Management's Discussion and Analysis

For the Three and Nine-Month Periods Ended December 31, 2019

CHAMPION IRON

TSX: CIA - ASX: CIA

As at January 28, 2020

The following Management Discussion and Analysis ("MD&A") of Champion Iron Limited ("Champion" or the "Company") has been prepared as of January 28, 2020. This MD&A is intended to supplement the condensed interim consolidated financial statements ("Financial Statements") for the nine-month period ended December 31, 2019 and related notes thereto, which have been prepared in accordance with IAS 34, Interim Financial Reporting, and it should be read in conjunction with the Company's annual financial statements and MD&A for the year ended March 31, 2019.

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.

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; or (ii) per share or per tonne amounts. The following abbreviations are used throughout this document: USD or US$ (United States dollar), CAD or CA$ (Canadian dollar), wmt (wet metric tonnes), dmt (dry 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", refers to Champion Iron Limited and/or one, or more, or all of its subsidiaries, as it may apply.

Non-IFRS Financial Performance Measures

Certain financial performance measures with no standard meaning under International Financial Reporting Standards ("IFRS") are included in this MD&A. Champion 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: earnings before interest, tax, depreciation and amortization ("EBITDA"), adjusted net income, adjusted earnings per share attributable to shareholders ("adjusted EPS"), total cash costs or C1 cash cost, all-in sustaining costs ("AISC"), average realized selling price and cash operating margin. 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 included in note 15.

1. Description of Business

Champion was incorporated under the laws of Australia in 2006 and is listed on the Toronto Stock Exchange (TSX: CIA) and Australian Securities Exchange (ASX: CIA). Champion is a high-grade iron ore producer with its flagship asset, the Bloom Lake iron ore mine ("Bloom Lake" or "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. As at December 31, 2019, Champion is the sole owner of its subsidiary, Quebec Iron Ore Inc. ("QIO"), further to the acquisition of Ressources Quebec Inc.'s ("RQ") 36.8% equity interest in QIO on August 16, 2019. In addition, on January 6, 2020, the Company announced its intention to re-domicile from Australia to Canada by way of a scheme of arrangement under Part 5.1 of the Corporations Act 2001 (see press release dated January 6, 2020 available on the Company's website at www.championiron.com).

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 Mine while applying cost and capital discipline. With the Bloom Lake Mine generating positive cash flow from operations, the Company is in a position to focus on strengthening its financial position and pursuing growth opportunities.

2. Financial and Operating Highlights[1]

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2019	2018	**2019**	2018
Iron ore concentrate produced (wmt)	**1,832,800**	1,791,300	**6,011,900**	5,192,500
Iron ore concentrate sold (dmt)	**1,922,100**	1,711,500	**5,689,200**	5,383,600
Financial Data (in thousands of dollars, except per share amounts)				
Revenue	**171,100**	147,546	**609,384**	472,965
Gross profit	**62,350**	60,471	**298,799**	194,348
EBITDA[2]	**57,910**	65,409	**287,421**	191,672
EBITDA margin[2]	**34%**	44%	**47%**	41%
Net income	**30,184**	31,199	**102,699**	119,444
Adjusted net income[2]	**30,184**	31,199	**154,340**	119,444
Net income attributable to shareholders	**30,184**	21,672	**71,075**	74,226
Basic earnings per share attributable to shareholders	**0.07**	0.05	**0.16**	0.18
Adjusted earnings per share attributable to shareholders[2]	**0.07**	0.05	**0.27**	0.18
Cash flow from operations	**28,109**	89,076	**224,953**	138,682
Cash and cash equivalent	**170,275**	167,821	**170,275**	167,821
Short-term investments	**17,291**	17,627	**17,291**	17,627
Total assets	**797,859**	617,047	**797,859**	617,047
Statistics (in dollars per dmt sold)				
Average realized selling price[2]	**89.0**	86.2	**107.1**	87.9
Total cash cost[2] (C1 cash cost)	**54.2**	49.4	**52.3**	49.7
All-in sustaining cost[2]	**62.2**	55.5	**63.7**	56.0
Cash operating margin[2]	**26.8**	30.7	**43.4**	31.9
Statistics (in US dollars per dmt sold)				
Average realized selling price[2]	**67.4**	65.4	**80.9**	67.3
Total cash cost[2] (C1 cash cost)	**41.1**	37.4	**39.4**	38.1
All-in sustaining cost[2]	**47.1**	42.0	**48.0**	42.9
Cash operating margin[2]	**20.3**	23.4	**32.9**	24.4

[1] The Company considers that pre-commercial production operations at the Bloom Lake Mine commenced on April 1, 2018 with the first shipment of high-grade iron ore concentrate and that commercial production began on June 30, 2018.

[2] EBITDA, average realized selling price, total cash cost or CI cash cost, AISC, cash operating margin, adjusted net income and adjusted earnings per share 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. Adjusted net income and adjusted earnings per share attributable to shareholders excluding the financial costs related to the refinancing which closed on August 16, 2019.

3. Quarterly and Year-to-Date Highlights

Financial

- Revenues of $171.1M for the quarter and $609.4 for the nine-month period ended December 31, 2019, compared to $147.5 and $473.0M during the same period of the prior year;
- EBITDA[1] totalling $57.9M representing an EBITDA margin of 34% and $287.4M representing an EBITDA margin of 47% for the quarter and the nine-month periods, respectively compared to $65.4M representing an EBITDA margin of 44% and $191.7M representing an EBITDA margin of 41% in the same period the prior year;
- Net income of $30.2M (earnings per share of $0.07) for the quarter and net income of $102.7M (earnings per share of $0.16) for the nine-month period ended December 31, 2019, compared to net income of $31.2M (earnings per share of $0.05) and net income of $119.4M (earnings per share of $0.18) during the same period of the prior year;
- Adjusted net income[1] of $154.3 million and $0.27 of adjusted earning per share[1], excluding non-cash refinancing costs for the nine-month period ended December 31, 2019;
- Net cash flow from operations totalling $28.1M for the quarter and $225.0M for the nine-month period ended December 31, 2019;
- Operating cash flow per share of $0.06 for the quarter and $0.52 for the nine-month period ended December 31, 2019; and
- Cash on hand[2] of $187.6M as at December 31, 2019, compared to $185.4M as at December 31, 2018.

Operations

- Quarterly high-grade 66.4% Fe iron ore concentrate production of 1,832,800 wmt, compared to 1,791,300 wmt in the same period of the prior year;
- Quarterly recovery rate of 81.7% achieved during the quarter, compared to a recovery rate of 80.7% in the same period last year; and
- Total cash cost[1] of $54.2/dmt (US$41.1/dmt) (C1) and an AISC[1] of $62.2/dmt during the third quarter, compared to $49.4/dmt (US$37.4/dmt) and $55.5/dmt, respectively, in the same period of the prior year due to unscheduled downtimes, higher port charges and investments in tailings.

Recent Developments

- On January 6, 2020, the Company announced a proposal to re-domicile from Australia to Canada by way of a scheme of arrangement under Part 5.1 of the Corporations Act 2001. After considering the potential benefits and disadvantages of the re-domiciliation, Champion's board of directors (the "Board") has determined that a re-domicile to Canada best serves the Company's interests.

Growth

- Proceeding with the previously approved $68M work program on the Bloom Lake Phase II expansion project as detailed in the Phase II feasibility study ("Feasibility Study") filed on August 2, 2019.

1 EBITDA, average realized selling price, total cash cost or CI cash cost, AISC, cash operating margin, adjusted net income and adjusted earnings per share 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. Adjusted net income and adjusted earnings per share attributable to shareholders excluding the financial costs related to the refinancing which closed on August 16, 2019.

2 Cash on hand includes cash and cash equivalents and short-term investments.

4. Bloom Lake Phase II Update

On June 20, 2019, Champion announced the findings of the Feasibility Study prepared pursuant to National Instrument 43-101 - Standards of Disclosure for Mineral Projects ("NI 43-101") (see press release dated June 20, 2019 available under the Company's filings on SEDAR at www.sedar.com and on the Company's website at www.championiron.com) that includes proven and probable mineral reserve estimates of 807 million tonnes at an average grade of 29.0% Fe. The Phase II project aims to double Bloom Lake production to 15 Mtpa of 66.2% Fe iron ore concentrate by completing the construction of the second plant which was partially completed 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.

The Feasibility Study proposes a 21-month construction period with estimated capital expenditures of $633.4M, including $44M in deposits. Project economics, based on US$83.9/t IODEX 65% Fe CFR China Index ("P65" or "Platts 65") iron price CFR China, indicate an after-tax 8% net present value ("NPV") of $2,384 million, combining Phase I & II, and an after-tax internal rate of return ("IRR") of 33.4%. During the LoM, total cash costs[1] are projected to be $46.6/t with an average all-in sustaining cost[1] of $52.3/t.

The Company's board of directors approved an initial budget of $68 million to fund and advance the Phase II expansion project during 2019 and into 2020, with the intention to secure a commissioning in 2021. During the third quarter, $28,581,000 was spent on the project, totalling $47,155,000 to date, whereby the following milestones have been achieved:

- Civil works related to silo and outside conveyor foundations were completed as planned;
- Electrical and mechanical works inside the plant have been completed, enabling the construction team to advance future construction milestones without being affected by weather conditions at Bloom Lake;
- Detailed engineering progressed as scheduled; and
- Spirals have been completely manufactured and are ready to be shipped.

[1] EBITDA, average realized selling price, total cash cost or CI cash cost, AISC, cash operating margin, adjusted net income and adjusted earnings per share 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. Adjusted net income and adjusted earnings per share attributable to shareholders excluding the financial costs related to the refinancing which closed on August 16, 2019.

5. Key Drivers

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. 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.

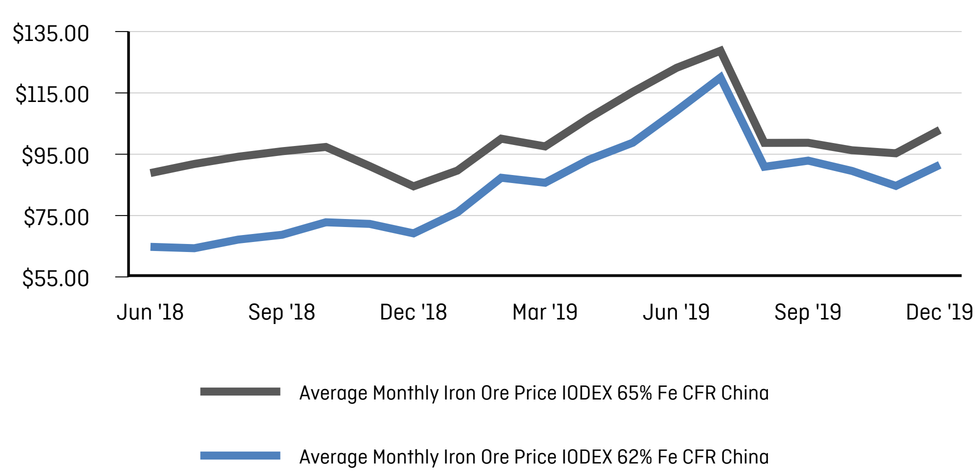
Due to the high-quality nature of its 66.4% iron ore concentrate, the Company's iron ore sales attract a premium over the IODEX 62% Fe CFR China Index ("P62") widely used as the reference price in the industry. As such, the Company bases most of its sales from the high-grade IODEX 65% Fe CFR China Index ("P65"). The premium captured by the P65 rate is attributable to two main factors; steel mills recognizing that higher iron ore grades offer a benefit to optimize output while also significantly decreasing CO2 emissions. Earlier in 2019, the global steel market experienced pressure resulting from uncertainties related to US/China commercial tension, the Brexit process and the Asian market growth slowdown, all of which contributed to lower profit margins for steel manufacturers. During the three-month period ended December 31, 2019, this pressure has been reduced. The stabilization of these factors affecting the iron industry contributed to a recovery of the premium. In addition, some of the economic data focused on steel consumption appears to be rebounding and several steel producers have now increased steel prices in response to higher raw material prices.

During the three-month period ended December 31, 2019, the price of high-grade iron ore based on the Platts 65 index fluctuated from a low of US$88.4/dmt to a high of US$105.9/dmt. The average P65 iron ore price was US$98.1/dmt for the period, a decrease of 10% from the previous quarter, resulting in a premium of 10.8% over the P62 reference price of US$88.6/dmt. The Company's gross realized price for the quarter was US $106.2/dmt before adjustments related to pro-forma sales and ocean freight, resulting in a premium of 19.8%. Taking into account pro-forma sales adjustments and deducting sea freight costs, the Company's net realized FOB price was CA$89.0/dmt (US$67.4/dmt). Champion is well positioned to benefit from higher iron ore prices as it has no hedging contracts in place, and it is not subject to royalties. Assuming a stable foreign exchange rate, a variation of US$1.00 to the P65 price will impact Champion's gross revenues by approximately 1%.

During the nine-month period ended December 31, 2019, the price of high-grade iron ore based on the Platts 65 index fluctuated from a low of US $88.4/dmt to a high of US$135.9/dmt. The average iron ore P65 price was US$107.4/dmt for the period, an increase of 19% from the previous year, resulting in a premium of 10.9% over the P62 reference price. The Company's gross realized price year-to-date was US$110.6/dmt before ocean freight and provisional sales adjustments. Taking into account the latter and deducting sea freight costs, the Company's net realized FOB price was CA$107.1/dmt (US$80.9/dmt) compared to CA$87.9/dmt (US$67.3/dmt) for the same period of the prior year.

Approximately 80% of Champion's iron ore sales contracts are structured on a provisional pricing basis, with the final sales price determined using the iron ore price indices on or after the vessel's arrival to the port at discharge. The estimated consideration in relation to the provisionally priced contracts is marked to market using the P62 forward iron ore price at the end of each reporting period, subject to the estimated P65 premium over the P62 price. The impact of the iron ore price movements is accounted as provisional pricing adjustments to revenue. As at December 31, 2019, Champion had 1.1 million tonnes of iron ore sales that remained subject to provisional pricing, with the final price to be determined in the following reporting periods.

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



5. Key Drivers (continued)

B. Sea Freight

Sea freight is an important component of the Company's cost structure as Champion ships most of its concentrate to China and Japan. The common reference route for dry bulk material from the Americas to Asia is the Brazil to China route which encompasses 11,000 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 the Americas to Asia. There is no index for the route between the port of Sept-Iles, Canada and China. The route from Sept-Iles to China totals approximately 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 Cost per wmt – C3 Baltic Capesize Index (Brazil to China)

In the past five years, the industry has identified a relationship between the iron ore price and the cost of freight for the Brazil to China route captured in the C3 rate. Based on this observed correlation, when the price of iron ore fluctuates, the ocean freight rate fluctuates as well. As the freight cost for the ocean transport between Sept-Iles and China is largely influenced by the C3 cost, a decrease in iron ore prices should result in a lower ocean freight costs for Champion Iron.

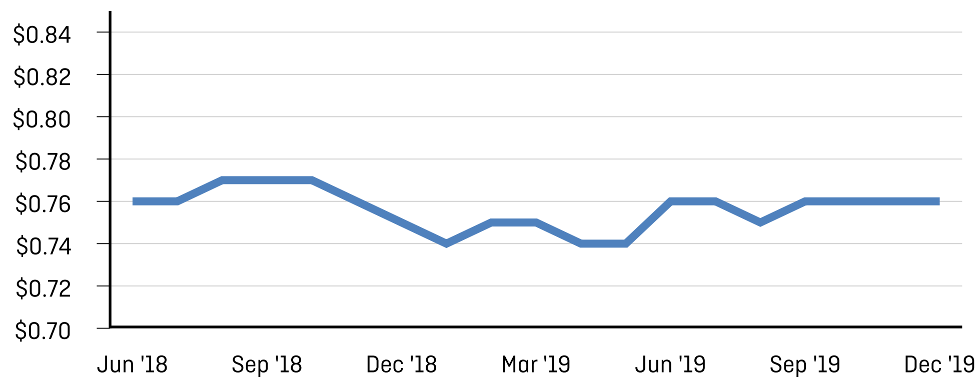
The Brumadinho dam rupture in Brazil in January 2019 changed this dynamic as the second largest producer of iron ore globally, Vale, experienced significant production curtailment following the tragic event. These events impacted global iron prices positively, while reduced demand for vessels from one of the largest global bulk shippers reduced freight rates. In late June 2019, the Superior Court of Justice of Brazil cleared Vale to resume operations at the Brucutu mining complex, one of the largest operations impacted by the dam rupture. The resumption of operations at Brucutu increased the amount of iron ore shipped out of Brazil as several vessels were out of service for maintenance, the additional tonnes in the market contributed to an increase in the C3 route index compared to the historical relationship with iron ore prices. The C3 freight rate has now corrected to levels closer to the historical relationship with iron ore prices.

5. Key Drivers (continued)

C. Currency

The Canadian dollar is the Company's reporting and functional 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 and credit facilities' costs are denominated in U.S. dollars. As such, the Company benefits from a natural hedge between its revenues and its sea freight and credit facilities' costs. Despite such a natural hedge, the Company is exposed to foreign currency fluctuations as its mining operating expenses are mainly incurred in Canadian dollars. Currently, the Company has no hedging contracts in place and therefore has exposure to foreign exchange rate fluctuations. The strengthening of the U.S. dollar would positively impact the Company's net income and cash flow while the strengthening of the Canadian dollar would reduce its operating margin and cash flow. Assuming a stable selling price, a variation of CA$0.01 against the U.S. dollar will impact Champion gross revenues by approximately 1%.

Monthly Exchange Rate – USD to CAD



Apart from these key drivers and the risk factors noted in the headings "Risk factors", 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.

6. Bloom Lake Mine Operating Activities[1]

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2019	2018	**2019**	2018
Operating Data				
Waste mined (wmt)	**3,409,200**	3,847,100	**10,562,300**	10,198,400
Ore mined (wmt)	**4,905,300**	4,883,400	**15,404,300**	14,736,200
Strip ratio	**0.7**	0.8	**0.7**	0.7
Ore milled (wmt)	**4,639,000**	4,531,400	**14,869,800**	13,739,600
Head grade Fe (%)	**32.0**	32.1	**32.3**	31.8
Recovery (%)	**81.7**	80.7	**82.7**	79.2
Product Fe (%)	**66.4**	66.4	**66.3**	66.5
Iron ore concentrate produced (wmt)	**1,832,800**	1,791,300	**6,011,900**	5,192,500
Iron ore concentrate sold (dmt)	**1,922,100**	1,711,500	**5,689,200**	5,383,600
Financial Data (in thousands of dollars)				
Revenues	**171,100**	147,546	**609,384**	472,965
Cost of sales	**104,119**	84,482	**297,647**	267,515
Other expenses	**9,071**	(2,345)	**24,316**	13,778
Net finance cost	**4,718**	9,279	**80,203**	30,624
Net income	**30,184**	31,199	**102,699**	119,444
EBITDA[2]	**57,910**	65,409	**287,421**	191,672
Statistics (in dollars per dmt sold)				
Average realized selling price[2]	**89.0**	86.2	**107.1**	87.9
Total cash cost (C1 cash cost)[2]	**54.2**	49.4	**52.3**	49.7
All-in sustaining cost[2]	**62.2**	55.5	**63.7**	56.0
Cash operating margin[2]	**26.8**	30.7	**43.4**	31.9

Operational Performance

During the three-month period ended December 31, 2019, 8.3 million tonnes of material was mined, a decrease of 5% compared to the same quarter of the prior year. This decrease is mainly due to reduced in-pit crusher availability attributable to unusual wear of a critical component affecting equipment uptime. While the in-pit crusher downtime increased the trucking cycle time, which contributed negatively to the volume mined, the redundancy associated with the second crusher maintained a stable plant feed.

The plant processed 4,639,000 tonnes of ore during the third quarter, compared to 4,531,400 tonnes in the comparable prior year period. The stable production, despite expected improvements of the operational innovations implemented during the previous two quarters, resulted from unscheduled downtime totalling 5 production days. The first unscheduled downtime was caused by the premature wear of the discharge grates stemming from the higher throughput achieved in the first six months of the fiscal year ending March 31, 2020. The Company is currently improving the design of the discharged grates to prevent this situation from reoccurring. The other unscheduled downtime was attributable to a failure affecting the shaft of the conveyor belt and the unavailability of the required custom spare part. To limit the impact of future unscheduled downtime related to the conveyor belt, a complete review of the criticality of this equipment's required spare parts was conducted. The procurement process associated with the spare parts management has been revamped. Previously implemented action plans, such as the one used last year to prevent chute blockage, have provided positive results, and accordingly, the Company is confident that the improvements implemented in this quarter will prevent similar unscheduled downtimes from reoccurring.

1 The Company considers that pre-commercial production operations at the Bloom Lake mine commenced on April 1, 2018 with the first shipment of high-grade iron ore concentrate and that commercial production began on June 30, 2018.

2 EBITDA, average realized selling price, total cash cost or CI cash cost, AISC, cash operating margin, adjusted net income and adjusted earnings per share 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. Adjusted net income and adjusted earnings per share attributable to shareholders excluding the financial costs related to the refinancing which closed on August 16, 2019.

6. Bloom Lake Mine Operating Activities (continued)

Operational Performance (continued)

The Company achieved an average recovery of 81.7% during the third quarter, compared to 80.7% in the same period of the prior year. The reduction in recovery rate compared to the previous quarter average of 83.9% results from reduced throughput stability associated with the concentrator downtimes.

Based on the foregoing, Bloom Lake produced 1,832,800 wmt of 66.4% Fe high-grade iron ore concentrate during the three-month period ended December 31, 2019, compared to 1,791,300 wmt in the same period of the prior year.

The Company mined 25,966,600 tonnes of material during the nine-month period ended December 31, 2019, compared to 24,934,600 tonnes in the same period in the prior year. The increase is attributable to the improvement in mining equipment reliability and increased productivity resulting from the rebuilding program.

Despite the unscheduled downtimes affecting the third quarter, the decision to invest in operational improvements yielded positive results. The plant processed 14,869,800 tonnes of ore during the nine-month period ended December 31, 2019, an increase of 8% over the same period of the prior year, while the recovery rate improved from 79.2% to 82.7%, in line with the Company's target. Based on the foregoing, Bloom Lake produced a total of 6,011,900 wmt of Fe 66.3% during the nine-month period ended December 31, 2019.

7. Financial Performance

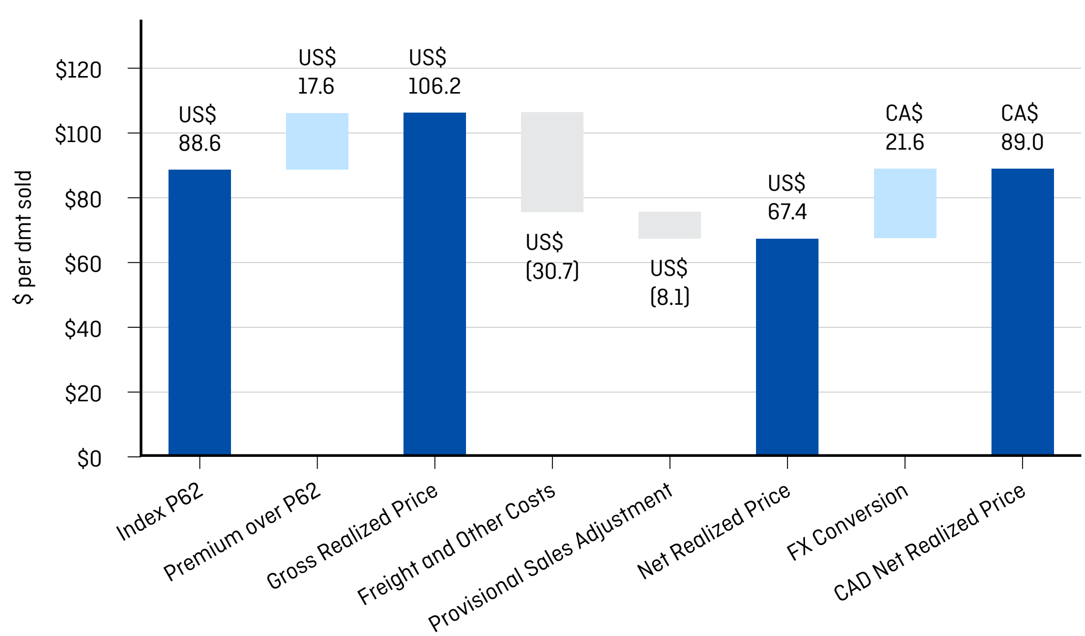
A. Revenues

During the three-month period ended December 31, 2019, a total of 1,922,100 tonnes of high-grade iron ore concentrate were sold at a CFR China gross realized price of US$106.2/dmt, before provisional sales adjustments and shipping costs. The gross sales price of US$106.2/dmt represents a premium of 20% over the benchmark P62 price, compared to a premium of 4% in the previous quarter. The increase is primarily attributable to the rebound of some steel industry economical indicators as well as to the recovery of the historical relationship between the high-grade premium, steel margins and the coke price. The increased sea freight costs during the quarter were affected by two factors: the temporary lower ocean freight vessels inventory associated with the installation of scrubbers in advance of the new IMO rule in effect in 2020 and demurrage costs resulting from unscheduled downtime affecting the Société Ferrovière du Port de Pointe-Noire ("SFPPN"), which reduced iron ore concentrate loading efficiency. As a result of SFPPN's inefficient operations, a vessel scheduled to leave before December 31, 2019, was delayed until January 2, 2020, contributing to lower quarterly revenues than anticipated.

During the quarter, a final price was established for 0.6 million tonnes which were in transit at the end of the second quarter ended September 30, 2019, and which were subject to provisional price adjustments. Based on the P62 forward selling price, a negative price adjustment of US$8.1/dmt or US$15,645,000 was recorded for shipments in transit at the end of the quarter. It should be noted that as the provisional price adjustment reflects the forward curve as of December 31, 2019, which has since improved by approximately US$4/dmt, the adjustment does not reflect a final realized price reduction. Deducting sea freight costs of US$30.7/dmt together with the negative provisional sales adjustment of US $8.1, the Company obtained an average net realized price of US$67.4 per tonne (CA$89.0 per tonne) for its high-grade iron ore delivered to the end customer, benefiting from an average foreign exchange rate of CA$1.32/US$. As a result, revenues totalled $171,100,000 for the period compared to $147,546,000 in the same prior year period.

For the nine-month period ended December 31, 2019, the Company sold over 5,689,200 tonnes of iron ore concentrate shipped in 36 vessels to end-user customers located in China, Europe, Japan and the Middle East. While the P65 indicative price of high-grade iron ore fluctuated between US$88.4/dmt to a high of US$135.9/dmt during the nine-month period ended December 31, 2019, the Company sold its product at an average gross realized price of US$110.6/dmt, before shipping and adjustments related to provisional sales. The gross sales price of US$110.6/dmt represents a premium of 14% over the benchmark P62 price. Deducting sea freight costs of US$25.6/dmt and the negative provisional sales adjustment of US$4.1/dmt, the Company obtained an average realized price of US$80.9 per tonne (CA$107.1 per tonne) for its high-grade iron ore delivered to the end-user customer. As a result, revenues totalled $609,384,000 year-to-date, compared to $472,965,000 for the same period of the prior year. The sales increase is mainly attributable to the volume and selling price.

Q3 FY2020 Net Realized Selling Price from P62 to Average Realized Price



7. Financial Performance (continued)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2019	2018	**2019**	2018
(in U.S. dollars per dmt sold)				
Index P62	**88.6**	71.6	**96.9**	71.4
Premium over P62	**17.6**	17.7	**13.7**	13.8
Gross realized price	**106.2**	89.3	**110.6**	85.2
Freight and other costs	**(30.7)**	(26.1)	**(25.6)**	(19.4)
Adjustments on provisional sales	**(8.1)**	2.2	**(4.1)**	1.5
Net realized FOB price	**67.4**	65.4	**80.9**	67.3
CAD Net Realized FOB Price	**89.0**	86.2	**107.1**	87.9

B. Cost of Sales

Cost of sales represent mining, processing, and mine site-related general and administrative expenses.

During the three-month period ended December 31, 2019, the total cash cost[1] or C1 cash cost[1] per tonne totalled $54.2/dmt, compared to $49.4/dmt in the same period of the previous year. The C1 cash-cost[1] for the period was impacted by various factors including unscheduled downtimes (see section 6, Operational Performance) which represent a non-recurring volume impact of approximately $2/dmt in the quarter, and higher costs from SFPPN port operations. Since the beginning of the restart of the SFPPN's operations in 2018, SFPPN costs have increased beyond the indexation rate and faster than the improvement of the operational efficiency, leading to a negative impact of $2/dmt for this quarter compared to the same period last year. The Board of Directors of SFPPN, on which the Company's operating subsidiary, Quebec Iron Ore Inc. ("QIO") has a representative, elected to strengthen the leadership of SFPPN aiming to revamp operational processes, improve asset maintenance, overall availability and efficiency while reducing operational costs. As the newly appointed CEO of SFPPN operations has many years of experience in managing a railroad and port facilities, the Company and SFPPN's Board of Directors are confident that SFPPN's operational efficiency will improve rapidly. Consequently, the Company should benefit from lower port operations costs going forward.

For the nine-month period ended December 31, 2019, the Company produced high-grade iron ore at a total cash cost[1] of $52.3/dmt compared to $49.7/dmt in the previous year. The C1 cash cost[1] for the period were impacted by the factors identified for the quarter ended December 31, 2019.

C. Gross Profit

The gross profit for the three-month period ended December 31, 2019 totalled $62,350,000 compared to $60,471,000 for the same period of the prior year. The variation period over period is attributable to a higher gross realized price during the quarter ended December 31, 2019, combined with higher volumes offset by a negative adjustment on provisional sales. Higher freight costs and production costs contributed to the remaining variation.

The gross profit for the nine-month period ended December 31, 2019 totalled $298,799,000, compared to $194,348,000 for the same prior year period. The increase is largely driven by the 30% increase in the realized price together with the decision made by the Company earlier in the year to invest in maintenance and plant reliability to maximize cash flows while the iron ore price is elevated. Accordingly, year-to-date, the Company is benefiting from a 40% cash profit margin per tonne.

D. Other Expenses

Other expenses comprise share-based payments, corporate expenses ("G&A expenses"), as well as sustainability and other community expenses ("CSR expenses"). CSR 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").

[1] EBITDA, average realized selling price, total cash cost or Cl cash cost, AISC, cash operating margin, adjusted net income and adjusted earnings per share 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. Adjusted net income and adjusted earnings per share attributable to shareholders excluding the financial costs related to the refinancing which closed on August 16, 2019.

7. Financial Performance (continued)

D. Other Expenses (continued)

The variation of the other expenses and income for the three-month period ended December 31, 2019, compared to the same period the previous year, is essentially due to the completion of the transition from a development cost structure to an operating organization. In addition, expenses were incurred during the period to support the Company's re-domiciliation process. Higher CSR expenses reflect the Company's increased focus on sustainability. This amount also includes the full impact of the agreement with the First Nations as these expenses were partially incurred in the prior year.

The variation of the other expenses and income for the nine-month period ended December 31, 2019, compared to the same period the previous year, is essentially due to restart costs incurred in the first quarter of the prior year, as well as Champion's transition from a development stage company to an iron ore producer. The increase in share-based payments reflects the higher stock price period over period, combined with the issuance of annual equity awards in relation to the performance achieved during the last fiscal year ended March 31, 2019.

E. Net Finance Costs

Net finance costs totalled $4,718,000 for the three-month period ended December 31, 2019, compared to $9,279,000 for the same period in the prior year. The decrease is mainly attributable to the positive impact of the refinancing which closed on August 16, 2019. The new credit facilities bear totalled interests of 4.75%, compared to a rate of 10% for the previous credit facilities. In addition, the previous credit facilities included embedded derivative instruments which needed to be reevaluated on a quarterly basis, which following the refinancing, were no longer applicable during the quarter.

The Company reports in Canadian dollars and benefits from a natural hedge between its revenues generated in U.S. dollars and its U.S. denominated term facilities. Consequently, the unrealized foreign exchange loss included in net finance costs represents a non-cash expenditure associated with the conversion of the term facilities in Canadian dollars. The Company maintains sufficient U.S. dollars on hand to prevent foreign exchange loss upon interest. Unrealized loss on investments and accretion costs are non-cash items.

The increase in net finance costs for the nine-month period ended December 31, 2019, when compared to the same period the year prior, is, in addition to the impact of the refinancing closed on August 16, 2019, mainly due to the factors described above.

F. Income Taxes

The Company's 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. QIO, Champion's operating subsidiary, is subject to a Quebec mining tax at a progressive rate ranging from 16% to 28% depending on the mining profit margin as defined by tax regulations. The mining profit margin represents the mining profit divided by revenues and is taxable based on three segments as follow:

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 an income tax in Canada where the statutory rate is 26.68%.

During the three and nine-month periods ended December 31, 2019, current income and mining taxes amounted to $2,644,000 and $70,630,000 respectively compared to $8,227,000 and $25,731,000 respectively for the same periods of the prior year. The lower current income taxes figure is due to accelerated tax amortization associated with capital expenditures. The current mining tax is associated with the mining profit.

Accordingly, during the three and nine-month periods ended December 31, 2019, deferred income and mining taxes amounted to $15,733,000 and $20,951,000 respectively, compared to expenses of $14,111,000 and $4,771,000 respectively, for the same periods of the prior year. The higher deferred income and mining tax expense during both periods is mainly associated with the accelerated tax depreciation, which results in a difference between the net book value and tax value of the company's assets.

[1] EBITDA, average realized selling price, total cash cost or CI cash cost, AISC, cash operating margin, adjusted net income and adjusted earnings per share 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. Adjusted net income and adjusted earnings per share attributable to shareholders excluding the financial costs related to the refinancing which closed on August 16, 2019.

7. Financial Performance (continued)

G. Net Income (Loss) & EBITDA[1]

For the three-month period ended December 31, 2019, the Company generated net income of $30,184,000, entirely attributable to the Company's shareholders. The current net income reflects the impact of the negative provisional adjustment combined with higher cash costs and higher deferred income taxes, compared to the same period in the previous fiscal year. In the comparative prior year period, the Company reported net income of $31,199,000, representing earnings per share of $0.05.

During the third quarter ended December 31, 2019, the Company generated an EBITDA[1] of $57,910,000, representing an EBITDA[1] margin of 34%, compared to an EBITDA[1] of $65,409,000, representing an EBITDA[1] margin of 44% in the same period of the prior year.

For the nine-month period ended December 31, 2019, the Company generated net income of $102,699,000, representing earnings per share of $0.16. Net income of $119,444,000 representing $0.18 per share was realized in the nine-month period ended December 31, 2018. By excluding the non-cash impact of the refinancing, the net income for the nine-month period ended December 31, 2019, would have been $154,340,000 representing earnings per share of $0.27.

For the nine-month period ended December 31, 2019, the Company generated an EBITDA[1] of $287,421,000 representing an EBITDA[1] margin of 47%, compared to an EBITDA[1] of $191,672,000, representing an EBITDA[1] margin of 41% in the same period of the prior year. This increase is mainly attributable to the increase in the realized price and the number of tonnes sold.

The refinancing of the credit facilities with Sprott Private Resources Lending (Collector) LP ("Sprott") and CDP Investissements Inc., a subsidiary of Caisse de dépôt et placement du Québec ("CDPI"), concluded in Q2 of the current fiscal year, resulted in non-cash financing costs associated with the valuation of derivative instruments that were embedded in the previous credit facilities. Excluding the non-recurring non-cash transactions, the Company would have generated an adjusted net income[1] of $154,340,000 and an adjusted EPS[1] of $0.27 for the nine-month period ended December 31, 2019.

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

The Company believes that the AISC[1] and cash operating margin[1] are measures reflecting the costs associated with producing iron ore and assessing the Company's ability to operate without reliance on additional borrowing or usage of existing cash. The Company defines AISC[1] as the total costs associated with producing iron ore concentrate. The Company's AISC[1] represents the sum of cost of sales, corporate expenditures and sustaining capital expenditures, including stripping activities, all divided by the iron ore concentrate per dmt sold to arrive at a per dmt figure.

During the three-month period ended December 31, 2019, the Company realized an AISC[1] of $62.2/dmt compared to $55.5/dmt in the same period last year. In addition to the C1 cash costs[1] increase, the Company made the decision at the beginning of the fiscal year to accelerate tailings containment dam rising construction work this year, in order to ensure safe tailings deposition. The conservative decision made by the Company to bring forward the tailings investment did not modify the total amount that would have been invested on the tailings facility over the next few years, only its timing was modified. Given the magnitude of the project, the construction period was extended until late fall in order to complete the required works. The accelerated tailings investment project is now complete and it is anticipated that this will reduce the sustaining capital dedicated to tailings management over the next few years. Additionally, the Company continued investing in its mining equipment rebuilding program, required to increase mining equipment fleet availability and maintain a higher strip ratio, in light of the commencement of the Phase II expansion project.

Deducting the AISC[1] of $62.2/dmt from the realized average selling price[1] of $89.0/dmt, the Company generated a cash operating margin[1] of $26.8 for each tonne of high-grade iron ore concentrates sold during the third quarter ended December 31, 2019, compared to $30.7/dmt in the same period of the previous year. The variation relates to the acceleration of sustaining investments combined with temporary higher cash cost per tonne sold resulting from unscheduled downtime which affected operations.

For the nine-month period ended December 31, 2019, the Company realized an AISC[1] of $63.7/dmt compared to $56.0/dmt in the same period of last year. Despite a higher AISC[1], the cash operating margin[1] totalled at $43.4/dmt compared to $31.9/dmt in the same prior year period, reflecting the ability of the Company's cost structure to take advantage of market fluctuations.

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1 EBITDA, average realized selling price, total cash cost or CI cash cost, AISC, cash operating margin, adjusted net income and adjusted earnings per share 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. Adjusted net income and adjusted earnings per share attributable to shareholders excluding the financial costs related to the refinancing which closed on August 16, 2019.

7. Financial Performance (continued)

I. Non-Controlling Interest

Following Champion's acquisition of Ressources Québec Inc.'s 36.8% equity interest in QIO, the Company's non-controlling interest ("NCI") no longer exists. The net income attributable to the NCI was based on the financial results of QIO. The NCI attributed to the minority interest during the period was calculated up to the closing date of the acquisition on August 16, 2019.

8. Exploration Activities

During the three-month and the nine-month period ended December 31, 2019, the Company did not conduct any significant drilling campaign or other exploratory activities on its properties.

During the nine-month period ended December 31, 2019, the Company maintained all of its properties in good standing. The Company did not enter into farm-in/farm-out arrangements during the quarter.

9. Cash Flows

The following table summarizes cash flow activities:

	Three Months Ended December 31,		**Nine Months Ended December 31,**	
	2019	2018	**2019**	2018
(in thousands of dollars)				
Operations	**51,196**	52,070	**178,205**	160,869
Changes in non-cash working capital	**(23,087)**	37,006	**46,748**	(22,187)
Operating activities	**28,109**	89,076	**224,953**	138,682
Financing activities	**1,734**	(3,854)	**(57,644)**	65,609
Investing activities	**(50,982)**	(16,196)	**(129,518)**	(45,003)
Change in cash and cash equivalents during the period	**(21,139)**	69,026	**37,791**	159,288
Effect of foreign exchange rates on cash	**(2,339)**	929	**(2,940)**	638
Cash and cash equivalents, beginning of period	**193,753**	97,866	**135,424**	7,895
Cash and cash equivalents, end of period	**170,275**	167,821	**170,275**	167,821
Operating cash flow per share	**0.06**	0.21	**0.52**	0.33

Operating

During the three-month period ended December 31, 2019, the Company generated operating cash flows of $51,196,000 before working capital compared to $52,070,000 in the same period of the prior year. The current period operational cash flows reflect higher volumes sold combined with reduced EBITDA[1] margins, when compared to the prior period, which were affected by higher production costs.

Changes in working capital were mainly impacted by the timing of customer receipts, the timing of supplier payments and variances in the inventory value, as well as mining taxes payable. The operating cash flow per share for the three-month period ending December 31, 2019 is $0.06, compared to $0.21 in the corresponding period of the previous year.

During the nine-month period ended December 31, 2019, the Company's operating cash flows before working capital items totalled $178,205,000, compared to $160,869,000 in the same period of the prior year. The increase is mainly attributable to an EBITDA[1] margin of 47% in the current period, compared to 41% in the same period of the previous year. This increase reflects a positive 12% volume increase combined with a selling price variation of 3%. The operating cash flow per share for the period is $0.52, compared to $0.33 for the prior year period.

[1] EBITDA, average realized selling price, total cash cost or CI cash cost, AISC, cash operating margin, adjusted net income and adjusted earnings per share 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. Adjusted net income and adjusted earnings per share attributable to shareholders excluding the financial costs related to the refinancing which closed on August 16, 2019.

9. Cash Flows (continued)

Financing

During the three-month period ended December 31, 2019, compensation and stock options were exercised for proceeds totalling $1,875,000 and $497,000, respectively. Financing and transactions costs on preferred share issuances and debt facilities were also incurred. In the corresponding prior year period, the Company's financing activities consisted mainly of capitalized interest repayment on the Glencore debenture of $4,429,000 and proceeds from the exercise of options totalling $575,000.

During the nine-month period ended December 31, 2019, the Company completed the re-financing of the previous credit facilities, the acquisition of RQ's equity interest in QIO and the issuance of preferred shares to CDP Investissements Inc. ("CDPI"). The previous debt facilities consisted of two term loans with CDPI (US$ 100 Million) and Sprott (US$ 80 Million), both of which have been fully reimbursed for $234,464,000. A draw down on the new term credit facility of US$180,000,000 ($239,148,000) was also completed. The new term facility with Scotiabank and Société Générale as Joint Lead Arrangers significantly reduced the Company's debt costs from 10.0% to 4.9% and provides the Company with more flexibility with less covenants.

The acquisition of RQ's 36.8% equity interest in QIO was completed for a consideration of $211,000,000. Following the acquisition, the Company is no longer subject to a NCI in its flagship asset, the Bloom Lake Mine. During the period, the Company issued new preferred shares to CDPI for proceeds of $181,795,000 and reimbursed the Glencore convertible debenture that was part of the previous capital structure for a total cost of $31,980,000. The Company's financing activities during the period also included the receipt of the proceeds from exercised options and warrants.

In the comparative prior year period, the Company's financing activities consisted mainly of drawdowns of $74,195,000 associated with the US $180,000,000 prior credit facilities, the termination of the production payment agreement of $4,564,000 related with the Sprott credit facility, and capitalized interests repayment on the Glencore debenture of $4,429,000, together with the receipt of $2,025,000 in proceeds from the exercise of options.

Investing

The Company's investments relate to capital expenditures.

Purchase of property, plant and equipment

During the three and nine-month periods ended December 31, 2019, the Company invested $50,907,000 and $129,632,000, respectively in additions to property, plant and equipment, compared to $12,914,000 and $39,401,000, respectively in the same period of the prior year. The following table summarizes the investments.

	Three Months Ended December 31,		**Nine Months Ended December 31,**	
	2019	2018	**2019**	2018
(in thousands of dollars)				
Tailings lifts	**6,469**	2,655	**27,361**	14,050
Stripping activities	**3,801**	3,991	**10,064**	8,733
Mining equipment rebuild	**1,150**	—	**15,391**	—
Other sustaining capital expenditures	**—**	—	**—**	2,657
Subtotal sustaining capital expenditures	**11,420**	6,646	**52,816**	25,440
Phase II	**28,581**	—	**47,155**	—
Other capital development expenditures at Bloom Lake	**10,906**	6,268	**29,661**	13,961
Total	**50,907**	12,914	**129,632**	39,401

The tailings lifts investments reflect the decision made by the Company to accelerate tailings containment dam rising construction work in order to ensure safe tailings deposition. As the project was finalized late in the fall, tailings lifts expenditures will decrease over the next few years. Stripping activities reflect the mine plan deployed in anticipation of the start of the Phase II expansion project while the Company's mining equipment rebuild program is in line with the work planned.

9. Cash Flows (continued)

Purchase of property, plant and equipment (continued)

The investment in the Bloom Lake Phase II expansion project represents work currently in progress, funded from the $68,000,000 approved earlier in the fiscal year, designed to maintain the timeline for the commencement of Phase II operations in 2021. The Company took advantage of the summer and the early fall construction season to complete the civil and concrete works required on the silo and associated conveyors. In addition, the mechanical and electrical work inside the plant was completed to enable secure winter works and detailed engineering continued to progress as planned. The completion of these elements is contributing to decrease the risks associated with the expansion project.

The other capital development expenditures mainly relate to the cost to complete the Phase II Feasibility Study, as well as infrastructure upgrades at the mine and service equipment capacity improvements required to maintain a strip ratio in line with the Phase II mine plan.

Exploration and evaluation

During the three-month period ended December 31, 2019, the Company invested $75,000 in additions to exploration and evaluation, compared to $3,413,000 in the same period of the prior year. The variance is attributable to the reduction of exploration expenditures, where the Company conducted a drilling program at its Powderhorn property in the previous year, while it elected to not conduct any significant exploration programs during the current period.

For the nine-month period ended December 31, 2019, $502,000 was invested in exploration and evaluation compared to $5,265,000 in the same period of the previous year. The decrease is mainly related to the Powderhorn exploration program described above.

[1] EBITDA, average realized selling price, total cash cost or CI cash cost, AISC, cash operating margin, adjusted net income and adjusted earnings per share 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. Adjusted net income and adjusted earnings per share attributable to shareholders excluding the financial costs related to the refinancing which closed on August 16, 2019.

10. Financial Position

As at December 31, 2019, the Company held $170,275,000 in cash and cash equivalents along with $17,291,000 in short-term investments. With the existing cash balance and the forecasted cash flows from operations, the Company is well positioned to fund all its cash requirements for the next twelve months, which relate primarily to the following activities:

- Mine operating costs
- Sustaining capital expenditures
- Payment of mining and income taxes
- Phase II initial capital expenditures of $68 million

	As at December 31, 2019	As at March 31, 2019
(in thousands of dollars)		
Cash and cash equivalents	**170,275**	135,424
Short-term investment	**17,291**	17,907
Cash on hand	**187,566**	153,331
Other current assets	**154,118**	161,352
Total Current Assets	**341,684**	314,683
Property, plant and equipment	**349,042**	224,123
Exploration and evaluation assets	**75,559**	81,508
Other non-current assets	**31,574**	51,703
Total Assets	**797,859**	672,017
Total Current Liabilities	**125,416**	114,608
Long-term debt	**225,766**	193,038
Derivative financial instruments	**—**	43,819
Rehabilitation obligation	**41,128**	36,565
Other non-current liabilities	**62,881**	68,265
Total Liabilities	**455,191**	456,295
Equity attributable to equity shareholders	**342,668**	150,346
Non-controlling interests	**—**	65,376
Total Equity	**342,668**	215,722
Total Liabilities and Equity	**797,859**	672,017

The Company's total current assets as at December 31, 2019 increased by $27,001,000 since March 31, 2019. This increase resulted from operational cash flow associated with the operations at Bloom Lake offset by the repayment of the Glencore debt facility and the acquisition of RQ's equity interest in QIO. The long-term assets reflect investments made towards the intensive works on the 2019 dikes project as well as on the mining equipment overhaul project. The Phase II preliminary works also contributed to the increase.

Total short-term liabilities increased due to higher taxes payable as a result of high profits since the start of the fiscal year. Accounts payable related to the major dikes and Phase II projects also contributed to the variation. The long-term liabilities reflect the refinancing that closed on August 16, 2019, and an increase in the rehabilitation obligation further to the final review and approval of the Bloom Lake closure costs by the government.

The increase in equity is attributable to the Company's net income of $102,699,000 for the nine-month period ended December 31, 2019. It also includes the impact of the preferred share issuance to CDPI and the warrant issuance to Glencore following the debenture repayment. The increase in equity is partially offset by the difference between the amount paid ($211,000,000) for the acquisition of RQ's equity interest in QIO and the balance of the NCI ($97,000,000) as at the acquisition date which was August 16, 2019.

(Expressed in Canadian dollars, except where otherwise indicated)

11. Financial Risk Factors

The Company's risk exposure and impact on the Company's financial instruments are summarized in note 14 of the audited consolidated financial statements for the year ended March 31, 2019, available on the Company's website at www.championiron.com.

12. Commitments

The Company has various obligations related to take-or-pay features of its logistics contracts. The Company has also other commitments with the Innu community related to its IBA with the First Nations. Future minimum payments under these agreements are as follows:

	As at December 31, 2019
Less than a year	**93,529**
1 to 5 years	**75,173**
More than 5 years	**166,303**
Total	**335,005**

13. Critical Accounting Estimates and Judgments

The Company's significant accounting judgments, estimates and assumptions are summarized in note 2 of the consolidated financial statements for the year ended March 31, 2019.

14. 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 condensed interim consolidated financial statements for the three-month period ended December 31, 2019.

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 or C1 cost is a common financial performance measure in the iron ore mining industry but with no standard meaning under IFRS. Champion 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. 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 costs include production costs such as mining, processing, and site administration, and exclude depreciation to arrive at total cash costs per dmt sold. Other companies may calculate this measure differently.

15. Non-IFRS Financial Performance Measures (continued)

A. Total Cash Cost (continued)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2019	2018	**2019**	2018
Per tonne sold				
Iron ore concentrate sold (dmt)	**1,922,100**	1,711,500	**5,689,200**	5,383,600
(in thousands of dollars except per tonne)				
Cost of sales	**104,119**	84,482	**297,647**	267,515
Total cash cost (per dmt sold)	**54.2**	49.4	**52.3**	49.7

B. All-In Sustaining Cost ("AISC")

The Company believes that AISC defines the total costs associated with producing iron ore concentrate more accurately as this measure reflects all the sustaining expenditures incurred in order to produce high-grade iron ore concentrate. The Company calculates AISC as the sum of total cash costs (as described above), general and administrative expense and sustaining capital, including deferred stripping, 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. 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 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 expense, working capital defined as current assets less current liabilities (except for inventory adjustments) or interest costs.

The table below shows a reconciliation of AISC per tonne to costs as extracted from the consolidated financial statements:

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2019	2018	**2019**	2018
Per tonne sold				
Iron ore concentrate sold (dmt)	**1,922,100**	1,711,500	**5,689,200**	5,383,600
(in thousands of dollars except per tonne)				
Cost of sales	**104,119**	84,482	**297,647**	267,515
Sustaining capital expenditure	**11,420**	6,646	**52,816**	25,440
General and administrative expenses	**4,766**	3,805	**12,665**	8,311
Non-recurring expenses related to re-domiciliation	**(662)**	—	**(662)**	—
	119,643	94,933	**362,466**	301,266
AISC (per dmt sold)	**62.2**	55.5	**63.7**	56.0

The works related to the dikes project being mainly of a civil nature, resulted in that a large part of the project was completed during the summer and autumn construction season, resulting in higher sustaining capital expenses during the current quarter.

15. Non-IFRS Financial Performance Measures (continued)

C. Average Realized Selling Price and Cash Operating Margin

Average realized 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. Average realized price is calculated as metal sales per the statement of comprehensive earnings. Cash operating margin represents the average realized price per iron ore concentrate dmt sold less AISC per dmt sold.

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2019	2018	**2019**	2018
Per tonne sold				
Iron ore concentrate sold (dmt)	**1,922,100**	1,711,500	**5,689,200**	5,383,600
(in thousands of dollars except per tonne)				
Revenues	**171,100**	147,546	**609,384**	472,965
Average realized selling price (per dmt sold)	**89.0**	86.2	**107.1**	87.9
AISC (per dmt sold)	**62.2**	55.5	**63.7**	56.0
Cash operating margin (per dmt sold)	**26.8**	30.7	**43.4**	31.9

D. 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 ability to generate liquidity by producing operating cash flow to fund working capital needs, service debt obligation and fund capital expenditures.

EBITDA is intended to provide additional information to investors and does not have any standardized definition under IFRS. The measure excludes the impact of cash costs of financing activities, taxes and the change in non-cash working capital and is not necessarily indicative of operating profit or cash flow from operations as determined under IFRS. Other companies may calculate EBITDA differently.

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2019	2018	**2019**	2018
(in thousands of dollars)				
Income before income and mining taxes	**48,561**	53,537	**194,280**	149,946
Net finance costs	**4,718**	9,279	**80,203**	30,624
Depreciation	**4,631**	2,593	**12,938**	11,102
EBITDA	**57,910**	65,409	**287,421**	191,672
EBITDA margin	**34%**	44%	**47%**	41%

(Expressed in Canadian dollars, except where otherwise indicated)

15. Non-IFRS Financial Performance Measures (continued)

E. Adjusted Net Income and Adjusted EPS

The refinancing of the Sprott and CDPI credit facilities completed in the second quarter resulted in non-cash financing costs associated with derivative instruments that were embedded in the previous credit facilities. Management are of the opinion that by excluding the non-recurring non-cash transactions, it presents the quarterly results related directly to the Company's recurring business. By excluding the non-recurring non-cash items, the Company would have generated an adjusted net income of $30,184,000, representing an adjusted EPS of $0.07 for the third quarter. Similarly, the net income of $102,699,000 for the nine-month period ended December 31, 2019 would have been at $154,340,000, and the EPS would have been adjusted to $0.27.

	Three Months Ended December 31, 2019		Nine Months Ended December 31, 2019	
	Net Income	**Earnings per share**	**Net Income**	**Earnings per share**
Unadjusted	**30,184**	0.07	**102,699**	0.16
Non-cash items				
Write-off - book value of Debenture	**—**	—	**18,837**	0.04
Write-off - book value of CDPI debt facility	**—**	—	**15,976**	0.04
Write-off - book value of Sprott debt facility	**—**	—	**5,966**	0.01
Write-off - Glencore derivative asset	**—**	—	**1,336**	—
Write-off - CDPI derivative asset	**—**	—	**5,603**	0.01
Write-off - Sprott derivative asset	**—**	—	**5,768**	0.01
	—	—	**53,486**	0.11
Cash items				
Debt prepayment penalty fees	**—**	—	**3,788**	0.01
	—	—	**3,788**	0.01
Tax impact of adjustments listed above	**—**	—	**(5,633)**	(0.01)
Adjusted	**30,184**	0.07	**154,340**	0.27

16. Share Capital Information

The Company's authorized share capital consists of unlimited ordinary shares without par value. As of January 28, 2020, there are 462,179,122 ordinary shares outstanding. In addition, there are 12,645,755 ordinary shares issuable on the exercise of options, restricted share units, deferred share units, performance share units, and 53,023,958 ordinary shares issuable from derivative 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. The Company's fiscal year ends on March 31. All amounts are stated in millions of dollars except for the earnings (loss) per share.

	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Financial Results ($ millions)								
Revenue	171.1	160.4	277.9	182.2	147.5	174.7	150.7	—
Operating profit (loss)	53.3	57.9	163.3	83.1	62.8	77.2	40.5	(21.8)
EBITDA[1]	57.9	62.6	166.9	86.5	65.4	81.3	45.0	(20.9)
Net profit (loss)	30.2	(1.7)	74.2	28.2	31.2	67.5	20.7	(30.9)
Adjusted net profit (loss)[1]	30.2	49.9	74.2	28.2	31.2	67.5	20.7	(30.9)
Net profit (loss) attributable to shareholders	30.2	2.1	38.8	8.8	21.7	41.5	11.0	(21.9)
Earnings (loss) per share - basic	0.07	0.00	0.09	0.02	0.05	0.10	0.03	(0.05)
Earnings (loss) per share - diluted	0.06	0.00	0.08	0.02	0.05	0.09	0.02	(0.05)
Adjusted earnings (loss) per share - basic	0.07	0.11	0.09	0.02	0.05	0.10	0.03	(0.05)
Cash flow from operations	28.1	104.9	91.9	38.0	89.1	2.9	46.7	(42.8)
Operating Data								
Waste mined (thousands of wmt)	3,409	3,572	3,581	3,482	3,847	2,978	3,373	2,281
Ore mined (thousands of wmt)	4,905	5,394	5,105	4,976	4,883	5,205	4,648	2,159
Strip ratio	0.7	0.7	0.7	0.7	0.8	0.6	0.7	1.1
Ore milled (thousands of wmt)	4,639	5,451	4,780	4,754	4,531	4,964	4,244	1,754
Head grade (%)	32.0	32.3	32.5	30.6	32.1	32.0	31.1	29.0
Recovery (%)	81.7	83.9	82.1	80.4	80.7	79.6	77.1	76.3
% Fe	66.4	66.3	66.2	66.3	66.4	66.6	66.5	66.5
Iron ore concentrate produced (thousand wmt)	1,833	2,190	1,989	1,802	1,791	1,858	1,543	623
Iron ore concentrate sold (thousands of dmt)	1,922	1,860	1,907	1,744	1,712	1,932	1,740	—
Financial results per unit								
Average realized selling price[1]	89.0	86.2	145.7	104.4	86.2	90.4	86.6	—
Total cash cost[1]	54.2	48.3	54.3	48.4	49.4	45.2	55.0	—
All-in sustaining cost[1]	62.2	66.2	62.8	55.4	55.5	52.9	59.9	—
Cash operating margin[1]	26.8	20.0	82.9	49.0	30.7	37.5	26.7	—

[1] EBITDA, average realized selling price, total cash cost or CI cash cost, AISC, cash operating margin, adjusted net income and adjusted earnings per share 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. Adjusted net income and adjusted earnings per share attributable to shareholders excluding the financial costs related to the refinancing which closed on August 16, 2019.

18. 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 of Directors 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.

Please refer to the 2019 annual information form available on SEDAR at www.sedar.com and on its 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 and results of operations, or the trading price of the Company's Shares.

19. Management Responsibility for Financial Statements

Disclosure Controls and Procedures

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have designed disclosure controls and procedures ("DC&P"), or caused to be designed under their supervision 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 our 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 our ICFR that occurred during the period beginning on October 1, 2019 and ended on December 31, 2019 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 determined to be effective can provide only reasonable assurance with respect to the financial statement preparation and presentation.

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 as of January 28, 2020. 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 under the Company's filings 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 expects to occur including management's expectations regarding (i) the recovery rates; (ii) the Company's growth; (iii) the Company's operational improvement; (iv) the Phase II expansion of the Bloom Lake mine and its expected capital expenditures, NPV and IRR; (v) the estimated future operation capacity of the Bloom Lake Mine; (vi) the Company's cash requirements for the next twelve months; (vii) the completion of the construction for a potential expansion of the Bloom Lake Mine; (viii) the potential job creation related to the Bloom Lake Mine; (ix) the fluctuations of the ocean freight costs in connection with the fluctuations of the iron ore price; (x) the impact of exchange rate fluctuations; (xi) the impact of iron ore concentrate price fluctuation; (xii) the LoM of Bloom Lake mine and; (xiii) the proposed re-domiciliation 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 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 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; 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 2019 Annual Information Form and the risks discussed in the Company's MD&A for the year ended March 31, 2019, both 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 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.