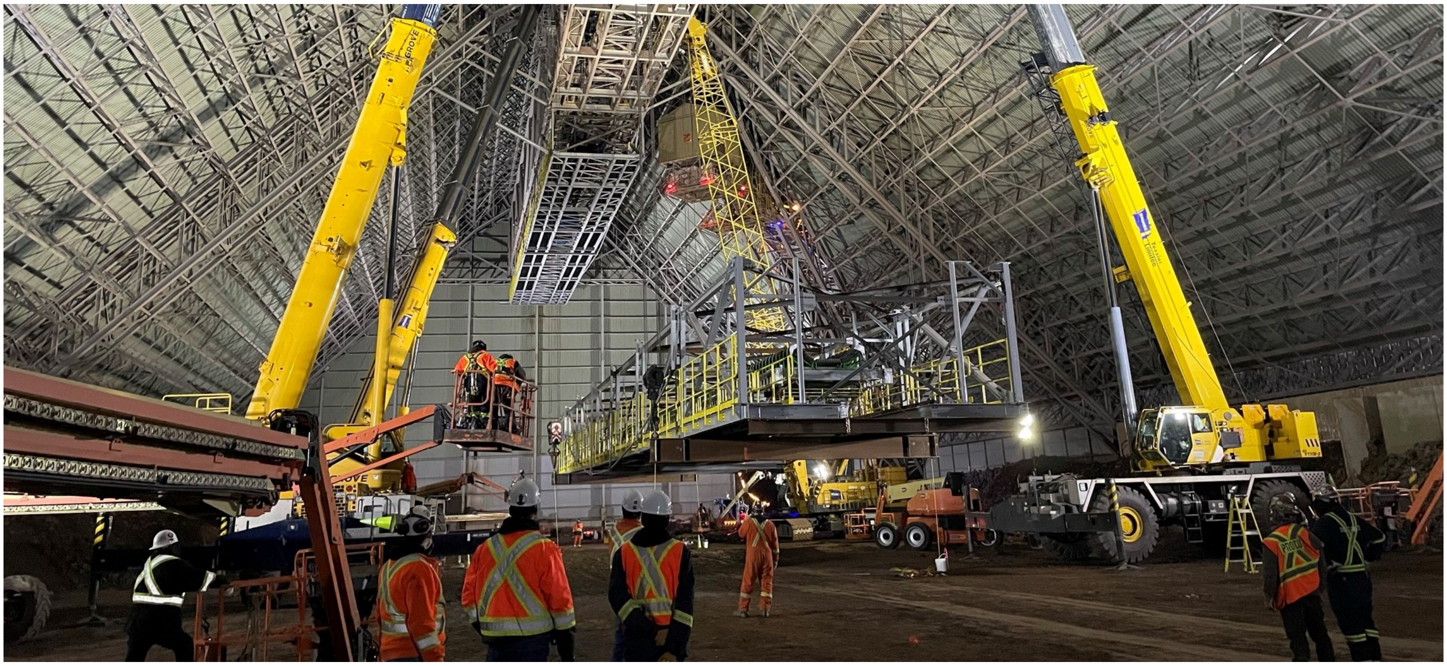


Management's Discussion and Analysis

For the Three and Nine-Month Periods Ended December 31, 2021

CHAMPION IRON

TSX: CIA - ASX: CIA

As at January 27, 2022

The following Champion Iron Limited ("Champion" or the "Company") Management's Discussion and Analysis ("MD&A") has been prepared as of January 27, 2022. This MD&A is intended to supplement the condensed interim consolidated financial statements for the three and nine-month periods ended December 31, 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 Platts 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 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 December 31,			Nine Months Ended December 31,		
	2021	2020	Variance	**2021**	2020	Variance
Iron ore concentrate produced (wmt)	**2,013,200**	1,922,100	5%	**6,038,300**	5,989,700	1%
Iron ore concentrate sold (dmt)	**1,832,100**	1,891,300	(3%)	**5,760,700**	5,713,500	1%
Financial Data (in thousands of dollars, except per share amounts)						
Revenues	**253,016**	329,545	(23%)	**1,129,430**	885,113	28%
Gross profit	**132,550**	212,435	(38%)	**757,838**	540,640	40%
EBITDA[1]	**122,127**	214,579	(43%)	**727,879**	543,713	34%
EBITDA margin[1]	**48 %**	65 %	(26%)	**64 %**	61 %	5%
Net income	**67,997**	120,771	(44%)	**406,932**	308,491	32%
Adjusted net income[1]	**73,036**	123,419	(41%)	**416,457**	315,182	32%
Basic earnings per share	**0.13**	0.25	(48%)	**0.80**	0.65	23%
Adjusted earnings per share[1]	**0.14**	0.26	(46%)	**0.82**	0.67	22%
Net cash flow from operating activities	**105,628**	188,196	(44%)	**467,140**	394,910	18%
Cash and cash equivalents	**468,082**	489,640	(4%)	**468,082**	489,640	(4%)
Total assets	**1,923,774**	1,265,122	52%	**1,923,774**	1,265,122	52%
Total non-current financial liabilities	**247,631**	242,369	2%	**247,631**	242,369	2%
Statistics (in dollars per dmt sold)						
Gross average realized selling price	**195.0**	194.8	—%	**232.1**	169.2	37%
Net average realized selling price[1]	**138.1**	174.2	(21%)	**196.1**	154.9	27%
Total cash cost[1] (C1 cash cost)	**59.5**	56.2	6%	**58.6**	54.1	8%
All-in sustaining cost[1]	**76.0**	64.8	17%	**74.0**	62.0	19%
Cash operating margin[1]	**62.1**	109.4	(43%)	**122.1**	92.9	31%
Statistics (in U.S. dollars per dmt sold)[2]						
Gross average realized selling price	**154.8**	150.3	3%	**186.7**	127.1	47%
Net average realized selling price[1]	**109.5**	134.5	(19%)	**157.9**	116.3	36%
Total cash cost[1] (C1 cash cost)	**47.2**	43.1	10%	**46.9**	40.4	16%
All-in sustaining cost[1]	**60.3**	49.7	21%	**59.2**	46.3	28%
Cash operating margin[1]	**49.2**	84.8	(42%)	**98.7**	70.0	41%

[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 21.

[2] See the "Currency" section of this MD&A included in note 8 - Key Drivers.

3. Quarterly and Year-to-Date Highlights

Health & Safety and Sustainability

- No serious injuries reported and no major environmental issues during the period;
- Health and safety 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 and limit the spread of the Omicron variant;
- In commemoration of its First Nation communities' tragic and painful history, Champion declared that September 30, the National Day for Truth and Reconciliation, will be treated as a statutory holiday for all its employees;
- In collaboration with our partners, contributed a significant donation to Cancer Fermont, a charitable organization improving the quality of life for local residents fighting cancer; and
- In support of the International Day for the Elimination of Violence against Women, the Company sponsored "Autour d'elles", a shelter for local women who are victims of domestic violence, and "Hommes Sept-Ils", a help center which provides support for local men facing personal challenges.

Dividend on Ordinary Shares

- The Board of Directors (the "Board") declares an inaugural dividend of $0.10 per ordinary share in respect to the semi-annual results for the period ended September 30, 2021, payable on March 1, 2022, to registered shareholders at the close of business in Australia and Canada on February 8, 2022 (local time). The ordinary shares will begin trading on an ex-dividend basis at the open of trading in Australia and Canada on February 7, 2022.

Financial

- Revenues of $253.0M and $1,129.4M for the three and nine-month periods ended December 31, 2021, respectively, compared to $329.5M and $885.1M for the same periods in 2020;
- EBITDA[1] of $122.1M for the three-month period ended December 31, 2021, compared to $214.6M for the same period in 2020. EBITDA[1] of $727.9M for the nine-month period ended December 31, 2021, compared to $543.7M for the same period in 2020;
- Net income of $68.0M for the three-month period ended December 31, 2021 (EPS of $0.13), compared to $120.8M for the same period in 2020 (EPS of $0.25). Net income of $406.9M for the nine-month period ended December 31, 2021 (EPS of $0.80), compared to $308.5M for the same period in 2020 (EPS of $0.65);
- Net cash flow from operating activities of $105.6M for the three-month period ended December 31, 2021, representing an operating cash flow per share[1] of $0.21, compared to $188.2M or $0.40 for the same period in 2020. Net cash flow from operating activities of $467.1M for the nine-month period ended December 31, 2021, representing an operating cash flow per share[1] of $0.92, compared to $394.9M or $0.83 for the same period in 2020; and
- Cash on hand[1] and restricted cash of $543.4M as at December 31, 2021, compared to $567.5M as at September 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 21.

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

Operations

- Record production for a quarter with scheduled maintenance of 2,013,200 wmt of high-grade 66.2% iron ore ("Fe") concentrate for the three-month period ended December 31, 2021, compared to 1,922,100 wmt of high-grade 66.4% Fe concentrate for the same period in 2020. Production of 6,038,300 wmt of high-grade 66.2% Fe concentrate for the nine-month period ended December 31, 2021, compared to 5,989,700 wmt of high-grade 66.3% Fe for the same period in 2020;
- Fe recovery rate of 83.9% and 83.3% for the three and nine-month periods ended December 31, 2021, respectively, compared to a Fe recovery rate of 83.6% and 83.8%, respectively, for the same periods in 2020; and
- Total cash cost[1] of $59.5/dmt (US$47.2[2]/dmt) (C1) and $58.6/dmt (US$46.9[2]/dmt) for the three and nine-month periods ended December 31, 2021, respectively, compared to $56.2/dmt (US$43.1[2]/dmt) and $54.1/dmt (US$40.4[2]/dmt), respectively, for the same periods in 2020.

Growth and Development

- Ongoing feasibility study evaluating the reprocessing and infrastructure required to commercially produce a 69% Fe Direct Reduction ("DR") pellet feed product. The study of this proposed project, scaled to convert approximately half of Bloom Lake's expected nameplate capacity following the completion of the Phase II project, is expected to be completed by mid-2022; and
- In connection with the Company's strategy to evaluate its growth alternatives within its property portfolio, the Kami Project's updated feasibility study is advancing and expected to be completed in the second half of calendar 2022.

Phase II Milestones

- Several critical construction items were completed, including the major tie-in between Phase I and Phase II, enabling the advancement of the expected commissioning of the project to April 2022, with commercial production anticipated by the end of calendar 2022;
- Receipt of the majority of the 450 railcars required for the Phase II production volume, enabling the Company to gradually ship more iron ore concentrate to Sept-Îles;
- Advancing remaining work programs, with more than 400 individuals actively working on the project despite challenges related to the COVID-19 pandemic; and
- Capital expenditures and start-up costs of $93.7M and advance payments and deposits related to existing port, rail and transboarding infrastructure totalling $27.4M incurred in the three-month period ended December 31, 2021, with $534.3M 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 21.
[2] See the "Currency" section of this MD&A included in note 8 - Key Drivers.

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.

On September 1, 2021, a COVID-19 vaccination passport became effective in the province of Québec for certain non-essential businesses, which aimed to limit the spread of the pandemic. During the three-month period ended December 31, 2021, the COVID-19 Omicron variant emerged globally and was reported by the World Health Organization to spread more easily than the original virus and previous variants. During the period, the Omicron variant rapidly increased the proportion of COVID-19 cases globally. Even though vaccines remain the best public health measure to protect people from COVID-19, there is consensus that one or more vaccine booster doses may be required to provide adequate protection against complications related to viral infections from the Omicron variant.

Lately, in a collective effort to face the emergence of the Omicron variant, the Government introduced and distributed rapid testing solutions to the general population and tightened its restrictions in advance of Christmas holiday gatherings. The Québec vaccination campaign is currently ongoing, providing eligible recipients with a third vaccine dose.

The Company continuously reviews its COVID-19 related measures and protocols in order to safeguard the health and safety of its employees, partners and local communities. While the pandemic has created some operational inefficiencies, there were no significant disruptions in the Company's operations during the period.

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, supply chain 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.

The Company's full COVID-19 plan is available on its website at www.championiron.com.

5. Dividend on Ordinary Shares

The Board declared an inaugural dividend of $0.10 per ordinary share on January 26, 2022 (Montréal time) / January 27, 2022 (Sydney time) in respect to the semi-annual results for the period ended September 30, 2021, payable on March 1, 2022, to registered shareholders at the close of business in Australia and Canada on February 8, 2022 (local time). The ordinary shares will begin trading on an ex-dividend basis at the open of trading in Australia and Canada on February 7, 2022.

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

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

6. 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 updated 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 titled "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 December 31, 2021, $93,696,000 in capital expenditures and start-up costs and $27,358,000 in advance payments were incurred for the Phase II project, with $534,270,000 invested to date, including $97,011,000 in advance payments and deposits related to existing port, rail and transboarding infrastructure.

As at December 31, 2021, the Company had total cash on hand[1] and restricted cash of $543,404,000. The Company also had a total undrawn credit facility (the "Senior Debt") of US$220,000,000, a financing agreement with Caterpillar Financial Services Limited for an undrawn amount of US$56,639,000, to fund Phase II mining equipment, and a seven-year loan agreement with Fonds de Solidarité des Travailleurs du Québec ("FTQ") for an undrawn amount of $45,000,000, as at December 31, 2021, maturing on May 21, 2028. Additionally, the Company had an undrawn term loan of $30,000,000 with Investissement Québec ("IQ Loan") to partially finance a total investment of $85,000,000 related to upgrades at Société Ferroviaire et Portuaire de Pointe-Noire ("SFPPN") and budgeted in the overall Phase II capital expenditures. Accordingly, as at December 31, 2021, the Company had a total $425,723,000 of undrawn available financing. Refer to section 13 - Financial Position.

Based on the foregoing and the utilization of ongoing operational cash flows, the Company is fully funded for the remaining work programs required to complete the Phase II project estimated at $105,530,000, including deposits. Despite a challenging health context, the Company continues to advance the project with final work programs required for ongoing commissioning. With critical construction work programs completed and with more than 400 individuals actively working on the project, the Phase II project commissioning schedule is moving forward to April 2022, with commercial production anticipated by the end of calendar 2022. As the Company approaches the end of the project, it is currently carrying out other important steps, such as commissioning the mill and finalizing its hiring campaign.

Milestones

The construction is progressing well with several critical construction work programs completed in the three-month period ended December 31, 2021, including the successful tie-in between the Phase I and Phase II projects. The Company continues to advance the remaining work programs despite operational challenges related to the global pandemic. Project milestones that were achieved and related works undertaken during the three-month period ended December 31, 2021 include:

- Finalization of the detailed engineering;
- Completion of the major tie-in between the Phase I and Phase II projects;
- Completion of the Jean River crossing, required to accommodate a second rail track siding;
- Receipt of the majority of the 450 railcars, which will allow to gradually ship more iron ore concentrate to Sept-Îles; and
- Commencement of pre-operational verifications.

[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 21.

7. 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 iron ore products 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 nine-month periods ended December 31, 2021, the Company incurred product R&D expenses of $1,130,000 and $4,002,000, respectively, compared to $408,000 and $922,000, respectively, for the same periods in 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, and as part of its commitment to participate in the iron and steel industry's decarbonization, the Company continued to invest and actively collaborate with a European-based company which holds a proprietary cold agglomeration technology. The Company further increased its alignment with the European-based company with an additional investment in the form of a US$2,500,000 convertible loan agreement. 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.

Advanced Drilling Technologies

Further to the announcement on August 16, 2021 of the execution of a letter of intent, the Company is advancing initiatives 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.

7. Decarbonization Initiatives (continued)

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 by 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 completed 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 investments required to convert half of Bloom Lake's expected increased nameplate capacity, following the completion of the Phase II project. 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 enable the Company to participate further in reducing emissions in the steelmaking process.

During the three-month period ended December 31, 2021, the Company continued to advance the feasibility study, anticipated to be completed by mid-2022.

8. 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 operating activities and the Company's development may, in the future, be significantly and adversely affected by a decline in the price of iron ore. The iron ore concentrate price fluctuates daily and is affected by several industry and macroeconomic factors beyond the Company's control.

Due to the high-quality properties of its 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 in the steelmaking process.

During the three-month period ended December 31, 2021, the average iron ore price declined, compared to the previous three-month period, likely due to the ongoing steel output reductions in China as the country aims to meet goals to curb emissions nationwide and ahead of the February 2022 Winter Olympics Games to be held in Beijing. Following iron ore price declines early in the quarter, prices increased towards the end of the period. This recovery in iron ore prices could be attributed to multiple factors, including the government of China's pledge to stabilize the economy in 2022 through support for growth projects, including housing construction and infrastructure investments. Furthermore, the high-grade iron ore premium also witnessed a similar trajectory in the second half of the quarter compared to the first half, supported by lower Brazilian iron ore exports, likely caused by the seasonal rainfall which impacted production.

Following substantial control over steel output by China's authorities, the Chinese steel industry achieved its nationwide target to keep 2021 crude steel output below 2020's record levels. In fact, the World Steel Association[1] reported that China's crude steel production totalled 1.03 billion tonnes for the 2021 calendar year, down 3% compared to 2020 but in line with 2019 levels. Furthermore, in the three-month period ended December 31, 2021, China's crude steel production declined 17.3% compared to the same period in 2020. Contrarily, the world ex-China continues to demonstrate a robust rise in crude steel production. The World Steel Association[1] reported that the world ex-China posted a 5.0% growth for the three-month period ended December 31, 2021, compared to the same period in 2020 and a 13.1% growth in calendar 2021, year-on-year. Arguably, a recovery in the world ex-China is seen as a positive driver for high-grade iron ore product demand given the typically higher proportion of high-grade iron ore product consumption in the steelmaking industry ex-China.

During the three-month period ended December 31, 2021, the P65 index for high-grade iron ore fluctuated from a high of US$159.9/dmt to a low of US$101.8/dmt. The P65 index average price for the period was US$128.9/dmt, a decrease of 32% from the previous quarter, resulting in an average premium of 17.6% over the P62 reference price of US$109.6/dmt.

During the three-month period ended December 31, 2021, the Company's gross average realized selling price was US$154.8/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$154.8/dmt was higher than the P65 index average price for the period of US$128.9/dmt due to the positive impact of sales based on fixed backward-looking iron ore prices, when prices were substantially higher compared to the P65 index average for the current period. Sales in transit as at December 31, 2021 were provisionally priced using an average forward price of US$142.3/dmt, which also contributed to the increase in the gross average realized selling price of the period. Taking into account sales adjustments and sea freight costs, the Company's net realized FOB price was US$109.5/dmt compared to US$134.5/dmt for the same period in 2020.

During the nine-month period ended December 31, 2021, the P65 index for high-grade iron ore fluctuated from a high of US$264.2/dmt to a low of US$101.8/dmt. The P65 index average price for the period was US$183.2/dmt, an increase of 43% from the same period in 2020, resulting in an average premium of 16.6% over the P62 index reference price of US$157.1/dmt.

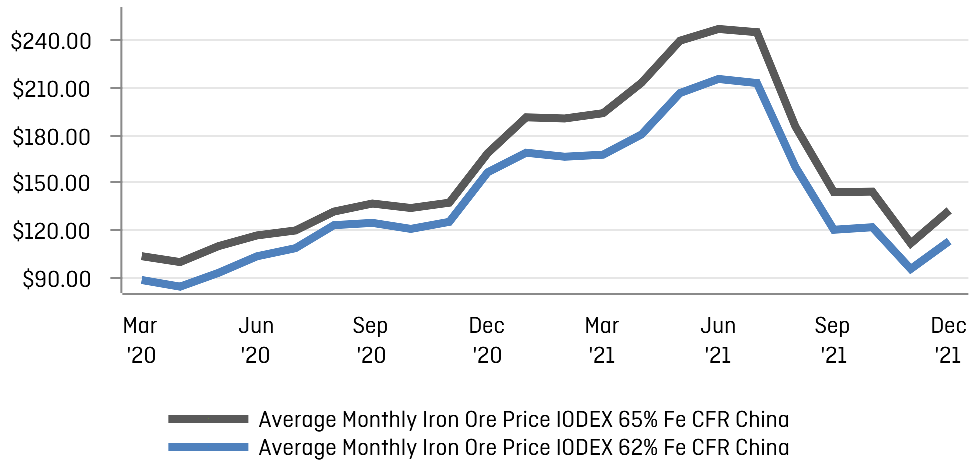
During the nine-month period ended December 31, 2021, the gross average realized selling price of US$186.7/dmt, before provisional sales adjustments and ocean freight costs, is comparable to the P65 index average, which demonstrates that the Company's iron ore concentrate pricing is on track with the P65 high-grade index in the long-term. Taking into account the latter, and sea freight costs, the net realized FOB price was US$157.9/dmt, compared to US$116.3/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.

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

8. Key Drivers (continued)

A. Iron Ore Concentrate Price (continued)

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



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

As the Company's sales are subject to freight routes that take up to 55 days before reaching customers, 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 December 31, 2021, a final price of US$133.8 was established for the 781,900 tonnes of iron ore that were in transit as at September 30, 2021 and which were previously evaluated using an average expected price of US$141.5. Accordingly, during the three-month period ended December 31, 2021, negative pricing adjustments were recorded for tonnes subject to provisional prices as at September 30, 2021 and this negatively impacted revenues in the current quarter by US$7.7/dmt for the 781,900 tonnes of iron ore that were in transit as at September 30, 2021. Over the total volume of 1,832,100 dmt sold during the current period, the negative adjustments represent US$3.3/dmt. As at December 31, 2021, 856,200 tonnes of iron ore sales remained subject to provisional pricing adjustments, with the final price to be determined in the subsequent reporting period (December 31, 2020: 601,000 tonnes). A gross forward provisional price of US$142.3/dmt has been used as at December 31, 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 December 31, 2021, to the movements in the iron ore price for the provisionally invoiced sales volumes:

(in thousands of U.S. dollars)	**As at December 31, 2021**
Tonnes (dmt) subject to provisional pricing adjustments	**856,200**
10% increase in iron ore prices	**12,188**
10% decrease in iron ore prices	**(12,188)**

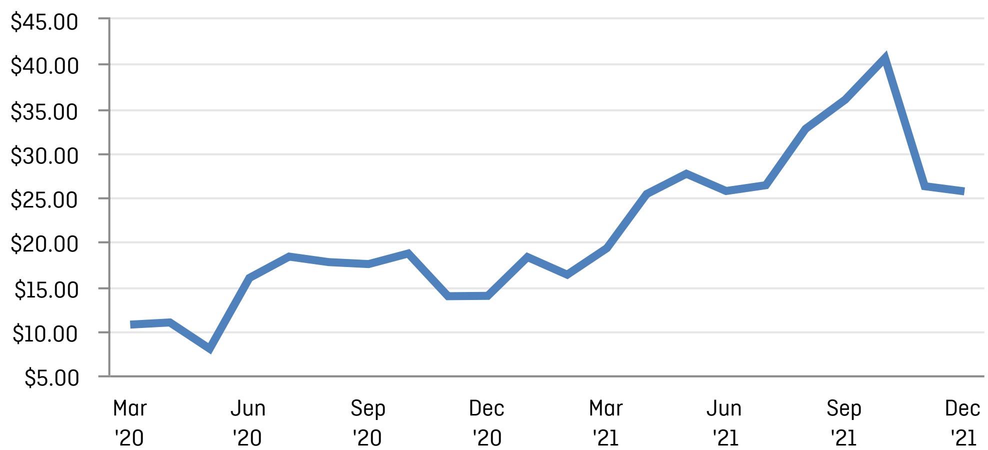
The sensitivities demonstrate the monetary impact on ore sales revenues resulting from a 10% increase and 10% decrease in realized selling prices as at December 31, 2021, while holding all other variables constant, including foreign exchange rates. The relationship between iron ore prices and exchange rates is complex, and movements in exchange rates can impact commodity prices. The above sensitivities should therefore be used with caution.

8. 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 Baltic Capesize Index ("C3"). which is considered the reference ocean freight cost for iron ore shipped from Brazil to the Far East. There is no index for the route between the port of Sept-Îles (Canada) and China. The route from Sept-Îles to the Far East totals approximately 14,000 nautical miles and is subject to different weather conditions during the winter season. Therefore, the freight cost per tonne associated with this voyage is generally higher than the C3 index price.

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



During the three-month period ended December 31, 2021, the C3 index averaged US$31.0/t. Early in the period, the C3 index reached record high levels not seen since 2009, likely attributable to higher seasonal production in major iron ore producing hubs, rising fuel prices and decreased vessel availability due to high levels of port congestion, in particular across Asia. Towards the end of the period, the C3 index retreated from elevated levels and ended the period closer to its historical relationship with iron ore prices. A combination of factors contributed to the falling price of the freight index, including iron ore supply from Brazil passing its seasonal peak and now entering the rainy season, as well as the steel production slowdown in China following domestic steel production restrictions.

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.

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.

Despite these conditions influencing freight pricing, the Company benefits from a freight contract for one vessel per month from August 2021 to December 2022. As the Company is subject to the freight spot market, this 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.

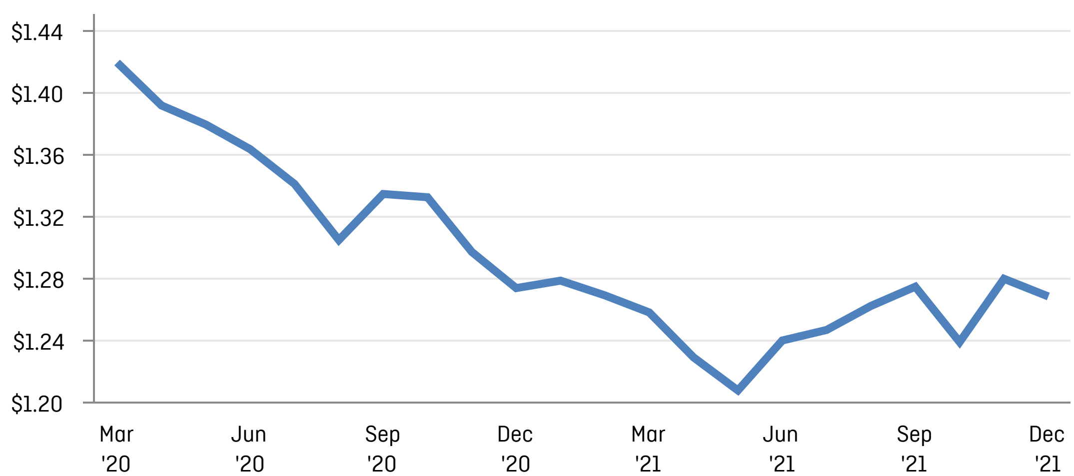
8. Key Drivers (continued)

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. The Company also has its Phase II mining equipment and some railcars financed in U.S. dollars. As such, the Company benefits from a natural hedge between its revenues and its sea freight costs, long-term debt and some of its lease liabilities. 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 nine-month period ended December 31, 2021, the Company entered into forward foreign exchange contracts to 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	**1.2603**	1.3030	(3)%	**1.2678**	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 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.

9. Bloom Lake Mine Operating Activities

	Three Months Ended December 31,			Nine Months Ended December 31,		
	2021	2020	Variance	**2021**	2020	Variance
Operating Data						
Waste mined and hauled (wmt)	**5,441,700**	4,957,600	10%	**15,440,800**	11,684,800	32%
Ore mined and hauled (wmt)	**5,517,200**	5,183,000	6%	**16,875,000**	15,935,600	6%
Material mined and hauled (wmt)	**10,958,900**	10,140,600	8%	**32,315,800**	27,620,400	17%
Strip ratio	**0.99**	0.96	3%	**0.92**	0.73	26%
Ore milled (wmt)	**5,161,000**	5,193,700	(1%)	**16,068,000**	15,360,900	5%
Head grade Fe (%)	**30.6**	29.7	3%	**29.8**	30.6	(3%)
Fe recovery (%)	**83.9**	83.6	—%	**83.3**	83.8	(1%)
Product Fe (%)	**66.2**	66.4	—%	**66.2**	66.3	—%
Iron ore concentrate produced (wmt)	**2,013,200**	1,922,100	5%	**6,038,300**	5,989,700	1%
Iron ore concentrate sold (dmt)	**1,832,100**	1,891,300	(3%)	**5,760,700**	5,713,500	1%
Financial Data (in thousands of dollars)						
Revenues	**253,016**	329,545	(23%)	**1,129,430**	885,113	28%
Cost of sales	**110,290**	108,506	2%	**342,020**	318,583	7%
Other expenses	**23,350**	9,135	156%	**58,223**	29,102	100%
Net finance costs	**3,377**	11,323	(70%)	**8,776**	16,998	(48%)
Net income	**67,997**	120,771	(44%)	**406,932**	308,491	32%
EBITDA[1]	**122,127**	214,579	(43%)	**727,879**	543,713	34%
Statistics (in dollars per dmt sold)						
Gross average realized selling price	**195.0**	194.8	—%	**232.1**	169.2	37%
Net average realized selling price[1]	**138.1**	174.2	(21%)	**196.1**	154.9	27%
Total cash cost (C1 cash cost)[1]	**59.5**	56.2	6%	**58.6**	54.1	8%
All-in sustaining cost[1]	**76.0**	64.8	17%	**74.0**	62.0	19%
Cash operating margin[1]	**62.1**	109.4	(43%)	**122.1**	92.9	31%

Operational Performance

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

In the three-month period ended December 31, 2021, 10,958,900 tonnes of material were mined and hauled, compared to 10,140,600 tonnes for the same period in 2020, an increase of 8%. The current strip ratio is in line with the mine plan in connection with the preparation for the Phase II operations. The strip ratio of 0.96 achieved in the comparative period ended December 31, 2020 reflected the Company's efforts to recover the waste backlog accumulated during the first quarter of the 2021 fiscal year when Champion's operations were negatively impacted by the Government's imposed COVID-19 directives. The overall increase in material movement was enabled by additional equipment in operation compared to the same period last year, offset by a longer haul cycle as the material was sourced from different pits.

The iron ore head grade for the three-month period ended December 31, 2021 was 30.6%, compared to 29.7% for the same period in 2020. The increase in head grade is attributable to the presence of higher-grade ore being sourced and blended from different pits, when compared to the prior year, which was anticipated and is in line with the mining plan and the LoM head grade average.

Bloom Lake produced 2,013,200 wmt of 66.2% Fe high-grade iron ore concentrate during the three-month period ended December 31, 2021, an increase of 5%, compared to 1,922,100 wmt of 66.4% Fe for the same period in 2020. The record production for a quarter with scheduled maintenance is essentially a result of higher head grade and stable mill productivity.

[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 21.

9. Bloom Lake Mine Operating Activities (continued)

First Nine Months of the 2022 Fiscal Year vs First Nine 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. Once government restrictions were lifted, the Company accelerated its mining activities and fully resumed its production capacity.

The Company mined and hauled 32,315,800 tonnes of material during the nine-month period ended December 31, 2021, compared to 27,620,400 tonnes for the same period in 2020. This increase in material mined and hauled is mainly attributable to the negative impact of the COVID-19 pandemic on several of the Company's other activities early in the comparative period. The strip ratio increased to 0.92 for the nine-month period ended December 31, 2021, compared to 0.73 for the same period in 2020. The strip ratio is consistent with the mine plan for this period of the year and the preparation for Phase II project operations.

The plant processed 16,068,000 tonnes of ore during the nine-month period ended December 31, 2021, an increase of 5% over the same period in 2020. The variation reflects the impact of the COVID-19 imposed ramp-down in the comparative period and the higher mill throughput rate achieved 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 29.8% for the nine-month period ended December 31, 2021 was attributable to different sourcing pits, compared to 30.6% for the same period in 2020 and is consistent with the LoM. Based on the foregoing, the iron ore concentrate produced remained stable during the nine-month period ended December 31, 2021, compared to the same period in 2020.

10. Financial Performance

A. Revenues

	Three Months Ended December 31,			Nine Months Ended December 31,		
	2021	2020	Variance	**2021**	2020	Variance
(in U.S. dollars per dmt sold)						
Index P62	**109.6**	133.7	(18%)	**157.1**	115.5	36%
Index P65	**128.9**	146.1	(12%)	**183.2**	128.2	43%
US$ Gross average realized selling price	**154.8**	150.3	3%	**186.7**	127.1	47%
Freight and other costs	**(42.0)**	(22.1)	90%	**(34.7)**	(19.6)	77%
Provisional pricing adjustments	**(3.3)**	6.3	(152%)	**5.9**	8.8	(33%)
US$ Net average realized FOB selling price[1]	**109.5**	134.5	(19%)	**157.9**	116.3	36%
Foreign exchange rate conversion	**28.6**	39.7	(28%)	**38.2**	38.6	(1%)
CA$ Net average realized FOB selling price[1]	**138.1**	174.2	(21%)	**196.1**	154.9	27%

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

During the three-month period ended December 31, 2021, 1,832,100 tonnes of high-grade iron ore concentrate were sold at the CFR China gross average realized price of US$154.8/dmt, before provisional sales adjustments and shipping costs. The gross average realized selling price of US$154.8/dmt represents a premium of 41.2% over the benchmark P62 price for the period, compared to a premium of 12.4% for the same period in 2020. The gross average realized selling price of US$154.8/dmt was higher than the P65 index average price of US$128.9 for the period due to 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 gross average realized selling price also reflects sales at a determined price based on the average forward price of US$142.3 at the expected settlement date for 856,200 tonnes which were in transit at the end of the period.

[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 21.

10. Financial Performance (continued)

A. Revenues (continued)

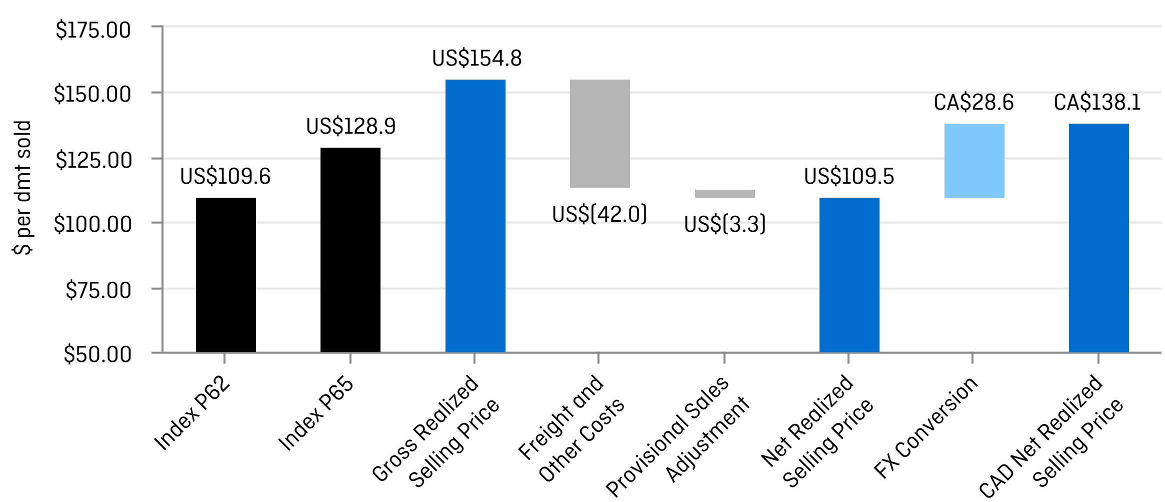
Third Quarter of the 2022 Fiscal Year vs Third Quarter of the 2021 Fiscal Year (continued)

During the three-month period ended December 31, 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. The average C3 index for the period was US$31.0/t compared to US$15.6/t for the same period in 2020, representing an increase of 99%. As a result, the Company incurred higher freight costs in the three-month period ended December 31, 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. The Company expects to benefit from the recent decline in the freight index in the upcoming period as it contracts vessels three to four weeks prior to the desired laycan period.

The net average realized selling price[1] of US$109.5 for the three-month period ended December 31, 2021, was negatively impacted by the increase in the C3 index. Freight and other costs represented 27% of the gross average realized selling price for the period, compared to 15% for the same period in 2020, which represents a variation of US$19.9/dmt. Provisional pricing adjustments on previous sales, which were directly correlated to the decrease in the P65 index early in the quarter, also contributed to reducing the net average realized selling price[1]. During the three-month period ended December 31, 2021, the final price was established for the 781,900 tonnes of iron ore that were in transit as at September 30, 2021. Accordingly, during the three-month period ended December 31, 2021, net negative provisional pricing adjustments were recorded as a reduction in revenues for the 781,900 tonnes, representing a negative impact of US$3.3/dmt for the period, compared to a positive impact of US$6.3/dmt for the same period in 2020.

After taking into account sea freight and other costs of US$42.0/dmt and the negative provisional sales adjustment of US$3.3/dmt, the Company obtained a net average realized selling price[1] of US$109.5/dmt (CA$138.1/dmt) for its high-grade iron ore delivered to the end customer. Revenues totalled $253,016,000 for the three-month period ended December 31, 2021 compared to $329,545,000 for the same period in 2020 reflecting the lower net average realized selling price[1].

Q3 FY2022 Net Realized Selling Price



[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 21.

10. Financial Performance (continued)

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

For the nine-month period ended December 31, 2021, the Company sold 5,760,700 tonnes of iron ore concentrate mainly to customers in China, Japan, South Korea and Europe. While the high-grade iron ore P65 index price fluctuated between a low of US$101.8/dmt and a high of US$264.2/dmt during the nine-month period ended December 31, 2021, the Company sold its product at a gross average realized selling price of US$186.7/dmt. The gross average realized selling price is comparable to the average P65 high-grade index of US$183.2/dmt for the period. The Company expects its iron ore concentrate pricing to continue tracking the P65 index in the long term.

Combining the gross average realized selling price with the positive provisional sales adjustment of US$5.9/dmt, the Company sold its high-grade iron ore material at a price of US$192.6/dmt during the nine-month period ended December 31, 2021, compared to the P65 high-grade index average of US$183.2/dmt. Deducting sea freight costs of US$34.7/dmt, the Company obtained a net average realized selling price[1] of US$157.9/dmt (CA$196.1/dmt) for its high-grade iron ore. The increase in freight and other costs in the nine-month period ended December 31, 2021, compared to the same period in 2020, negatively impacted the net average realized selling price[1] for the period by US$15.1/dmt. As a result, revenues totalled $1,129,430,000 for the nine-month period ended December 31, 2021, compared to $885,113,000 for the same period in 2020.

B. Cost of Sales

Cost of sales represents mining, processing, and mine site-related general and administrative ("G&A") expenses as well as rail and port operation costs. It also includes specific and incremental costs related to COVID-19.

For the three-month period ended December 31, 2021, the cost of sales totalled $110,290,000, compared to $108,506,000 for the same period in 2020. During the three-month period ended December 31, 2021, the total cash cost[1] or C1 cash cost[1] per tonne, excluding specific and incremental costs related to COVID-19, totalled $59.5/dmt, compared to $56.2/dmt for the same period in 2020. Fuel price increases, longer haul cycle time associated with the current mine plan, combined with additional mining equipment in operation negatively impacted the total cash cost[1] for the three-month period ended December 31, 2021. Maintenance work initially planned for the forthcoming periods in preparation for Phase II also contributed to the variation.

For the nine-month period ended December 31, 2021, total cash cost[1] amounted to $58.6/dmt, compared to $54.1/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 December 31, 2021.

C. Gross Profit

The gross profit for the three-month period ended December 31, 2021 totalled $132,550,000, compared to $212,435,000 for the same period in 2020. The decrease in gross profit is mainly attributable to lower revenues, as a result of a lower net average realized selling price[1] of $138.1/dmt for the three-month period ended December 31, 2021, compared to $174.2/dmt for the same period in 2020. The lower net average realized selling price[1], compared to the same period in 2020, is mainly due to the negative impact of a higher C3 index and an unfavourable provisional price adjustment on previous sales.

The gross profit for the nine-month period ended December 31, 2021 totalled $757,838,000, compared to $540,640,000 for the same period in 2020. The increase is largely driven by the higher net average realized selling price[1] of $196.1/dmt for the nine-month period ended December 31, 2021, compared to $154.9/dmt for the same period in 2020. The higher revenues were partially offset by higher production costs.

[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 21.

10. Financial Performance (continued)

D. Other Expenses

	Three Months Ended December 31,			Nine Months Ended December 31,		
	2021	2020	Variance	**2021**	2020	Variance
(in thousands of dollars)						
Share-based payments	**2,287**	170	1,245 %	**6,129**	1,544	297 %
G&A expenses	**8,323**	4,810	73 %	**23,675**	15,689	51 %
Sustainability and other community expenses	**4,436**	3,747	18 %	**12,630**	10,947	15 %
Product R&D expenses	**1,130**	408	177 %	**4,002**	922	334 %
Bloom Lake Phase II start-up costs	**7,174**	—	— %	**11,787**	—	— %
	23,350	9,135	156 %	**58,223**	29,102	100 %

The increase in share-based payments for the three and nine-month periods ended December 31, 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. It is also due to the grant of additional awards to key employees, 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 the Company's current shareholders.

The variation in G&A expenses in the three and nine-month periods ended December 31, 2021, compared to the same periods in 2020, represents costs associated with a higher headcount and professional fees required to support the Company's growth initiatives, as well as increased insurance costs impacting the mining industry.

Higher sustainability and other community expenses in the three and nine-month periods ended December 31, 2021 reflected the Company's increased focus on sustainability.

The variation in R&D expenses in the three and nine-month periods ended December 31, 2021, compared to the same periods in 2020, is due to the advancement of the strategy to develop technologies and products supporting emissions reduction as detailed in section 7 — Decarbonization Initiatives. R&D expenses are mainly comprised of consultant fees and salaries and benefits.

During the three and nine-month periods ended December 31, 2021, the Company incurred pre-commercial start-up costs for the Phase II project, mainly related to staff mobilization and training. These expenses are part of the construction budget of $633.8M.

E. Net Finance Costs

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

Net finance costs decreased to $3,377,000 for the three-month period ended December 31, 2021, compared to $11,323,000 for the same period in 2020 mainly as a result of lower foreign exchange loss and higher capitalization of borrowing costs during the construction period of Phase II. The decrease is also due to a loss on debt modification recorded in the comparative period, partially offset by standby commitment fees on long-term debt balances for the three-month period ended December 31, 2021.

The Company benefits from a natural hedge between its revenues generated in U.S. dollars and its U.S. denominated debt and lease liabilities. During the three-month period ended December 31, 2021, the foreign exchange loss amounted to $1,057,000, compared to $6,024,000 in the same period in 2020. Realized and unrealized foreign exchange loss is due to the revaluation of its net monetary assets denominated in U.S. dollars, following an appreciation of the Canadian dollar against the U.S. dollar as at December 31, 2021, compared to September 30, 2021. The appreciation of the Canadian dollar contributed to a foreign exchange loss on its accounts receivable and cash on hand[1] denominated in U.S. dollars, partially offset by a foreign exchange gain on the Company's Senior Debt and on the Phase II mining equipment and railcars financed through debt or lease liabilities.

[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 21.

(Expressed in Canadian dollars, except where otherwise indicated)

10. Financial Performance (continued)

E. Net Finance Costs (continued)

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

Interest expenses on long-term debt decreased in the three-month period ended December 31, 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 due to undrawn available long-term debt balances are not eligible for capitalization and totalled $1,257,000 for the three-month period ended December 31, 2021.

Finally, net finance costs for the three-month period ended December 31, 2020 were higher due to a non-cash loss on the Senior Debt refinancing, which was increased to fund the completion of the Phase II project in the comparative period. The refinancing was determined to be an unsubstantial modification of the terms of the original debt and a non-cash loss of $1,863,000 was recognized in the comparative period as a result of the modification.

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

Lower net finance costs for the nine-month period ended December 31, 2021, compared to the same period in 2020, are mainly due to lower interests on long-term debt, lower foreign exchange loss and the loss on the Senior Debt refinancing recognized in the comparative period, partially offset by standby commitment fees attributable to higher undrawn available long-term debt balances. 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.

F. Other Income (Expense)

During the three-month period ended December 31, 2021, other income totalled $2,751,000 and represents the non-cash unrealized gain 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. During the nine-month period ended December 31, 2021, other expenses amounted to $1,308,000 and are mainly comprised of non-cash unrealized losses on derivative liabilities. The Company did not apply hedge accounting on these contracts. For the same periods in 2020, other income of $2,675,000 and $6,285,000, respectively, represented the change in the fair value of non-current investments attributable to share price increases in the Company's 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 mining profit, as defined by the *Mining Tax Act* (Québec), divided by revenues. Progressive tax rates are based on mining profit margins as follows:

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

In addition, QIO is subject to income taxes in Canada where the combined provincial and federal statutory rate was 26.50% for the three and nine-month periods ended December 31, 2021 (2020: 26.50%).

During the three and nine-month periods ended December 31, 2021, current income and mining tax expenses totalled $26,705,000 and $258,616,000, respectively, compared to $67,470,000 and $180,217,000, respectively, for the same periods in 2020. The variation is mainly due to the variation of taxable profit associated with iron ore prices volatility.

[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 21.

10. Financial Performance (continued)

G. Income Taxes (continued)

During the three and nine-month periods ended December 31, 2021, deferred income and mining tax expenses totalled $13,872,000 and $23,983,000, respectively, compared to $6,411,000 and $12,117,000, respectively, for the same periods in 2020. After the reporting period, the Board declared an inaugural dividend of $0.10 per ordinary share. The Company is subject to a 5% withholding tax and $4,144,000 was therefore expensed. The remaining part of the variation in deferred tax expenses is mainly due to temporary differences between the carrying amounts of property, plant and equipment and the tax basis.

Combining the provincial and federal statutory tax and mining taxes, the Company's effective tax rates ("ETRs") were 37% and 41%, respectively, for the three and nine-month periods ended December 31, 2021, compared to 38% for the same periods in 2020. A higher ETR for the nine-month period ended December 31, 2021 was due to the Company's higher mining profit, which resulted in a higher tax rate, as per the progressive mining tax rates schedule detailed previously.

During the nine-month period ended December 31, 2021, the Company paid $402,506,000 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 $210,964,000 was for tax installments. Since monthly tax installments are based on the previous 2021 fiscal year's taxable income, which was lower due to the iron ore concentrate price volatility during the nine-month period ended December 31, 2021, current income and mining taxes of $258,616,000 exceed the $210,964,000 paid in tax installments, resulting in income and mining taxes payable of $47,652,000 as at December 31, 2021.

H. Net Income & EBITDA[1]

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

For the three-month period ended December 31, 2021, the Company generated net income of $67,997,000 (EPS of $0.13), compared to $120,771,000 (EPS of $0.25) for the same period in 2020. The net income was mainly affected by higher sea freight costs during the period and negative provisional adjustments, compared to the same previous-year period.

For the three-month period ended December 31, 2021, the Company generated EBITDA[1] of $122,127,000, including non-cash share-based compensation and pre-commercial start-up costs for Phase II totalling $9,461,000, representing an EBITDA margin[1] of 48%, compared to $214,579,000, representing an EBITDA margin[1] of 65% for the same period in 2020. The decrease in EBITDA[1] period-over-period is primarily due to lower revenue from lower net average realized selling prices[1].

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

For the nine-month period ended December 31, 2021, the Company generated net income of $406,932,000 (EPS of $0.80), compared to $308,491,000 (EPS of $0.65) for the same period in 2020. The increase in net income is mainly due to higher gross profits partially offset by Bloom Lake Phase II start-up costs, higher G&A expenses and higher current income and mining taxes, as a result of higher operating earnings.

For the nine-month period ended December 31, 2021, the Company generated an EBITDA[1] of $727,879,000, representing an EBITDA margin[1] of 64%, compared to $543,713,000, representing an EBITDA margin[1] of 61% 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.

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

During the three-month period ended December 31, 2021, the Company realized an AISC[1] of $76.0/dmt, compared to $64.8/dmt for the same period in 2020. The variation relates to higher total cash costs[1] and higher sustaining capital expenditures associated with preventive and corrective interventions on two specific dikes associated with the Company's safe strategy and higher stripping and mining activities.

Deducting the AISC[1] of $76.0/dmt from the net average realized selling price[1] of $138.1/dmt, the Company generated a cash operating margin[1] of $62.1/dmt for each tonne of high-grade iron ore concentrate sold during the three-month period ended December 31, 2021, compared to $109.4/dmt for the same period in 2020.

During the nine-month period ended December 31, 2021, the Company recorded an AISC[1] of $74.0/dmt, compared to $62.0/dmt for the same period in 2020. The variation is due to the factor previously described which affected the AISC[1] for the three-month period ended December 31, 2021. The cash operating margin[1] totalled $122.1/dmt for the nine-month period ended December 31, 2021, compared to $92.9/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 21.

11. Exploration Activities and Regional Growth

Exploration Activities

During the three and nine-month periods ended December 31, 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 nine-month periods ended December 31, 2021, $585,000 and $3,311,000 in exploration and evaluation expenditures were incurred, respectively, compared to $91,000 and $355,000 for the same periods in 2020.

During the three and nine-month periods ended December 31, 2021, exploration expenditures included costs associated with minor exploration work, claim renewal fees and preliminary work related to updating the Kami Project feasibility study. During the nine-month period ended December 31, 2021, exploration expenditures also consisted of $1,300,000 in acquisition costs for the Lac Lamêlée South property.

In the comparative periods, 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.

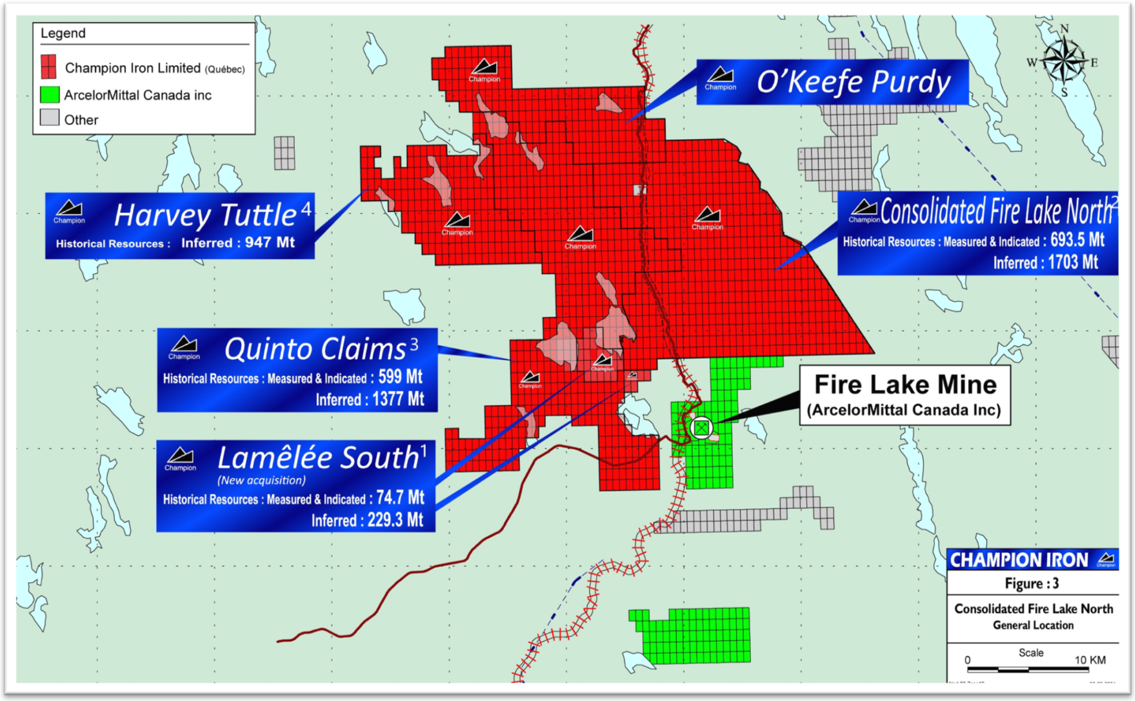
The Lac Lamêlée South property adds an additional 74.7 Mt[1] of historical indicated resources and 229.3 Mt[1] of historical inferred resources, with the project located adjacent to the Company's existing development properties south of Bloom Lake. The historical mineral resources mentioned are strictly 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, in order to supplement its holdings in this area.

[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.

11. 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.

11. 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 calendar 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.

12. Cash Flows

The following table summarizes cash flow activities:

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2021	2020	**2021**	2020
(in thousands of dollars)				
Operating cash flows before working capital	**93,247**	141,519	**470,341**	350,404
Changes in non-cash operating working capital	**12,381**	46,677	**(3,201)**	44,506
Net cash flow from operating activities	**105,628**	188,196	**467,140**	394,910
Net cash flow used in investing activities	**(169,498)**	(97,723)	**(502,153)**	(152,703)
Net cash flow from (used in) in financing activities	**40,703**	3,516	**(103,348)**	(10,986)
Net increase (decrease) in cash and cash equivalents	**(23,167)**	93,989	**(138,361)**	231,221
Effects of exchange rate changes on cash and cash equivalents	**(84)**	(12,849)	**(2,873)**	(22,944)
Cash and cash equivalents, beginning of period	**491,333**	408,500	**609,316**	281,363
Cash and cash equivalents, end of period	**468,082**	489,640	**468,082**	489,640
Operating cash flow per share[1]	**0.21**	0.40	**0.92**	0.83

Operating

During the three-month period ended December 31, 2021, the Company generated operating cash flows of $93,247,000 before working capital items, compared to $141,519,000 for the same period in 2020. The decrease is largely driven by a lower net average realized selling price[1]. Changes in working capital items for the period were mainly affected by the timing of supplier payments mainly related to Phase II construction having reached its peak in the quarter and customer receipts. Based on the foregoing, the operating cash flow per share[1] for the three-month period ended December 31, 2021 was $0.21 compared to an operating cash flow per share[1] of $0.40 for the same period in 2020.

During the nine-month period ended December 31, 2021, the Company's operating cash flows before working capital items totalled $470,341,000, compared to $350,404,000 for the same period in 2020. The variation is driven by a higher net average realized selling price[1]. In addition to the payment of $191,542,000 for mining and income taxes for the April 1, 2020 to March 31, 2021 period, changes in working capital items during the nine-month period were mainly 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 $0.92, compared to $0.83 for the same period in 2020.

[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 21.

12. Cash Flows (continued)

Investing

i. Purchase of Property, Plant and Equipment

During the three and nine-month periods ended December 31, 2021, the Company invested $137,951,000 and $401,543,000, respectively, in addition to property, plant and equipment, compared to $49,744,000 and $100,150,000, respectively, for the same periods in 2020. The following table details these investments:

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2021	2020	**2021**	2020
(in thousands of dollars)				
Tailings lifts	**7,000**	423	**27,512**	7,326
Stripping and mining activities	**10,948**	8,440	**28,166**	15,485
Mining equipment rebuild	**4,037**	2,579	**9,535**	6,754
Sustaining capital expenditures	**21,985**	11,442	**65,213**	29,565
Phase II	**86,522**	31,949	**270,366**	51,116
Other capital development expenditures at Bloom Lake	**29,444**	6,353	**65,964**	19,469
Purchase of property, plant and equipment as per cash flows	**137,951**	49,744	**401,543**	100,150

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 nine-month periods ended December 31, 2021, compared to the same periods in 2020, is due to preventive works performed on the dikes. As part of the Company's ongoing and thorough tailings infrastructure monitoring and inspections, the Company continues to invest in its safe tailings strategy. Preventive and corrective interventions on two specific dikes were scheduled for the 2022 fiscal year, with $27,512,000 spent to correct identified discrepancies on specific dikes from their original designs, compared to works completed by the asset’s previous owner. 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 December 31, 2021 were higher, as anticipated with the preparation for Phase II project operations, compared to the same period in 2020 (refer to section 9 — Bloom Lake Mine Operating Activities). The increase in stripping and mining activities during the nine-month period ended December 31, 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 nine-month periods ended December 31, 2021.

Phase II

For the nine-month period ended December 31, 2021, $270,366,000 was spent in capital expenditures. As at December 31, 2021, the Phase II project advanced considerably with $534,270,000 invested by that date, including start-up costs and $97,011,000 in advance payments and deposits related to existing port, rail and transboarding infrastructure.

12. Cash Flows (continued)

Investing (continued)

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

Other Capital Development Expenditures at Bloom Lake

During the three and nine-month periods ended December 31, 2021, other capital development expenditures at Bloom Lake totalled $29,444,000 and $65,964,000, respectively.

During the three-month period ended December 31, 2021, other capital development expenditures at Bloom Lake mainly consisted of $11,313,000 in deposits for production equipment to be commissioned and financed in the future through the finance agreement with Caterpillar Financial Services Limited, an investment of $10,064,000 to improve mill and other infrastructure capacity and $4,146,000 in borrowing costs capitalized during the development period of the Phase II project.

During the nine-month period ended December 31, 2021, cash outflows include an additional investment of $3,851,000 in lodging infrastructure at the mine site, in order to accommodate a larger workforce, $23,751,000 in deposits for production equipment to be commissioned, an investment of $24,611,000 to increase mill capacity and other infrastructure improvements, and capitalized borrowing costs of $10,675,000, related to the Phase II project. During the nine-month period ended December 31, 2021, other capital development expenditures were offset by the receipt 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 three and nine-month periods ended December 31, 2020, other capital development expenditures at Bloom Lake totalled $6,353,000 and $19,469,000, respectively. The investment for the nine-month period ended December 31, 2020 mainly consisted of infrastructure upgrades at the mine, the commissioning of new service equipment and the acquisition of 100 additional used railcars which cost $5,500,000.

ii. Restricted Cash

During the three and nine-month periods ended December 31, 2020, the Company transferred $44,562,000 (US$35,000,000) into a restricted account for potential Phase II project cost overruns, pursuant to a Senior Debt covenant. The cash in the restricted account is expected to be released once Phase II operations satisfy the Senior Debt covenants and conditions.

iii. Acquisition of the Kami Project

During the nine-month period ended December 31, 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 $444,000 in transaction costs.

iv. Other Investing Activities

During the three-month period ended December 31, 2021, the Company executed a US$2,500,000 convertible loan to a private entity in connection with its cold pelletizing R&D activities. During the nine-month period ended December 31, 2021, the Company also acquired common shares of this private entity and fully disposed some of its other marketable securities investments, resulting in net proceeds from non-current investments of $4,049,000, compared to nil for the same period in 2020.

Finally, during the three and nine-month periods ended December 31, 2021, the Company made advance payments totalling $27,358,000 and $81,800,000, respectively, for infrastructure upgrades required to accommodate the anticipated increase in Phase II production volumes and for Phase II rail access, compared to $2,934,000 and $6,011,000, respectively, for the three and nine-month periods ended December 31, 2020. These advance payments are part of the $633.8M construction budget and the increase, compared to the same periods in 2020, is attributable to the project's advancement.

12. Cash Flows (continued)

Financing

During the three-month period ended December 31, 2021, the Company drew down $43,358,000, of which $20,000,000 is related to the IQ Loan to finance the increase in transshipment capacity by SFPPN and US$18,361,000 is related to the CAT Financing, in connection with the funding of Phase II mining equipment. During the nine-month period ended December 31, 2021, the Company also made drawdowns of $20,000,000 related to the IQ Loan and $30,000,000 related to the FTQ loan, respectively. In addition, during the three and nine-month periods ended December 31, 2021, the Company incurred $2,129,000 and paid $4,371,000, respectively, for new financing transaction costs. During the three and nine-month periods ended December 31, 2020, no long-term debt was drawn, but the Company incurred and paid $7,825,000 for transaction costs related to the amendment of the Senior Debt, which was increased to fund the completion of the Phase II project.

During the nine-month period ended December 31, 2021, 100,000 stock options were exercised for $500,000 in proceeds, whereas no options were exercised during the three-month period ended December 31, 2021. In the three and nine-month periods ended December 31, 2020, 1,131,000 and 6,584,000 stock options, respectively, were exercised for proceeds totalling $1,959,000 and $4,917,000, respectively. In addition, during the three and nine-month periods ended December 31, 2020, 15,000,000 warrants were exercised for proceeds of $16,875,000.

During the nine-month period ended December 31, 2021, the Company’s subsidiary, QIO, redeemed 185,000,000 of its preferred shares held by Caisse de dépôt et placement du Québec, at par value, for a consideration of $185,000,000. The redemption of the QIO preferred shares terminated the preferred shares dividend payments and reduced the overall cost of capital for the Company. During the nine-month period ended December 31, 2021, QIO declared and paid the accumulated dividends on its preferred shares for a total disbursement of $6,470,000, pursuant to the 9.25% dividend rate, compared to $7,240,000 and $24,220,000, respectively, during the three and nine-month periods ended December 31, 2020.

13. Financial Position

As at December 31, 2021, the Company held $543,404,000 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 operating activities and the following undrawn available financings:

	As at December 31, 2021
(in thousands of dollars)	
Senior Debt	**278,916**
Caterpillar Financial Services Limited	**71,807**
FTQ loan	**45,000**
IQ Loan	**30,000**
	425,723

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;
- Dividend payments declared to shareholders; and
- Principal repayments of the IQ Loan and the Senior Debt starting in April and June 30, 2022, respectively.

[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 21.

13. Financial Position (continued)

The following table details the changes to the statements of financial position as at December 31, 2021 compared to March 31, 2021:

	As at December 31, 2021	As at March 31, 2021	Variance
(in thousands of dollars)			
Cash and cash equivalents	**468,082**	609,316	(23%)
Short-term investments	**30,949**	27,200	14%
Cash on hand[1]	**499,031**	636,516	(22%)
Receivables	**65,006**	98,755	(34%)
Other current assets	**101,096**	72,268	40%
Total current assets	**665,133**	807,539	(18%)
Restricted cash	**44,373**	44,012	1%
Property, plant and equipment	**960,873**	504,985	90%
Exploration and evaluation assets	**107,410**	76,106	41%
Other non-current assets	**145,985**	64,264	127%
Total assets	**1,923,774**	1,496,906	29%
Total current liabilities	**332,408**	293,767	13%
Long-term debt	**247,631**	214,951	15%
Rehabilitation obligation	**93,260**	45,074	107%
Other non-current liabilities	**154,429**	90,097	71%
Total liabilities	**827,728**	643,889	29%
Total equity	**1,096,046**	853,017	28%
Total liabilities and equity	**1,923,774**	1,496,906	29%

The Company’s cash and cash equivalents balance on December 31, 2021 decreased from the amount held on March 31, 2021 and is mainly attributable to the payment of $191,542,000 in mining and income taxes for the April 1, 2020 to March 31, 2021 period, investments related to Phase II project capital expenditures and the redemption of the QIO preferred shares for $185,000,000. The decrease is partially offset by net cash flow from operating activities and drawdowns on financing agreements during the nine-month period ended December 31, 2021.

Lower receivables are due to the presentation of a negative balance on sale adjustments presented in payables. Higher other current assets are attributable to higher prepaid expenses, mainly related to Phase II and higher inventories.

The increase in property, plant and equipment is mainly attributable to the significant progress made on the Phase II expansion project and the receipt of most of the railcars required for projected Phase II increases in volume. The increase in exploration and evaluation assets relates to the acquisition of assets related to the Kami Project. Other non-current assets increased, reflecting the deposits and advance payments made in connection with Phase II and the increase in the asset rehabilitation obligation of $44,195,000, as detailed in an updated rehabilitation study (refer to note 12 — 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. In addition, higher total current liabilities are due to the reclassification of the Senior Debt's first three principal payments totalling $45,641,000 (US$36,000,000) into a current liability, scheduled for the first three quarters of the 2023 fiscal year, the $4,000,000 current portion of the IQ Loan which is due on April 1, 2022, and the current portion of the CAT Financing. The increase in total current liabilities is partially offset by lower income and mining taxes payable of $47,652,000 as at December 31, 2021, as income and mining taxes payable for the 2021 fiscal year were paid in May 2021.

The increase in long-term debt during the nine-month period ended December 31, 2021 is mainly due to the $40,000,000 drawdown of the IQ Loan, the $30,000,000 drawdown in relation to the loan agreement with FTQ and the US$18,361,000 drawdown of the CAT Financing. This increase is partially offset by the reclassification of the principal payments listed above to current liabilities, as well as additional transaction costs capitalized against the long-term debt.

[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 21.

13. Financial Position (continued)

Following the completion of a new rehabilitation obligation study during the nine-month period ended December 31, 2021, the rehabilitation obligation increased, due to the near completion of Phase II.

The increase in other non-current liabilities is mainly due to additional lease liabilities in the nine-month period ended December 31, 2021, following the receipt of most of the railcars and equipment required to support the projected increase in Phase II volumes.

The increase in total equity is mainly attributable to an increase in retained earnings through net income during the nine-month period ended December 31, 2021, partially offset by the redemption of 185,000,000 QIO preferred shares.

14. 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.

15. 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.

16. 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 December 31, 2021:

(in thousands of dollars)	Less than a year	1 to 5 years	More than 5 years	Total
Accounts payable and other	226,893	—	—	226,893
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 20 of the Financial Statements	168,515	106,168	228,535	503,218
	419,362	327,465	228,909	975,736

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.

16. Contractual Obligations, Commitments and Off-Balance Sheet Arrangements (continued)

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 December 31, 2021 and is subject to standby commitment fees.

The undrawn portion of the finance agreement with Caterpillar Financial Services amounted to US$56,639,000 as at December 31, 2021. The original amount of US$75,000,000 may be increased at Caterpillar Financial Services' discretion up to an amount no greater than US$125,000,000. The finance agreement is also subject to standby commitment fees.

The undrawn portion of the IQ Loan amounted to $30,000,000 as at December 31, 2021.

Based on the foregoing, as at December 31, 2021, the Company is benefiting from undrawn available financings totalling $425,723,000, which will allow the Company to fund all its cash requirements for the next 12 months.

17. 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.

18. 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 nine-month periods ended December 31, 2021.

19. 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 nine-month periods ended December 31, 2021.

20. 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 April 1, 2021 through December 31, 2021 period, in connection with related party transactions.

21. 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 December 31,		**Nine Months Ended December 31,**	
	2021	2020	**2021**	2020
Per tonne sold				
Iron ore concentrate sold (dmt)	**1,832,100**	1,891,300	**5,760,700**	5,713,500
(in thousands of dollars except per tonne)				
Cost of sales	**110,290**	108,506	**342,020**	318,583
Less: Incremental costs related to COVID-19	**(1,366)**	(2,215)	**(4,533)**	(9,448)
	108,924	106,291	**337,487**	309,135
Total cash cost (per dmt sold)	**59.5**	56.2	**58.6**	54.1

21. 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 December 31,		Nine Months Ended December 31,	
	2021	2020	**2021**	2020
Per tonne sold				
Iron ore concentrate sold (dmt)	**1,832,100**	1,891,300	**5,760,700**	5,713,500
(in thousands of dollars except per tonne)				
Cost of sales	**110,290**	108,506	**342,020**	318,583
Less: Incremental costs related to COVID-19	**(1,366)**	(2,215)	**(4,533)**	(9,448)
Sustaining capital expenditures	**21,985**	11,442	**65,213**	29,565
G&A expenses	**8,323**	4,810	**23,675**	15,689
	139,232	122,543	**426,375**	354,389
AISC (per dmt sold)	**76.0**	64.8	**74.0**	62.0

21. 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 December 31,		**Nine Months Ended December 31,**	
	2021	2020	**2021**	2020
Per tonne sold				
Iron ore concentrate sold (dmt)	**1,832,100**	1,891,300	**5,760,700**	5,713,500
(in thousands of dollars except per tonne)				
Revenues	**253,016**	329,545	**1,129,430**	885,113
Net average realized selling price (per dmt sold)	**138.1**	174.2	**196.1**	154.9
AISC (per dmt sold)	**76.0**	64.8	**74.0**	62.0
Cash operating margin (per dmt sold)	**62.1**	109.4	**122.1**	92.9
Cash profit margin	**45%**	63%	**62%**	60%

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 operating activities 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 December 31,		**Nine Months Ended December 31,**	
	2021	2020	**2021**	2020
(in thousands of dollars)				
Income before income and mining taxes	**108,574**	194,652	**689,531**	500,825
Net finance costs	**3,377**	11,323	**8,776**	16,998
Depreciation	**10,176**	8,604	**29,572**	25,890
EBITDA	**122,127**	214,579	**727,879**	543,713
Revenues	**253,016**	329,545	**1,129,430**	885,113
EBITDA margin	**48%**	65%	**64%**	61%

(Expressed in Canadian dollars, except where otherwise indicated)

21. 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 nine-month periods ended December 31, 2021, 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. During the nine-month period ended December 31, 2021, the Company also reported a gain on disposal of non-current investments. 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 December 31, 2021		Nine Months Ended December 31, 2021	
	Net Income	**EPS**	**Net Income**	**EPS**
Unadjusted	**67,997**	0.13	**406,932**	0.80
Cash items				
Gain on disposal of non-current investments	**—**	—	**(176)**	—
Incremental costs related to COVID-19	**1,366**	—	**4,533**	0.01
Bloom Lake Phase II start-up costs	**7,174**	0.01	**11,787**	0.02
	8,540	0.01	**16,144**	0.03
Tax effect of adjustments listed above	**(3,501)**	—	**(6,619)**	(0.01)
Adjusted	**73,036**	0.14	**416,457**	0.82

	Three Months Ended December 31, 2020		Nine Months Ended December 31, 2020	
	Net Income	**EPS**	**Net Income**	**EPS**
Unadjusted	**120,771**	0.25	**308,491**	0.65
Non-cash item				
Loss on debt refinancing	**1,863**	—	**1,863**	—
Cash item				
Incremental costs related to COVID-19	**2,215**	0.01	**9,448**	0.03
Tax effect of adjustments listed above	**(1,430)**	—	**(4,620)**	(0.01)
Adjusted	**123,419**	0.26	**315,182**	0.67

(Expressed in Canadian dollars, except where otherwise indicated)

21. 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 December 31,		**Nine Months Ended December 31,**	
	2021	2020	**2021**	2020
Net cash flow from operating activities	**105,628**	188,196	**467,140**	394,910
Weighted average number of ordinary shares outstanding - Basic	**506,492,000**	476,066,000	**506,398,000**	473,479,000
Operating cash flow per share	**0.21**	0.40	**0.92**	0.83

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 December 31, 2021	As at March 31, 2021
Cash and cash equivalents	**468,082**	609,316
Short-term investments	**30,949**	27,200
Cash on hand	**499,031**	636,516

22. Share Capital Information

The Company's share capital consists of ordinary shares without par value. As of January 26, 2022, there are 506,491,876 ordinary shares issued and outstanding.

In addition, there are 5,798,845 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.

23. Summary of Quarterly Results

The following information is derived from and should be read in conjunction with the Financial Statements for the three and nine-month periods ended December 31, 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].

	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020
Financial Data ($ millions)								
Revenues	253.0	331.0	545.4	396.7	329.5	311.0	244.6	175.7
Operating income	109.2	190.4	400.0	262.5	203.3	189.5	118.8	52.1
EBITDA[1]	122.1	200.0	405.7	275.8	214.6	199.0	130.2	60.7
Net income	68.0	114.6	224.3	155.9	120.8	112.2	75.6	18.4
Adjusted net income[1]	73.0	118.3	225.1	155.5	123.4	113.8	78.0	18.4
Earnings per share - basic	0.13	0.23	0.44	0.32	0.25	0.24	0.16	0.04
Earnings per share - diluted	0.13	0.22	0.43	0.30	0.24	0.22	0.15	0.04
Adjusted earnings per share - basic[1]	0.14	0.23	0.44	0.31	0.26	0.24	0.17	0.04
Net cash flow (used in) from operations	105.6	374.1	(12.6)	228.6	188.2	131.4	75.3	84.6
Operating Data								
Waste mined and hauled (thousands of wmt)	5,442	5,300	4,700	3,796	4,958	4,114	2,613	3,180
Ore mined and hauled (thousands of wmt)	5,517	5,714	5,644	5,636	5,183	6,070	4,683	5,413
Strip ratio	0.99	0.93	0.83	0.67	0.96	0.68	0.56	0.59
Ore milled (thousands of wmt)	5,161	5,680	5,227	5,238	5,194	5,563	4,605	4,880
Head grade Fe (%)	30.6	29.1	29.6	30.7	29.7	30.9	31.3	31.7
Fe recovery (%)	83.9	83.3	82.9	82.6	83.6	85.2	82.3	82.3
Product Fe (%)	66.2	66.3	66.3	66.5	66.4	66.1	66.5	66.5
Iron ore concentrate produced (thousands of wmt)	2,013	2,089	1,936	2,011	1,922	2,269	1,799	1,892
Iron ore concentrate sold (thousands of dmt)	1,832	1,954	1,975	1,971	1,891	2,063	1,759	1,888
Statistics (in dollars per dmt sold)								
Gross average realized selling price	195.0	218.8	279.7	220.0	194.8	162.8	149.2	130.5
Net average realized selling price[1]	138.1	169.4	276.2	201.3	174.2	150.7	139.1	93.1
Total cash cost[1]	59.5	56.2	60.1	54.4	56.2	48.5	58.4	53.9
All-in sustaining cost[1]	76.0	73.6	72.6	65.1	64.8	57.2	64.8	59.8
Cash operating margin[1]	62.1	95.8	203.6	136.2	109.4	93.5	74.3	33.3
Statistics (in U.S. dollars per dmt sold)[2]								
Gross average realized selling price	154.8	174.6	228.3	173.9	150.3	122.2	107.8	96.9
Net average realized selling price[1]	109.5	134.7	225.5	159.3	134.5	113.2	100.3	69.7
Total cash cost[1] (C1 cash cost)	47.2	44.6	48.9	43.0	43.1	36.4	42.2	40.1
All-in sustaining cost[1]	60.3	58.4	59.1	51.4	49.7	42.9	46.8	44.5
Cash operating margin[1]	49.2	76.3	166.4	107.9	84.6	70.1	53.5	25.2

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 21.

2 See the Currency section of this MD&A included in note 8 - Key Drivers.

24. 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.

25. 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 October 1, 2021 and ended on December 31, 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.

26. 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 January 27, 2022. A copy of this MD&A will be provided to anyone who requests it.

27. 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.

28. 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.

29. 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*.

30. 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 Company's Phase II expansion project and its milestones, construction, completion, commissioning and commercial production timeline, funding, impact on nameplate capacity, mining rate and shipping of iron ore concentrate, expected capital expenditures and production volume; (ii) the mitigation of risks related to COVID-19 and the limitation of the spread of the Omicron variant, the impact of COVID-19 on the overall economy, the demand for iron ore concentrate and operations, results, supply chain and cash flows of Champion and future developments related to the pandemic; (iii) the Company's capital returns strategy and the future declaration and payment of dividends and the timing thereof; (iv) the feasibility study to evaluate the reprocessing and infrastructure required for commercial production of a 69% Fe or higher DR pellet feed product and its completion timeline and preliminary results; (v) the Company's strategy to evaluate its growth alternatives within its property portfolio; (vi) the revision of the Kami Project scope and related feasibility study including the timing thereof; (vii) the Company focus on growth opportunities and building sustainable earnings and cash flows; (viii) the Company's vision to provide market leading high-quality iron ore products that offers a global solution to reduce emissions in the steel making supply chain; (ix) the LoM of the Bloom Lake Mine; (x) decarbonization initiatives; (xi) 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 and its results and transition of its product offering; (xii) the initiatives 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; (xiii) the positioning of the Company to increase its customer base; (xiv) the impact of iron ore prices fluctuations on net cash flow from operating activities and the Company's development and the occurrence of certain events and their impact on iron ore prices and high-grade iron ore products demand; (xv) the fluctuations of the ocean freight costs in connection with the fluctuations of the iron ore prices, their impact on the Company as well as the impacts of securing long-term freight contracts; (xvi) foreign currency fluctuations and their impact on the Company's net income and cash flows; (xvii) future taxable profits; (xviii) the Company's cash requirements for the next twelve months, the Company's positioning to fund such cash requirements and estimated future interest payments and (xix) legal actions, including arbitrations and class actions, and their potential outcome on the consolidated financial position of the Company 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.