Interim Management's Discussion and Analysis

For the Three and Six-month Periods Ended September 30, 2018

CHAMPION IRON

ASX: CIA - TSX: CIA

As at November 7, 2018

The following Management Discussion and Analysis ("MD&A") of Champion Iron Limited. ("Champion Iron" or the "Company") has been prepared as of November 7, 2018. This MD&A is intended to supplement the condensed interim consolidated financial statements ("Financial Statements") for the three and six-month periods ended September 30, 2018 and related notes thereto, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), including IAS 34, Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB") and it should be read in conjunction with the Company's annual financial statements and MD&A for the year ended March 31, 2018.

Management is responsible for the preparation and integrity of its 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.

All dollar figures stated herein are expressed in Canadian dollars, except for: (i) tabular amounts which are in millions of Canadian dollars; (ii) per share or per tonne amounts; or (iii) unless otherwise specified. Certain non-IFRS financial performance measures are included in this MD&A. The following abbreviations are used throughout this document: USD or US$ (United States dollar), CAD or CA$ (Canadian dollar), AISC (All-in sustaining costs), wmt (wet metric tonnes), dmt (dried metric tonnes), M (Million), km (kilometres) and m (metres).

The Financial Statements and other information pertaining to the Company are available on SEDAR at www.sedar.com and on its website at www.championiron.com.

This MD&A contains forward-looking statements. Particular attention should be given to the risk factors described in the "Risk Factors" section and to the "Cautionary note regarding forward-looking statements" section of this document.

The utilization of the "Company" or "Champion Iron", refers to Champion Iron Limited and/or one, or more, or all of its subsidiaries, as it may apply.

Non-IFRS financial performance measures

Champion Iron believes that these measures, in addition to conventional measures prepared in accordance with IFRS, provide investors 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 document are: total cash costs, all-in sustaining costs ("AISC"), average realized selling price and mining operating margin. For a detailed description of each of the non-GAAP measures used in this MD&A and a detailed reconciliation to the most directly comparable measure under International Financial Reporting Standards ("IFRS"), please refer to the "Non-IFRS financial performance measures" section of this MD&A included in note 15.

1. Description of Business

Champion Iron Limited was incorporated under the laws of Australia in 2006 and is listed on the Toronto Stock Exchange (TSX: CIA) and Australian Securities Exchange (ASX: CIA). Champion Iron is an iron ore mining company with its key asset, the Bloom Lake Mine, a long-life, large-scale open pit operation located in northern Quebec, approximately 300 km north of Sept-Iles and 13 km by road from the town of Fermont. The Company declared commercial production at the Bloom Lake Mine as of June 30, 2018. Champion Iron owns a 63.2% beneficial interest in its subsidiary, Quebec Iron Ore Inc. ("QIO"). Ressources Québec, a subsidiary of governmental agency Investissement Québec, is the owner of the remaining 36.8% share. The Bloom Lake Mine assets are held in QIO.

The Company continues to focus on improving the Bloom Lake mine and on organic growth by exploring and developing its large Bloom Lake property, which consists of a block of mining claims and leases. In addition, through its wholly-owned subsidiary Champion Iron Mines Limited (CIML), the Company owns interests in 9 properties (each a "Property"), covering approximately 752 square kilometres (collectively, the "Fermont Holdings") located in the Fermont Iron Ore District of northeastern Quebec. The Company also owns 100% of the Gullbridge-Powderhorn property located in Northern Central Newfoundland.

The Company's near-term strategy is to continue with operational improvements at the Bloom Lake mining operation while applying cost and capital discipline. With the mine now generating positive cash flow from operations, the Company is in a position to focus on strengthening its financial position and pursuing growth opportunities.

2. Second Quarter Highlights

	Commercial Production Three Months Ended September 30 2018[1]	Pre-Commercial Production Three Months Ended June 30 2018	Six Months Ended September 30 2018	Six Months Ended September 30 2017
Iron ore concentrate produced[2] (wmt)	1,858,300	1,542,900	3,401,200	-
Iron ore concentrate sold (dmt)	1,931,700	1,740,400	3,672,100	-
Financial Data (in thousands of dollars, except per share amounts)				
Sales	174,678	150,741	325,419	-
Operating income (loss)	77,238	40,517	117,755	(22,907)
Net income	67,497	20,749	88,246	(24,010)
Basic earnings per share attributable to shareholders	0.10	0.03	0.13	(0.04)
Diluted earnings per share attributable to shareholders	0.09	0.02	0.12	(0.04)
Cash and cash equivalent - end of period	97,866	71,679	97,866	1,315
Short-term investments	17,759	17,290	17,759	-
Total assets	582,637	477,513	582,637	196,920
Statistics (in dollars per dmt sold)				
Average realized selling price[3]	90.4	86.6	88.6	-
Total cash cost[3] (C1 cash cost)	45.2	55.0	49.8	-
All-in sustaining cost[3]	52.9	59.9	56.1	-

1 The Company considers that pre-commercial production operations at the Bloom Lake mine commenced on April 1, 2018 when the first shipment of high-grade iron ore concentrate was made and that commercial production began on June 30th, 2018.
2 First concentrate produced was in the fourth quarter of the fiscal year ended March 31, 2018 during commission of the processing plant which resulted in 623,300 tonnes of concentrate produced which are not presented in the table above.
3 Average realized selling price, total cash cost and all-in sustaining cost are non-IFRS financial performance measures with no standard definition under IFRS. See the "Non-IFRS financial performance measures" section of this MD&A included in note 15.

During the three-month period ended September 30, 2018, the Company:

- ✓ Achieved its first quarter of commercial production;
- ✓ Produced over 1,858,300 wmt of high-grade 66% iron ore concentrate and 4,024,500 wmt since the mine commenced operations;
- ✓ Achieved name plate capacity and record production of 648,400 wmt of iron ore concentrate during the month of September;
- ✓ Increased iron ore concentrate revenues by 16% with iron ore concentrate sold totalling $174.7 million compared to $150.7 million in the previous quarter;
- ✓ Incurred a total cash cost[4] of $45.2 per dmt sold and an all-in sustaining cost[4] of $52.9 per dmt sold;
- ✓ Generated operating cash flow[5] totalling $49.6 million for the six-month period;
- ✓ Generated a mining operating margin[4] of $45.2 per tonne compared to $31.6 per tonne in the first quarter of operation;
- ✓ Generated a net income of $67.5 million for the quarter;
- ✓ Generated a net income of $88.2 million for the six months ended September 30, 2018;
- ✓ Ended with cash on hand of $115.6 million and trade receivables of $86.4 million as period end, including two shipments totalling approximately $31.0 million (US$24.2 million) received on October 2, 2018;
- ✓ Commenced work on the Feasibility Study ("FS") of the Bloom lake mine Phase II expansion and appointed BBA to lead the study which is planned for completion in the second half of 2019;
- ✓ Intersected several zinc rich intervals as part of the exploration program at the Powderhorn property.

4 Total cash cost, mining operating margin and all-in sustaining cost are non-IFRS financial performance measures with no standard definition under IFRS. See the "Non-IFRS financial performance measures" section of this MD&A included in note 15.
5 Operating cash flow includes change in non-cash operating working capital.

3. Key Drivers and Trends

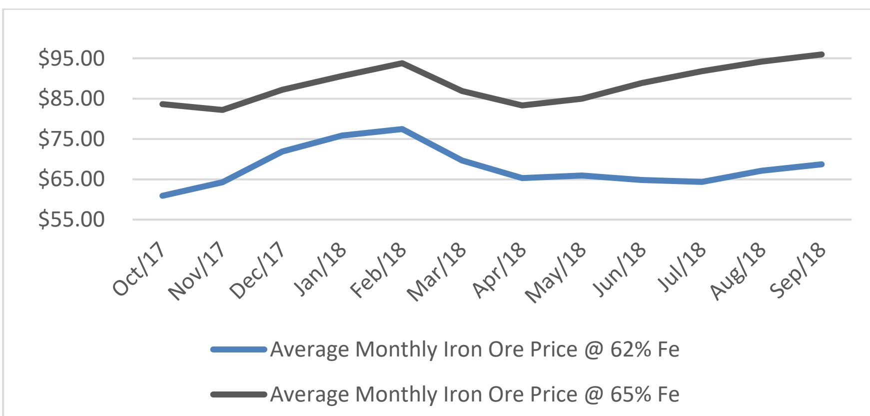
A. Iron Ore Concentrate Price

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

Due to the high-quality nature of its 66.2% iron ore concentrate, the Company's sales attract a significant premium over the Platts 62% Index widely used as the reference price in the industry. During the three-month period ended September 30, 2018, the price of high-grade iron ore based on the Platts 65% Index fluctuated from a low of $89.5 per dmt to a high of $96.9 per dmt. The average iron ore P65 price was $93.9 per dmt for the period, an improvement of 10% over the previous quarter resulting in a premium of 41% over P62. The Company's equivalent realized price for the period US$92.5 per dmt before shipping. The premium captured by the Platts 65 Index is attributable to two main factors; steel mills are recognizing that higher iron ore grades offer a benefit to optimize output while significantly decreasing CO2 emissions. Additionally, as some major producers continue to experience operational challenges, the shortages in the market for high-grade sinter feeds also contribute to the upward pressure on high-grade iron ore prices.

Champion Iron is well positioned to benefit from higher iron ore prices as it has no hedging contracts in place and it is not subject to a net smelter royalty.

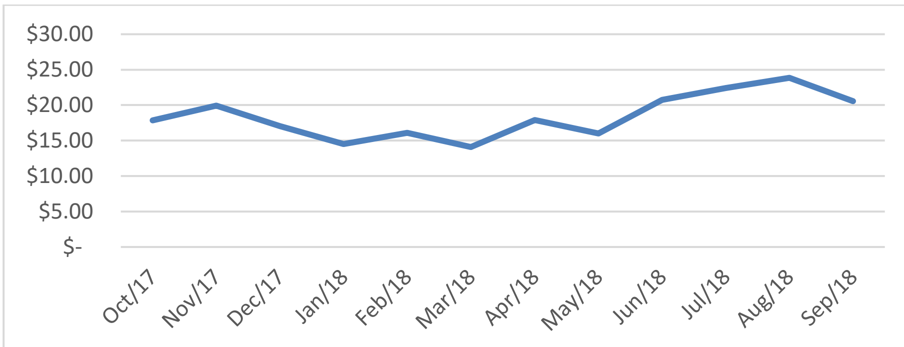
USD Sales of Iron ore Concentrate per dmt (As per Platts Index)



B. Sea Freight

The sea freight is an important component of the Company's cost structure as Champion Iron ships most of its concentrate to China and Japan. The common route for dry bulk material from the Americas to Asia is the Brazil to China route totalling 11,000 miles. The freight cost per tonne associated with this route is captured in the C3 Baltic Capesize Index ("C3"). There is no index for the port of Sept-Iles, Canada to China. The route from Sept-Iles to China totals about 14,000 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 price.

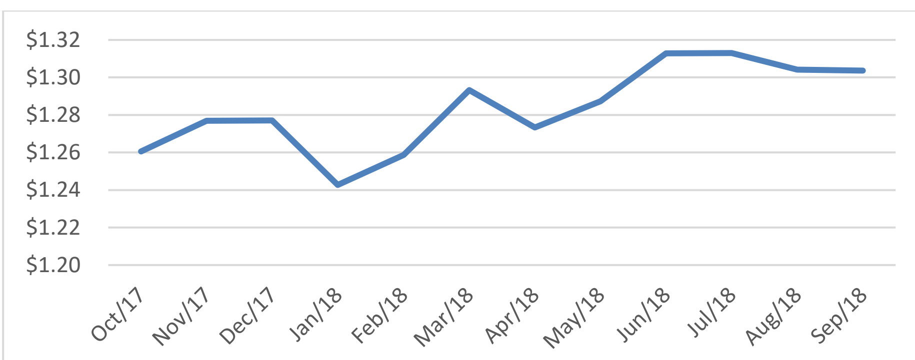
USD Sea Freight per wmt (Dry bulk index C3 – Brazil to China)



C. Currency

The Canadian dollar is the Company's reporting currency. The Company's sales, sea freight and credit facilities' costs are denominated in U.S. dollars. Consequently, the Company's operating results and cash flows are influenced by changes in the Canadian dollar against the U.S. dollar exchange rate. Currently, the Company has no hedging contracts in place and therefore has full exposure to the foreign exchange rate fluctuations.

Monthly exchange rate – CAD to USD



Apart from this and the risk factors noted in both the Company's 2018 Annual Information Form available on SEDAR at www.sedar.com, 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.

4. Bloom Lake Mine Operating Activities[6]

	Commercial Production Three Months Ended September 30 2018	Pre-Commercial Production Three Months Ended June 30 2018	Six Months Ended September 30 2018
Operating Data			
Waste mined (wmt)	2,978,400	3,372,900	6,351,300
Ore mined (wmt)	5,204,900	4,647,900	9,852,800
Strip ratio	0.6	0.7	0.6
Ore milled (wmt)	4,964,200	4,244,000	9,208,200
Head grade (g/t)	32.0	31.1	31.6
Recovery (%)	79.6	77.1	78.5
Iron ore concentrate produced (wmt)	1,858,300	1,542,900	3,401,200
Iron ore concentrate sold (dmt)	1,931,700	1,740,400	3,672,100
Financial Data (in thousands of dollars)			
Sales	174,678	150,741	325,419
Cost of sales	87,265	95,767	183,032
Depreciation	4,084	4,425	8,509
Statistics (in dollars per dmt sold)			
Average realized selling price[7]	90.4	86.6	88.6
Total cash cost (C1 cash cost)[7]	45.2	55.0	49.8
All-in sustaining cost[7]	52.9	59.9	56.1

A. Operational Performance

The Company's iron ore concentrate production in the second quarter ended September 30, 2018 was driven by improved operating performance in both the mine and processing plant. During the quarter, over 8.2 million tonnes of material were mined compared to 8.0 million tonnes in the first quarter of the year. The ore tonnes mined increase when compared to previous quarter is due to higher productivity since declaring commercial production on June 30th, 2018 combined with a lower strip ratio when compared to the pre-production period.

During the six-month period ended September 30, 2018, 9.8 million tonnes of ore were extracted while the year to date strip ratio totalled 0.6.

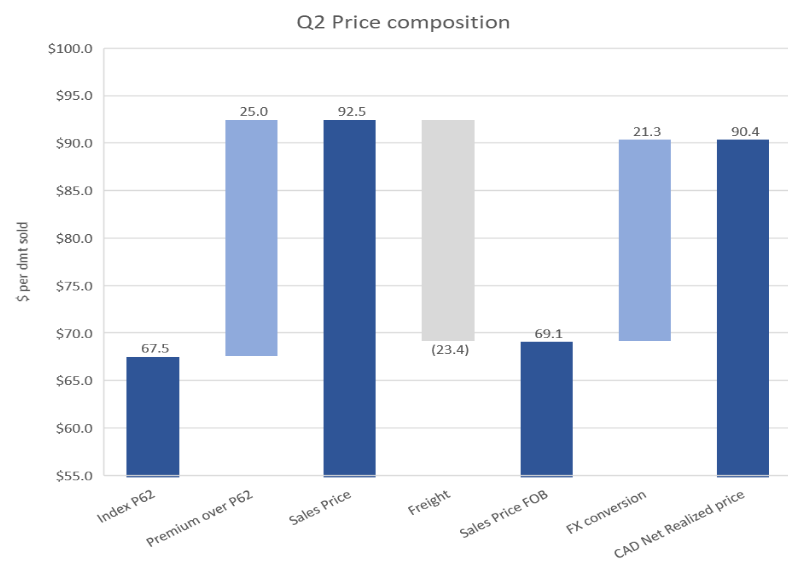
The plant processed 4,964,200 tonnes of ore during the second quarter reaching a monthly production record of 648,400 wmt in September at an average head grade of 32.0 g/t Fe in the second quarter of 2018 compared to 4,244,000 tonnes of ore at 31.1 g/t Fe in the previous quarter. This 17% increase is a result of ongoing optimisation at the plant since commissioning. Although, the overall recovery was 79.6% during the quarter compared to 77.1% in the previous quarter, the processing plant reached recovery rates as high as 86% during the period. As a result, Champion Iron produced 1,858,300 tonnes of high-grade iron concentrate of 66.57% during its first quarter of commercial production, a 20% increase since its first full quarter of operations for a total of 3,401,200 tonnes since the beginning of the fiscal year ended March 31, 2019.

6 The Company considers that pre-commercial production operations at the Bloom Lake mine commenced on April 1, 2018 when the first shipment of high-grade iron ore concentrate was made and that commercial production began on June 30th, 2018.
7 Average realized selling price, total cash cost and all-in sustaining cost are non-IFRS financial performance measures with no standard definition under IFRS. See the "Non-IFRS financial performance measures" section of this MD&A included in note 15.

B. Financial Performance

The Company entered pre-commercial production on April 1, 2018 with the shipment of its first vessel to China and declared commercial production on June 30th, 2018. During its first quarter of commercial production, a total of 1,931,700 tonnes of high-grade iron ore concentrate were sold. During the period, Champion Iron realized net revenues totalling $174,678,000 for high-grade concentrate of 66.57% Fe representing a CFR China net realized price of US$92.5 per tonne before shipping or US$69.1 per tonne (CA$ 90.4 per tonne) net of sea freight costs. Revenues increased by 16% when compared to the first quarter as the volume sold increased by 11% while the average realized[8] iron ore concentrate price of $90.4 per tonne increased by 5% compared to the previous quarter. As a result, the Company generated $325,419,000 of revenue net of sea freight costs for its first six months of operations realizing a net average selling price[8] of $88.6 per tonne.

Net realized selling price from P62 to average realized price



Cost of sales represent mining, processing, and mine site-related general and administrative expenses. During the three-month period ended September 30, 2018, the total cash cost[8]or C1 cash cost[8] per tonne totalled $45.2 per tonne, which is well below the $55.0 per tonne processed achieved during the previous quarter. The variation is mainly due to higher head grade, higher recovery rate and higher throughput during the period combined with increased efficiency and fixed costs over higher volume as the operations reached commercial production. Consequently, the Company generated a mining operating margin[8] of $45.2 per tonne up 43% from $31.6 per tonne for the first quarter ended June 30, 2018 and $38.8 for the first six-month period ended September 30, 2018.

During the quarter ended on September 30, 2018, Champion Iron invested $12,875,000 in stripping and sustaining capital expenditures, representing a sustaining capital cost[8] per tonne sold of $6.7 while the Company invested $5,919,000 as sustaining capital cost[8] per tonne sold of $3.4 in the previous quarter. The variation is mainly attributable to the acceleration of the tailings related work before the end of the summer.

Based on the foregoing, the Company generated cash flow from operations[9] totalling $49,607,000 during the six-month period. For the quarter ended on September 30, 2018, the all-in sustaining costs[8] including general and administrative expenses totalled $52.9 per tonne of concentrate sold.

8 Average realized selling price, total cash cost or C1 cash cost, mining operating margin and all-in sustaining cost are non-IFRS financial performance measures with no standard definition under IFRS. See the "Non-IFRS financial performance measures" section of this MD&A included in note 15.
9 Operating cash flow includes change in non-cash operating working capital.

5. Organic Growth

Champion Iron's board of directors has approved a budget to undertake a feasibility study with respect to a potential expansion of the operations at its flagship asset the Bloom Lake mine ("Phase II"). The expansion would mainly involve the completion of construction work on a processing plant and other supporting infrastructure which was interrupted in November 2012 by the previous owner. The expansion aims at doubling the current operational capacity with a production of 7.5 million tonnes of high-grade 66% Fe concentrate. During the quarter ended on September 30, 2018, the Company appointed BBA (Montreal) to lead the study for which results are expected within the second half of 2019. A positive decision resulting from an economical feasibility study could translate in a construction period starting in late 2019 or early 2020 with first production expected in 2021. Phase II would create over 500 jobs during construction and 200 permanent operational jobs.

Expenditures totalling $470,000 were incurred on a year to date basis towards the feasibility study of the Bloom lake mine Phase 2 expansion.

6. Exploration Activities

In addition to the 63.2% interest in the Bloom Lake property, Champion Iron has a 100% interest in the 752 km^2 Fermont property located in the Fermont Iron Ore District of Northeastern Quebec and a 100% interest in the Gullbridge-Powderhorn property ("Powderhorn") in Northern Central Newfoundland. This 63 km^2 property is host to several Copper (Cu) and Zinc (Zn) showings and is at an early exploration stage. The Gullbridge Mine is a past copper producer and is located in the northern part of the property.

Exploration Program for fiscal year ending on March 31, 2019

The 2,887 metres drilling program in the Labrador trough targeted known iron mineralization areas at Peppler Lake ("Peppler") and Jean Lake. The drilling at Peppler will be used for geometallurgical testing of a magnetite-rich iron formation, while the drilling at Jean Lake will help define the extent of the known orebody and its correlation to geophysical data. The campaign started in June 2018 and ended in September 2018. For the three-months period ended September 30th, 2018, $993,000 was incurred in exploration costs for the Labrador trough deposits.

Several zinc-rich zones were intersected during the 4,166 metres drilling program completed in April 2018 at the Powderhorn property. The campaign was aimed at testing major electromagnetic targets to the south of the property. Due to encouraging results, Champion Iron decided to undertake a 12,000 metres drilling program which commenced in September 2018. The new program is designed to test and add geological data and details to the shallow zone to potentially identify a link between the different Zn-rich zones and the distribution of the copper mineralization and to confirm the continuity of the zinc mineralization. The exploration program at Powderhorn targets the same volcanic units that host the Buchans Mine, located 60 km away, a rich volcanogenic massive sulphide deposit. To date, approximately 4,500 metres were drilled. For the six-month period ended September 30th, 2018, $170,000 were incurred for Powderhorn property.

7. Review of Financial Results

A. Mining Operating Profit

The Company entered pre-commercial production on April 1, 2018 with the shipment of its first vessel to China and declared commercial production on June 30th, 2018. As a result, there are no comparative figures for the same periods the year prior.

During the second quarter of 2018, revenues totalled $174,678,000 (Q1 $150,741,000) while cost of sales totalled $87,265,000 (Q1 $95,767,000). The increase in sales over the first quarter is primarily due to increased production driven by higher recovery rate as the operation declared commercial production on June 30th, 2018 and a higher net average realized iron ore concentrate price (5%) over the previous quarter. During the period, the Company achieved a total cash cost (C1)[10] per tonne of $45.2 representing a mining operating margin[10] of $45.2 an increase of 44% over the previous quarter.

During the six-month period ended September 30, 2018, revenues totalled $325,419,000 and cost of sales $183,032,000. During the period, the Company achieved a total cash cost[10] per tonne sold of $49.8 representing a mining operating margin of $38.8 per tonne sold.

10 Average realized selling price, total cash cost (C1) and all-in sustaining cost are non-IFRS financial performance measures with no standard definition under IFRS. See the "Non-IFRS financial performance measures" section of this MD&A included in note 15.

For more information on the total cash costs[10] see the financial performance of the Mine Operating Activities section of this MD&A.

Depreciation for the second quarter of 2018 totalled $4,084,000 compared to $4,425,000 in the first quarter of 2018. The decrease in depreciation, despite higher iron ore concentrate sold, is due to higher depreciation per tonne at the beginning of fiscal year 2019 when full capacity was not yet reached. The depreciation per tonne was higher then as the amortization of mining equipment and railcars are amortized on a straight-line basis, regardless of production. Depreciation expense compared to the same period last year is a result of a higher asset base further the completion of the construction project at the Bloom Lake mine combined with a higher throughput in the processing facility.

The amount of depreciation taken for the six-month period of 2018 was $8,509,000 compared to $2,181,000 in the same period in 2017 as the Company completed the construction of the Bloom Lake mine as of February 2018.

As a result, the Company's gross operating margin for its first quarter of commercial production totalled $83,329,000 and $133,878,000 since the shipment of its first vessel on April 1, 2018.

B. General and Administrative Expenses

General and administrative expenses totalled $1,926,000 for the second quarter ended September 30, 2018 compared $755,000 for the same period the year prior. The increase is mainly driven by increased activities related to the transition from a development stage company to a high-grade iron ore producer. For similar reasons, general and administrative expenses for the six-month ended September 30, 2018 are higher than for the comparative period the prior year.

C. Sustainability and Other Community Expenses

Sustainability and other community expenses are composed mainly of community taxes such as property and school taxes and expenditures related to the Impact and Benefits Agreement with the First Nations ("IBA"). As the Company declared commercial production on June 30th, 2018, IBA expenditures were not due in the first quarter of operations while the remaining costs were either capitalized or included in ramp-up costs as the Company was reaching its full operating capacity.

D. Share-Based Payment

Share-based payments are not an item affecting the Company's cash on hand. The variation period over period is essentially due to the volatility of the stock price at the time of the grant of the stock option or share rights and the amortization profile of the grants made to management from time to time.

E. Restart Costs

Restart costs relate to expenditures incurred to commission the processing facility. As the Company reached commercial production on June 30th, 2018 these costs ceased.

F. Net finance costs

Net finance costs totalled $7,106,000 for the second quarter compared to an income of $271,000 for the same period in 2017. Higher interest expenses and accretion of borrowing costs incurred in association with the utilization of the Credit Facilities are a contributing factor to the increase in financial expenses. The decrease in the fair value of investments in common shares also contributed to increase the finance costs. At the opposite, the change in fair value of the derivative liabilities and a foreign exchange gain had a positive impact on finance cost during the second quarter of 2018.

G. Income Tax Expense

The current income tax expense represents mining duties tax as the Company was making a profit from its operations in QIO.

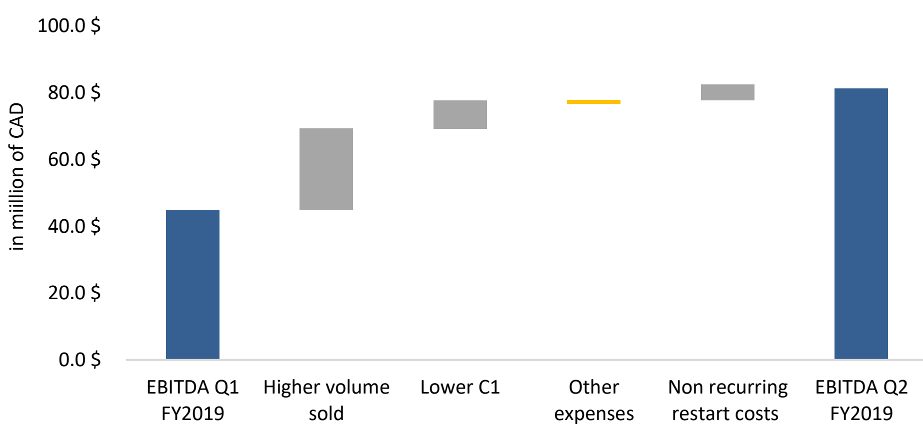
As a result of the Bloom Lake mine reaching commercial production on June 30, 2018 and the estimated levels of taxable income for the year to date and 2019 financial year periods, Champion Iron determined that the criteria for recognition of a deferred tax asset related to previously unrecognised tax losses had been met. Accordingly, a deferred tax asset has been recognised as well as a related deferred income tax recovery.

H. Net Income & EBITDA[11]

The Company's net income for the three-month period ended September 30, 2018 totalled $67,497,000 or income per share of $0.10 compared to a net loss of $14,532,000 or a loss of $0.03 per share for the three-month period ended September 30, 2017. Net income for the six-month period ended September 30, 2018 totalled $88,246,000 or income per share of $0.13 compared to a net loss of $24,010,000 or a loss of $0.04 per share of the six-month period ended September 30, 2017.

As a result, during the second quarter of 2018 the Company generated earnings before interest, taxes, depreciation and amortization ("EBITDA")[11] of $81,321,000 for its first quarter of commercial production representing an improvement of 81% over the EBITDA[11] achieved during the first quarter.

EBITDA Q1 vs Q2 2019



I. Income Attributable to Non-Controlling Interest

For the three and six-month periods ended September 30, 2018, the income attributable to the non-controlling interest ("NCI") was $25,961,000 and $35,690,000 respectively, (2017: ($4,651,000) and ($7,031,000)). The Government of the province of Quebec, through Ressources Québec, Canada holds a 36.8% interest in QIO and as such, is considered Champion Iron's NCI.

8. Other Comprehensive Income

For the three and six-month periods period ended September 30, 2018, other comprehensive income amounted to $555,000 and a credit of $124,000 respectively (2017: $1,300,000 and $2,240,000). The variation between periods is essentially related to the effects of the foreign exchange rate of Australian dollars or US dollars to Canadian dollars at the end of the reporting period as it relates to the legal entities which have a different functional currency than the presentation currency of the Company.

11 Earnings before interest, taxes and depreciation and amortization (''EBITDA'') is a non-IFRS financial performance measures with no standard definition under IFRS. See the "Non-IFRS financial performance measures" section of this MD&A included in note 15.

9. Cash Flows

The following table summarizes cash flow activities:

(in thousands of dollars)	**For the six-month Period Ended September 30 2018**	**For the six-month Period Ended September 30 2017**
Cash flow		
Operations	118,140	(20,395)
Changes in non-cash working capital	(68,533)	4,119
Operating activities	**49,607**	**(16,276)**
Financing activities	69,462	25,478
Investing activities	(28,807)	(9,645)
Change in Cash and Cash Equivalents During the Period	**90,262**	**(443)**
Effect of foreign exchange rates on cash	(291)	(105)
Cash and Cash Equivalents, Beginning of Period	**7,895**	**1,863**
Cash and Cash Equivalents, End of Period	**97,866**	**1,315**

Operating

During the six-month period ended September 30, 2018, the Company generated operating cash flow of $118,140,000 before change in non-cash working capital while it required $20,395,000 in the comparative period. The variation is essentially due to operating profit since the pre-commercial production and the shipment of the first vessel of iron ore concentrate to China on April 1, 2018.

The non-cash working capital variation was affected by various factors over the period. The main contributor to the increase is the higher receivables balance totalling $108,180,000 million resulting from shipments to end buyers during the period. If the Company had receipt funds associated with two shipment on September 30, 2018 instead of October 2, 2018, the cash and cash equivalents at the end of the period would have totalled approximately $129 million. The decrease in accounts payable as the Company completed the final payments of the construction projects along with the decrease of inventories and current income tax payable associated with a company in production contributed to the changes in the non-cash operating working capital.

Financing

The financing activities for the six-month period ended September 30, 2018 consisted primarily of drawdowns totalling $74,195,000. During the quarter, the Company paid $4,564,000 to Sprott Private Resource Lending (Collector), LP ("Sprott") as per the production payment agreement (''PPA''). As per the PPA agreement, Sprott was entitled to receive $US 0.125 per tonne for the first 30 million tonnes of iron produced or, as cancellation fees, could receive the discounted amount as per the date of the payment (at 5%). Champion Iron elected to pay the discounted amount in September 2018. This amount is accounted for in deduction of the long-term debt and depreciated in net finance costs based on the sales forecast of the first 30,000,000 dmt sold.

In the corresponding period, funds to advance the Bloom Lake mine construction project were advanced through a bridge loan of $16,000,000 repaid at the end of 2017, an initial advance of $10,000,000 was made by Glencore International AG under its convertible debenture and a QIO private placement totalling $5,152,000.

The remaining financing activities related to the exercise of stock options and financing transaction costs.

Investing

During the six-month period ended September 30, 2018, the Company invested $26,487,000 in cash for addition to property, plant and equipment which mainly related to $4,742,000 in deferred stripping activities, $11,395,000 for tailing lifts and $10,350,000 to bring the mine to full capacity. In 2017, the investment reflected activities associated with the construction of the Bloom Lake mine and advance payments to secure the shipping capacity at the port in agreement with the agreement.

10. Financial Position

As at September 30th, 2018, the Company held $97,866,000 in cash and cash equivalents. With the existing cash balance and our forecasted cash flows from operations, the Company is well positioned to fund all of its cash requirements for 2019, which relate primarily to the following activities:

- Sustaining capital expenditures
- Exploration programs
- Beginning of reimbursement of long-term debt - Sprott

(in thousands of dollars)	**As at September 30 2018**	**As at March 31 2018**
Cash and cash equivalents	97,866	7,895
Short-term investment	17,759	17,291
Cash on hand	**115,625**	**25,186**
Other current assets	152,475	89,907
Total Current Assets	**268,100**	**115,093**
Property, plant and equipment ("PP&E")	192,471	172,719
Exploration and evaluation asset	73,989	72,137
Other non-current assets	48,077	41,767
Total Assets	**582,637**	**401,716**
Total Current Liabilities	**134,886**	**109,410**
Long-term debt	199,267	141,225
Derivative financial instruments	25,237	24,683
Rehabilitation obligation	35,989	35,893
Other non-current liabilities	42,171	36,057
Total Liabilities	**437,550**	**347,268**
Equity attributable to equity shareholders	**108,574**	53,625
Non-controlling interests	**36,513**	823
Total Equity	**145,087**	**54,448**
Total Liabilities and Equity	**582,637**	**401,716**

The Company's total assets as at September 30, 2018 increased by $180,921,000 when compared to March 31, 2018. The 45% increase is mainly driven by a higher cash balance and the mining operating margin of $38.8 per tonne of high-grade iron ore concentrate sold resulting in higher trade receivables. At the end of the period, trade receivables were $86,400,000. Immediately subsequent to the period end, payments totalling US$24,200,000 (CA$31,000,000) were received for two shipments.

Total liabilities increased because of the debt drawdown and as a result of higher income tax payable associated with mining duties liabilities related to the profit realized since the start of the operations. The variation in equity is mainly the result of the Company's net income totalling $88,246,000 achieved since it shipped its first vessel full of high-grade iron concentrate on April 1, 2018.

11. Financial Risk Factors

The Company's risk exposure and impact on the Company's financial instruments are summarized in note 28 of its annual consolidated financial statements for the year ended March 31, 2018.

12. Commitments

Commitments for annual basic premises rent and contracts with vendors are as follows:

(in thousands of dollars)	As at September 30 2018	As at March 31 2018
Less than 1 year	122,819	173,920
1-5 years	218,325	272,593
More than 5 years	96,527	8,459
	437,671	**454,972**

The Company does not have any contingent liabilities.

13. Critical Accounting Estimates and Judgements

The Company's significant accounting judgments, estimates and assumptions are summarized in note 3 of its annual consolidated financial statements for the year ended March 31, 2018 filed on SEDAR at www.sedar.com on June 29th, 2018.

14. New Accounting Standards Issued and Adopted by the Company

Except as described below, the accounting policies applied by the Company in these financial statements are the same as disclosed in note 2 of its annual consolidated financial statements for the year ended March 31, 2018 filed on SEDAR at www.sedar.com on June 29th, 2018.

New Standards Adopted by the Company and Changes in Accounting Policies

Effective April 1, 2018, the Company adopted the following accounting policies:

IFRS 9, Financial Instruments ("IFRS 9")

In July 2014, the International Accounting Standards Board ("IASB") issued IFRS 9, which represents the final version of this standard and completes the IASB's project to replace International Accounting Standard ("IAS") 39, Financial Instruments: Recognition and Measurement. This standard includes updated guidance on the classification and measurement of financial assets and liabilities. This standard also introduces a new, expected credit loss impairment model that will require more timely recognition of expected credit losses. IFRS 9 also introduces a substantially-reformed model for hedge accounting with enhanced disclosures about risk management activity and aligns hedge accounting. There was no significant impact to the Company's consolidated financial statements as a result of adopting this standard.

IFRS 15, Revenue from Contracts with Customers ("IFRS 15")

IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18, Revenue, IAS 11, Construction Contracts, and several revenue-related interpretations. This standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRS, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities. The Company adopted IFRS 15 on April 1, 2018. As the Company did not have any revenues in the previous financial year, adoption of IFRS 15 had no impact on the opening balances of the Company's consolidated financial statements.

New Standards and Interpretations not Yet Adopted

Australian Accounting Standards and International Financial Reporting Standards that have been issued but are not yet effective have not been adopted by the Company for the quarter ended September 30, 2018.

IFRS 16, Leases ("IFRS 16")

IFRS 16 will replace IAS 17 'Leases' and three related Interpretations. It completes the IASB's long-running project to overhaul lease accounting. Leases will be recorded in the statement of financial position in the form of a right-of-use asset and a lease liability. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019. The Company is yet to fully assess the impact of the Standard and therefore is unable to provide quantified information. However, in order to determine the impact, the Company is in the process of:

- performing a full review of all agreements to assess whether any additional contracts will become lease contracts under IFRS 16's new definition of a lease;
- deciding which transitional provision to adopt; either full retrospective application or partial retrospective application (which means comparatives do not need to be restated). The partial application method also provides optional relief from reassessing whether contracts in place are, or contain, a lease, as well as other reliefs. Deciding which of these practical expedients to adopt is important as they are one-off choices;
- determining which optional accounting simplifications are available and whether to apply them and is assessing the additional disclosures that will be required.

15. Non-IFRS Financial Performance Measures

The Company has included certain non-IFRS measures in this document. The Company believes that these measures, in addition to conventional measures prepared in accordance with IFRS, provide investors an improved ability to evaluate the underlying performance of the Company. The 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 costs'' is a common financial performance measure in the iron ore mining industry but with no standard meaning under IFRS. Champion Iron reports total cash costs 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 flow from its mining operations. Management uses this metric as an important tool to monitor operating cost performance. Total cash costs include production costs such as mining, processing, and site administration, less depreciation to arrive at total cash costs per dmt sold. Other companies may calculate this measure differently.

	Three Months Ended September 30 2018	Three Months Ended June 30 2018	**Six Months Ended September 30 2018**
Per tonne sold			
Iron ore concentrate sold (dmt)	**1,931,700**	1,740,400	**3,672,100**
(in thousands of dollars except per ounce)			
Cost of sales	**87,265**	95,767	**183,032**
Total cash cost (per tonne sold)	**45.2**	55.0	**49.8**

B. All-in Sustaining Cost (''AISC'')

The Company believes that AISC defines the total costs associated with producing iron ore concentrate more accurately. The Company calculates AISC as the sum of total cash costs (as described above), general and administrative expense and sustaining capital, including deferred stripping, all divided by the iron ore concentrate dmt sold to arrive at a per dmt figure. Other companies may calculate this measure differently as a result of differences in underlying principles and policies applied. Differences may also arise due to a different definition of sustaining versus non-sustaining capital.

As this measure intends 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 including economic evaluations for such projects, non-cash share-based payments, exploration expenses that are not sustainable in nature, income tax payments, working capital defined as current assets less current liabilities (except for inventory adjustments) or interest costs.

The table below shows a reconciliation of all-in sustaining cost per ounce to costs as extracted from the consolidated financial statements:

	Three Months Ended September 30 2018	Three Months Ended June 30 2018	**Six Months Ended September 30 2018**
Per tonne sold			
Iron ore concentrate sold (dmt)	**1,931,700**	1,740,400	**3,672,100**
(in thousands of dollars except per tonne)			
Cost of sales	**87,265**	95,767	**183,032**
Sustaining capital expenditure	**12,875**	5,919	**18,794**
General and administrative expenses	**1,926**	2,580	**4,506**
	102,066	104,266	**206,332**
All-in Sustaining Cost (per tonne sold)	**52.9**	59.9	**56.1**

C. Average realized selling price and mining operating margin

Average realized price and average realized margin per dmt sold are used by management to better understand the iron ore concentrate price and margin realized throughout a period. Average realized price is calculated as metal sales per the statement of comprehensive earnings. Average realized margin represents average realized price per iron ore concentrate dmt sold less total cash cost per ounce sold.

	Three Months Ended September 30 2018	Three Months Ended June 30 2018	**Six Months Ended September 30 2018**
Per tonne sold			
Iron ore concentrate sold (dmt)	**1,931,700**	1,740,400	**3,672,100**
(in thousands of dollars except per ounce)			
Sales	**174,678**	150,741	**325,419**
Average realized selling price (per tonne sold)	**90.4**	86.6	**88.6**
Total cash cost (per tonne sold)	45.2	55.0	49.8
Mining operating margin (per tonne sold)	**45.2**	31.6	**38.8**

D. Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA")

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 operating performance.

	Three Months Ended September 30 2018	Three Months Ended September 30 2017	**Six Months Ended September 30 2018**	Six Months Ended September 30 2017
(in thousands of dollars)				
Net income (loss)	**67,497**	(14,532)	**88,246**	(24,010)
Net finance costs (income)	**7,106**	(271)	**21,345**	1,104
Current income tax expense	**11,974**	-	**17,504**	-
Deferred income tax recovery	**(9,340)**	-	**(9,340)**	-
Depreciation	**4,084**	1,090	**8,509**	2,181
EBITDA	**81,321**	(13,713)	**126,264**	(20,725)

16. Share Capital Information

The Company's authorized share capital is unlimited ordinary shares without par value. As of November 7, 2018, there are 419,319,747 ordinary shares outstanding. In addition, there are 93,383,333 ordinary shares issuable on the exercise of 32,050,000 options and 83,383,333 shares issuable from derivatives instruments with dilutive impact.

17. Summary of Quarterly Results

The following information is derived from and should be read in conjunction with the unaudited condensed interim consolidated financial statements for each of the past eight quarters. All amounts are stated in millions of dollars except for the net income (loss) per share.

	Q2 2019 $	**Q1 2019 $**	**Q4 2018 $**	**Q3 2018 $**	**Q2 2018 $**	**Q1 2018 $**	**Q4 2017 $**	**Q3 2017 $**
Financial Results ($ millions)								
Revenue	174.7	150.7	-	-	-	-	-	-
Operating profit (loss)	77.2	40.6	(0.9)	(1.1)	(1.1)	(1.1)	(0.8)	(0.6)
Net profit (loss)	67.5	20.7	(30.9)	(54.1)	(14.5)	(7.8)	(13.8)	(7.2)
Net profit (loss) attributable to shareholders	41.5	11.0	(21.9)	(37.3)	(9.9)	(5.4)	(8.7)	(4.9)
Income (loss) per share - basic	0.10	0.03	(0.05)	(0.09)	(0.03)	(0.01)	(0.02)	(0.02)
Income (loss) per share - diluted	0.09	0.02	(0.05)	(0.09)	(0.03)	(0.01)	(0.02)	(0.02)

18. Risk Factors

Champion Iron 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. For the full description necessary to understand these risks and uncertainties the reader is directed to note 28 of the Company's MD&A for the year ended March 31, 2018, which was filed on SEDAR at www.sedar.com on June 29th, 2018. Careful attention should also be paid to the section in this MD&A entitled "Cautionary Note Regarding Forward Looking Statements".

19. Management Responsibility for Financial Statements

The Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") are responsible for establishing and maintaining disclosure controls and procedures ("DC&P") and internal controls over financial reporting ("ICFR"), as those terms are defined in National Instrument 52-109 for the Company.

The Company's CEO and the CFO certify that the Company's DC&P have been designed to provide reasonable assurance that material information relating to the Company is made known to them by others, particularly during the period in which interim filings are being prepared; and information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. They also certify that the Company's ICFR have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

During the current period there have been no changes in the Company's DC&P or ICFR that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. The Company's management, including the CEO and CFO, believe that any disclosure controls and procedures and internal controls over financial reporting, no matter how well designed, can have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance that the objectives of the control system are met.

20. Approval

The Board of Directors oversees management's responsibility for financial reporting and internal control systems through an Audit Committee. This 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 of Directors and submitted to the shareholders. The Board of Directors has approved the Financial Statements and the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it.

21. 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 the loss of their entire investment. Furthermore, an investment in the Company's securities should not constitute a major portion of an investor's portfolio.

22. Additional Information

Additional information related to the Company is available for viewing on SEDAR at www.sedar.com and at the Company's website at www.championiron.com.

23. Cautionary Note Regarding Forward Looking Statements

This MD&A contains certain information and statements, which may be deemed "forward-looking statements" within the meaning of applicable securities laws (collectively referred to herein as "forward-looking statements"). All statements in this MD&A, other than statements of historical fact, that address future events, developments or performance that Champion Iron expects to occur including management's expectations regarding (i) the Company's growth; (ii) the potential expansion of the operations at Champion Iron's flagship asset the Bloom Lake Mine; (iii) the estimated future operation capacity of the Bloom Lake Mine; (iv) the anticipated construction schedule for a potential expansion of the Bloom Lake Mine; (v) the anticipated production schedule for such potential expansion of the Bloom Lake Mine; and (vi) the potential job creation related to the Bloom Lake Mine, are forward-looking statements. 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 including, without limitation, the results of the feasibility study with regards to the potential expansion of the Bloom Lake Mine. Although Champion Iron believes the expectations expected 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 in forward-looking statements include, without limitation: the results of the feasibility study; 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; 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, as well as those factors discussed in the section entitled "*Risk Factors*" of the Company's 2018 Annual Information Form available on SEDAR at www.sedar.com. The forward-looking statements in this MD&A are based on assumptions management believes to be reasonable and speak only as of the date of this MD&A or as of the date or dates specified in such statements. Champion Iron 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 risk they entail. Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company's ability to predict or control.

The forward-looking statements contained herein are made as of the date hereof, or such other date or dates specified in such statements. Champion Iron undertakes no obligation to update publicly or otherwise revise any forward-looking statements contained herein whether as a result of new information or future events or otherwise, except as may be 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.