transactions.

20. Non-IFRS Financial Performance Measures

The Company has included certain non-IFRS measures in this MD&A. The Company believes that these measures, in addition to conventional measures prepared in accordance with IFRS, provide investors with an improved ability to evaluate the underlying performance of the Company. Non-IFRS measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. These measures do not have any standardized meaning prescribed under IFRS, and therefore may not be comparable to other issuers.

A. Total Cash Cost

Total cash cost, or C1 cash cost, is a common financial performance measure in the iron ore mining industry but has no standard meaning under IFRS. Champion reports total cash cost on a sales basis. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, such as sales, certain investors use this information to evaluate the Company’s performance and ability to generate operating earnings and cash flows from its mining operations. This measure also enables investors to better understand the performance of the Company's iron ore operations in comparison to other iron ore producers who present results on a similar basis. Management uses this metric as an important tool to monitor operating cost performance. Total cash cost includes production costs such as mining, processing and site administration and excludes depreciation to arrive at a total cash cost per dmt sold. Other companies may calculate this measure differently.

The total cash cost excludes incremental costs related to COVID-19. In line with the Government's directives, the Company implemented several measures in its efforts to mitigate the risks related to the COVID-19 pandemic. The Company incurred direct and incremental costs. These specific costs are mainly comprised of on-site COVID-19 testing and laboratory costs and incremental costs for cleaning and disinfecting facilities, premiums paid to employees from adjusted work schedules and incremental transportation costs, and do not include the inefficiency costs associated with the COVID-19 pandemic across all areas of the Company’s operations. The Company will continue to deploy measures to mitigate the risks from COVID-19 on site and at the local community level.

	Three Months Ended September 30,		**Six Months Ended September 30,**	
	2021	2020	**2021**	2020
Per tonne sold				
Iron ore concentrate sold (dmt)	**1,953,900**	2,063,400	**3,928,600**	3,822,200
(in thousands of dollars except per tonne)				
Cost of sales	**110,884**	102,739	**231,730**	210,077
Less: Incremental costs related to COVID-19	**(1,099)**	(2,671)	**(3,167)**	(7,233)
Total cash cost (per dmt sold)	**56.2**	48.5	**58.2**	53.1

20. Non-IFRS Financial Performance Measures (continued)

B. 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. The Company calculates AISC as the sum of total cash cost (as described above), G&A expenses and sustaining capital, including deferred stripping cost, divided by the iron ore concentrate sold (in dmt) to arrive at a per dmt figure. 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.

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 included product R&D expenses and exploration expenses that are not sustainable in nature, income and mining tax expenses, working capital, defined as current assets less current liabilities, or interest costs. The AISC excludes the incremental costs related to COVID-19.

The following table sets forth the calculation of AISC per tonne:

	Three Months Ended September 30,		**Six Months Ended September 30,**	
	2021	2020	**2021**	2020
Per tonne sold				
Iron ore concentrate sold (dmt)	**1,953,900**	2,063,400	**3,928,600**	3,822,200
(in thousands of dollars except per tonne)				
Cost of sales	**110,884**	102,739	**231,730**	210,077
Less: Incremental costs related to COVID-19	**(1,099)**	(2,671)	**(3,167)**	(7,233)
Sustaining capital expenditures	**26,461**	12,177	**43,228**	18,123
G&A expenses	**7,548**	5,695	**15,352**	10,879
	143,794	117,940	**287,143**	231,846
AISC (per dmt sold)	**73.6**	57.2	**73.1**	60.7

20. Non-IFRS Financial Performance Measures (continued)

C. Net Average Realized Selling Price, Cash Operating Margin and Cash Profit Margin

Net average realized selling price and cash operating margin per dmt sold are used by Management to better understand the iron ore concentrate price and margin realized throughout a period. Net average realized selling price is calculated as revenues divided by iron ore concentrate sold (in dmt). 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.

	Three Months Ended September 30,		**Six Months Ended September 30,**	
	2021	2020	**2021**	2020
Per tonne sold				
Iron ore concentrate sold (dmt)	**1,953,900**	2,063,400	**3,928,600**	3,822,200
(in thousands of dollars except per tonne)				
Revenues	**331,006**	310,994	**876,414**	555,568
Net average realized selling price (per dmt sold)	**169.4**	150.7	**223.1**	145.4
AISC (per dmt sold)	**73.6**	57.2	**73.1**	60.7
Cash operating margin (per dmt sold)	**95.8**	93.5	**150.0**	84.7
Cash profit margin	**57%**	62%	**67%**	58%

D. EBITDA and EBITDA Margin

The following table sets forth the calculation of EBITDA, a non-IFRS measure which the Company believes to be relevant to assess the Company's ability to generate liquidity by producing operating cash flows to fund working capital needs and capital expenditures, as well as service debt obligation. EBITDA margin represents EBITDA divided by revenues.

EBITDA is intended to provide additional information to investors and does not have any standardized definition under IFRS. The measure excludes the impact of net finance (income) costs, taxes and depreciation, and is not necessarily indicative of operating profit or cash flows from operations as determined under IFRS. For simplicity and comparative purposes, the Company did not exclude non-cash share-based payments, pre-commercial start-up costs for the Phase II project or COVID-19-related expenditures. Other companies may calculate EBITDA differently.

	Three Months Ended September 30,		**Six Months Ended September 30,**	
	2021	2020	**2021**	2020
(in thousands of dollars)				
Income before income and mining taxes	**189,564**	186,096	**580,957**	306,173
Net finance costs	**1,012**	4,530	**5,399**	5,675
Depreciation	**9,437**	8,346	**19,396**	17,286
EBITDA	**200,013**	198,972	**605,752**	329,134
Revenues	**331,006**	310,994	**876,414**	555,568
EBITDA margin	**60%**	64%	**69%**	59%

(Expressed in Canadian dollars, except where otherwise indicated)

20. Non-IFRS Financial Performance Measures (continued)

E. 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. The Company believes that the use of adjusted net income and adjusted EPS allows investors and analysts to understand the results of operations of the Company by excluding certain items that have a disproportionate impact on the results for a period. The tax effect of adjustments is presented in the tax effect of adjustments line and is calculated using the applicable tax rate. 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 used by mining industry analysts.

The Company believes that identifying certain costs directly resulting from the impact of the COVID-19 pandemic and excluding these amounts from the calculation of the non-IFRS measures described below helps Management, analysts and investors assess the direct and incremental impact of COVID-19 on the business as well as the general economic performance during the period. The COVID-19 safety measures are mainly comprised of premium payroll costs from adjusted work schedules, higher transportation costs, on-site COVID-19 testing and laboratory costs, and additional costs for cleaning and disinfecting facilities.

During the three and six-month periods ended September 30, 2021, the Company reported a gain on disposal of non-current investments and start-up costs related to Phase II. The Company incurred pre-commercial start-up costs for the Phase II project, mainly related to staff mobilization and training costs and are part of the construction budget of $633.8M. Management is of the opinion that by excluding these non-recurring items, it presents the results related directly to the Company's recurring business.

	Three Months Ended September 30, 2021		Six Months Ended September 30, 2021	
	Net Income	**EPS**	**Net Income**	**EPS**
Unadjusted	**114,596**	0.23	**338,935**	0.67
Cash items				
Loss (gain) on disposal of non-current investments	**232**	—	**(176)**	—
Incremental costs related to COVID-19	**1,099**	—	**3,167**	0.01
Bloom Lake Phase II start-up costs	**4,613**	0.01	**4,613**	0.01
	5,944	0.01	**7,604**	0.02
Tax effect of adjustments listed above	**(2,228)**	(0.01)	**(3,118)**	(0.01)
Adjusted	**118,312**	0.23	**343,421**	0.68

	Three Months Ended September 30, 2020		Six Months Ended September 30, 2020	
	Net Income	**EPS**	**Net Income**	**EPS**
Unadjusted	**112,164**	0.24	**187,720**	0.40
Cash item				
Incremental costs related to COVID-19	**2,671**	—	**7,233**	0.02
	2,671	—	**7,233**	0.02
Tax effect of adjustment listed above	**(1,076)**	—	**(3,190)**	(0.01)
Adjusted	**113,759**	0.24	**191,763**	0.41

(Expressed in Canadian dollars, except where otherwise indicated)

20. Non-IFRS Financial Performance Measures (continued)

F. Operating Cash Flow per Share

The Company believes that, in addition to conventional measures prepared in accordance with IFRS, certain investors use operating cash flow per share to assess the Company's ability to generate and manage liquidity. This measure does not have a standard meaning and is intended to provide additional information. It should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. Operating cash flow per share is determined by applying net cash flow from operating activities to the weighted average number of ordinary shares outstanding used in the calculation of basic earnings per share.

	Three Months Ended September 30,		Six Months Ended September 30,	
	2021	2020	**2021**	2020
Net cash flow from operating activities	**374,141**	131,426	**361,512**	206,714
Weighted average number of ordinary shares outstanding - Basic	**506,429,000**	473,120,000	**506,351,000**	472,179,000
Operating cash flow per share	**0.74**	0.28	**0.71**	0.44

G. Cash on Hand

Cash on hand is defined as accessible cash or which can be converted quickly into cash, and includes cash held in financial institutions, short-term deposits that mature within twelve months and all other cash equivalents. The Company uses cash on hand to measure its liquidity to meet the requirement of lenders, fund capital expenditures and support operations. This measure is also monitored by Management to prudently manage its liquidity.

	As at September 30,	As at March 31,
	2021	2021
Cash and cash equivalents	**491,333**	609,316
Short-term investments	**31,588**	27,200
Cash on hand	**522,921**	636,516

21. Share Capital Information

The Company's share capital consists of ordinary shares without par value. As of October 27, 2021, there are 506,491,876 ordinary shares issued and outstanding.

In addition, there are 5,841,502 ordinary shares issuable pursuant to options, restricted share units, deferred share units and performance share units and 25,281,250 ordinary shares issuable pursuant to warrants.

22. 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, 2021 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, 2021.

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

	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020
Financial Data ($ millions)								
Revenues	331.0	545.4	396.7	329.5	311.0	244.6	175.7	171.1
Operating income	190.4	400.0	262.5	203.3	189.5	118.8	52.1	53.3
EBITDA[1]	200.0	405.7	275.8	214.6	199.0	130.2	60.7	57.7
Net income	114.6	224.3	155.9	120.8	112.2	75.6	18.4	30.2
Adjusted net income[1]	118.3	225.1	155.5	123.4	113.8	78.0	18.4	30.2
Earnings per share - basic	0.23	0.44	0.32	0.25	0.24	0.16	0.04	0.07
Earnings per share - diluted	0.22	0.43	0.30	0.24	0.22	0.15	0.04	0.06
Adjusted earnings per share - basic[1]	0.23	0.44	0.31	0.26	0.24	0.17	0.04	0.07
Net cash flow (used in) from operations	374.1	(12.6)	228.6	188.2	131.4	75.3	84.6	28.1
Operating Data								
Waste mined and hauled (thousands of wmt)	5,300	4,700	3,796	4,958	4,114	2,613	3,180	3,409
Ore mined and hauled (thousands of wmt)	5,714	5,644	5,636	5,183	6,070	4,683	5,413	4,905
Strip ratio	0.93	0.83	0.67	0.96	0.68	0.56	0.59	0.70
Ore milled (thousands of wmt)	5,680	5,227	5,238	5,194	5,563	4,605	4,880	4,639
Head grade Fe (%)	29.1	29.6	30.7	29.7	30.9	31.3	31.7	32.0
Fe recovery (%)	83.3	82.9	82.6	83.6	85.2	82.3	82.3	81.7
Product Fe (%)	66.3	66.3	66.5	66.4	66.1	66.5	66.5	66.4
Iron ore concentrate produced (thousands of wmt)	2,089	1,936	2,011	1,922	2,269	1,799	1,892	1,833
Iron ore concentrate sold (thousands of dmt)	1,954	1,975	1,971	1,891	2,063	1,759	1,888	1,922
Statistics (in dollars per dmt sold)								
Gross average realized selling price	218.8	279.7	220.0	194.8	162.8	149.2	130.5	140.1
Net average realized selling price[1]	169.4	276.2	201.3	174.2	150.7	139.1	93.1	89.0
Total cash cost[1]	56.2	60.1	54.4	56.2	48.5	58.4	53.9	54.2
All-in sustaining cost[1]	73.6	72.6	65.1	64.8	57.2	64.8	59.8	62.2
Cash operating margin[1]	95.8	203.6	136.2	109.4	93.5	74.3	33.3	26.8
Statistics (in US dollars per dmt sold)								
Gross average realized selling price	174.6	228.3	173.9	150.3	122.2	107.8	96.9	106.2
Net average realized selling price[1]	134.7	225.5	159.3	134.5	113.2	100.3	69.7	67.4
Total cash cost[1] (C1 cash cost)	44.6	48.9	43.0	43.1	36.4	42.2	40.1	41.1
All-in sustaining cost[1]	58.4	59.1	51.4	49.7	42.9	46.8	44.5	47.1
Cash operating margin[1]	76.3	166.4	107.9	84.6	70.1	53.5	25.2	20.3

[1] This is a non-IFRS financial performance measure with no standard definition under IFRS. See the "Non-IFRS Financial Performance Measures" section of this MD&A included in note 20.

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. This section presents information about the Company's exposure to each of the described risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

The Board oversees Management's establishment and execution of the Company's risk management framework. Management has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to market conditions and the Company's activities.

Refer to the Company's 2021 Annual Information Form and the MD&A for the fiscal year ended March 31, 2021, available on SEDAR at www.sedar.com, the ASX at www.asx.com.au and the Company's website at www.championiron.com to see the principal risk factors that apply to the Company and that may have a material adverse effect on its financial condition, results of operations or the trading price of the Company's shares.

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

Disclosure Controls and Procedures

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

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

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

Internal Control over Financial Reporting

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

There have been no changes in the Company's ICFR that occurred during the period beginning on July 1, 2021 and ended on September 30, 2021 which have materially affected or are reasonably likely to materially affect the Company's ICFR.

Limitations of DC&P and ICFR

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

25. Approval

The Board oversees Management's responsibility for financial reporting and internal control systems through its Audit Committee. The Audit Committee meets quarterly with Management and quarterly with the Company's independent auditors to review the scope and results of the annual audit and quarterly reviews, respectively, and to review the financial statements and related financial reporting and internal control matters before the financial statements are approved by the Board and submitted to the shareholders. The Board has approved the Financial Statements and the disclosure contained in this MD&A as of October 28, 2021. A copy of this MD&A will be provided to anyone who requests it.

26. Nature of Securities

The purchase of the Company's securities involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks. The Company's securities should not be purchased by persons who cannot afford the possibility of loss of their entire investment. Furthermore, an investment in the Company's securities should not constitute a major portion of an investor's portfolio.

27. Additional Information

Additional information related to the Company is available for viewing under the Company's filings on SEDAR at www.sedar.com, the ASX at www.asx.com.au and the Company's website at www.championiron.com.

28. Qualified Person and Data Verification

Mr. Vincent Blanchet, P. Eng., Engineer at QIO, the Company's subsidiary and operator of Bloom Lake, is a "qualified person" as defined by NI 43-101 and has reviewed and approved, or has prepared, as applicable, the disclosure of the scientific and technical information contained in this MD&A. 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 Feasibility Study. Mr. Blanchet is a member of the *Ordre des ingénieurs du Québec*.

29. Cautionary Note Regarding Forward-Looking Statements

This MD&A includes certain information and statements that may constitute "forward-looking information" under applicable Canadian securities legislation. All statements other than statements of historical facts included in this MD&A that address future events, developments or performance that Champion expects to occur, including Management's expectations regarding (i) the mitigation of risks related to COVID-19 and the impact of COVID-19 on the overall economy, the demand for iron ore concentrate and operations and cash flows of Champion; (ii) the feasibility study to evaluate the reprocessing and infrastructure required for commercial production of a higher than 69% Fe DR pellet feed product; (iii) the revision of the Kami Project scope and related feasibility study including the timing thereof; (iv) the Company's strategy to evaluate its growth alternatives within its property portfolio; (v) the collaboration with Caterpillar and Toromont Cat to develop, test and implement advanced drilling technologies aimed at optimizing Bloom Lake's operational productivity and reducing energy consumption; (vi) the Company's Phase II expansion project and its construction and completion timeline, funding, impact on nameplate capacity, expected capital expenditures and production volume; (vii) rising demand for higher grade raw materials and shift towards reduction technologies used to produce liquid iron, such as the use of DRI in EAFs instead of BF-BOF for liquid iron production and the related R&D program of the Company to develop 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; (viii) the impact of iron ore prices fluctuations on net cash flow from operations and the Company's development; (ix) the fluctuations of the ocean freight costs in connection with the fluctuations of the iron ore prices and the impact of securing long-term freight contracts; (x) the impact of exchange rate fluctuations on the Company and its financial results; (xi) the Company's cash requirements for the next twelve months, the Company's positioning to fund such cash requirements and estimated future interest payments; (xii) legal actions and the impact thereof; and (xiii) the LoM of the Bloom Lake Mine are 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. 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. 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; 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; the effects of catastrophes and public health crises, including 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 2021 Annual Information Form and the MD&A for the fiscal year ended March 31, 2021, all of which are available on SEDAR at www.sedar.com, the ASX at www.asx.com.au and the Company's website at www.championiron.com. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such forward-looking information. Accordingly, readers should not place undue reliance on forward-looking information.

All of Champion's forward-looking information contained in this MD&A is given as of the date hereof or such other date or dates specified in such statements and is based upon the opinions and estimates of Champion's Management and information available to Management as at the date hereof. Champion disclaims any intention or obligation to update or revise any of its forward-looking information, whether as a result of new information, future events or otherwise, except as required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements. Champion cautions that the foregoing list of risks and uncertainties is not exhaustive. Investors and others should carefully consider the above factors as well as the uncertainties they represent and the risks they entail. Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company's ability to predict or control.