April 15, 2019

NEWSLETTER

CHAMPION IRON

TIER 1 MINING & DEVELOPMENT

CHAMPION IRON NEWSLETTER

Many of our investors would like to better understand our industry, given the limited information readily available to the public. We decided to be proactive and present a newsletter addressing market dynamics and take the opportunity to update investors regarding items impacting our industry. Please note that we do not provide operating or financial guidance as of now; hence, these newsletters will refrain from providing such updates.

MARKET FACING ACTIVITIES

On March 9th and April 11, two investment brokers initiated research on our company with target prices of C$2.75 and C$3/share. We continue to work with other brokerage firms to improve visibility of our company globally. In fact, we held a tour of Bloom Lake on March 27th with many research analysts expressing interest in our company.

In addition, we recently toured Australia in mid-March and presented our company to over 100 different prospect investors / brokers across the continent. Consequently, Champion's stock listing in Australia has seen improved trading volume reflecting domestic interest. We feel that investors in Australia greatly appreciate the scarcity of high-grade iron ore operations such as Champion.

On April 1st, Champion nominated David Cataford as CEO. This change is part of a long-term senior management transition, while Michael O'Keeffe remains an integral part of our management team as Executive Chairman.

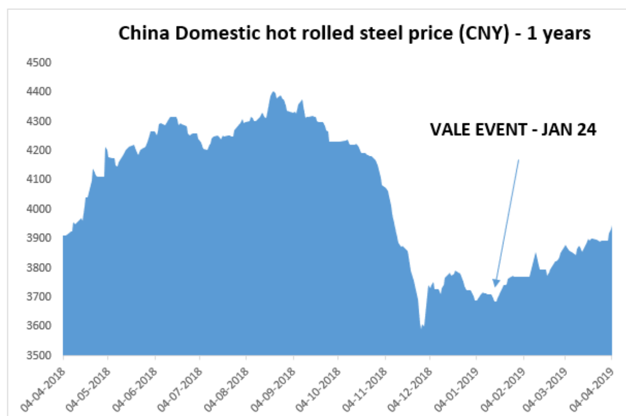
IRON ORE MARKET

The recent tragic events of VALE in Brazil has triggered many conversations with investors regarding the impact on the Iron ore market. As of most recent data available, VALE's anticipated impact of events amounts to 93Mtpa of iron ore and 11Mt of pellet capacity[1]. To help quantify this impact, the global seaborn market accounts for approximately 1,550 Mtpa. The P62 benchmark iron ore prices rose over 27% since the Feijao dam failure on January 24th. Interestingly, data shows that Brazilian exports have only recently been impacted by production curtailment. Despite the issues at Vale, year-to-date iron ore shipments from Brazilian ports are down a mere 0.1% y/y[2]. According to Wood Mackenzie, the impact on seaborne exports should be less severe than actual production impact, as Vale draws down inventory from numerous stocking and blending facilities around the world in its effort to meet customer obligations[3]. Recent additional factors, in addition to VALE, have further pressured the market, including cyclone Veronica impacting production in the Pilbara in early April. Public comments by producers account for roughly 20Mt of impacted production for 2019[4].

In addition, little indication points to heavy restocking from Chinese buyers following CNY. In light of lower margins and ongoing environmental restrictions in northern China, many mills were keeping a light feedstock inventory, buying only what was necessary from ports[5]. It is unclear to us how much longer Brazilian inventories can sustain healthy exports nor how long Chinese buyers can refrain from tapping the seaborn market more aggressively. Looking at many strategists' forecasts, the market now appears to be at a slight deficit or minor surplus for 2019, but recent price hikes clearly highlight how fragile the market has become.

Chinese steel mills saw their margins compress materially with the recent price hike in raw commodities. We have heard end-buyers drawing inventories of iron ore, waiting for prices to stabilize. In consequence, Chinese steel mills' iron ore inventories have fallen to historical lows according to *Mysteel data*[6]. The last few weeks have finally seen steel prices tick higher, which indicates an improved ability to pass along raw material price increases (Figure 1). It is no surprise that PLATTS has recently issued commentaries regarding a larger interest from buyers to restock iron ore inventories.

FIGURE 1[7]

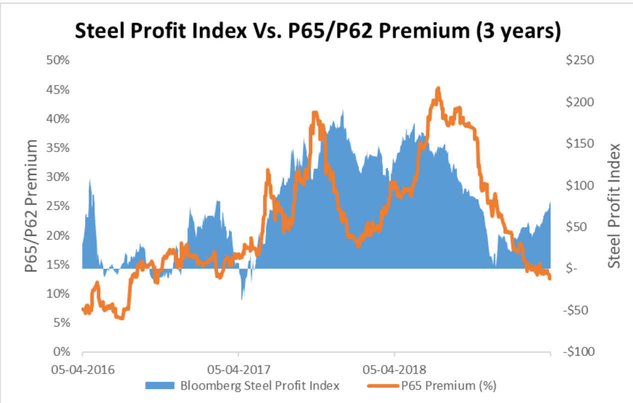


As of recently, we understand that steel mills have relied on lower quality products since the rise of the base P62 benchmark in an attempt to stabilise margins. No doubt lower quality material has seen a tighter discount given this increased demand. This, in turn, has triggered increased pollution in key Chinese steel producing states, which concluded in a forced curtailment of production imposed by authorities. Since late February, China's steelmaking hub of Tangshan has curtailed anywhere between 20% and 70% of sintering capacity due to poor air quality[8]. Since Tangshan accounts for 11% of China's steel-making capacity, such production reduction has likely contributed to improve recent steel prices denoted above.

Once mills will have stabilized operating margins, we are confident that a product of higher quality, such as the iron ore concentrate produced by Champion at 66.2% Fe, will once again attract a higher premium over the traditional P62 iron ore benchmark. It is important to note that many reports show mills are still operating profitably despite recent spikes in commodity prices. Such comments are enforced by the 'Bloomberg Steel Profit Index' (Figure 2).

While reminding investors that our product is sold using the P65 benchmark, we should also acknowledge the strong historical correlation between this steel profit index and the P65/P62 premium recognized in the market. As per this data, the steel profit index has improved in recent weeks without a reaction to the P65 premium. Overall, China steel economics appear resilient with no short-term reduction in output. In fact, Reuters indicated that China's National Bureau of Statistics reported total Chinese steel output for the two months ending February of 149.6 mm tonnes, up 9.2% from a year earlier[9].

FIGURE 2[7]

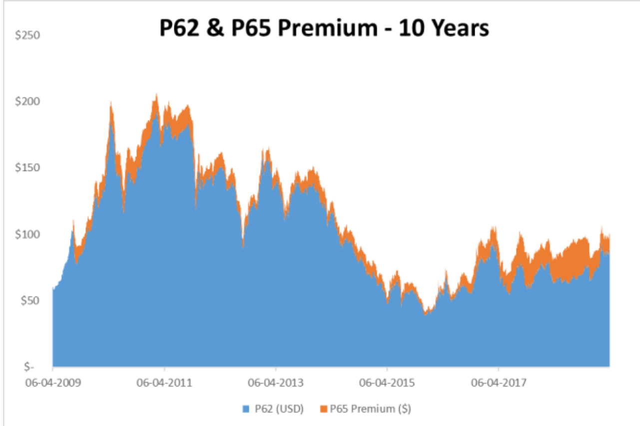


In the long-term, we remain confident that a structural shift is taking place with regards to the high-grade iron ore market. Not only is China imposing emission standards, but mills are now shifting to higher quality steel products to compete with markets such as Japan. This environment should continue to drive a strong premium for our product over cycles.

VALE is the largest player in the high-grade iron ore market with over 80% market share[10]. Although difficult to confirm, some investors commented to us that their blending strategy to mix higher quality ore from the northern system with lower quality ore from the southern system has stalled given most of their impacted mines are in the southern system. According to Wood Mackenzie (April 2019), this in turn would have increased tonnage of high-grade ore available in the seaborn market. This dynamic, in addition to mills relying more heavily on lower quality products discussed earlier, would have contributed to a reduction in the premium of high-grade products in the short term, but does not change structural shifts happening in the market as discussed earlier. Despite such a reduced premium for high quality products, Champion's benchmark price of P65 stands near a five-year high (Figure 3).

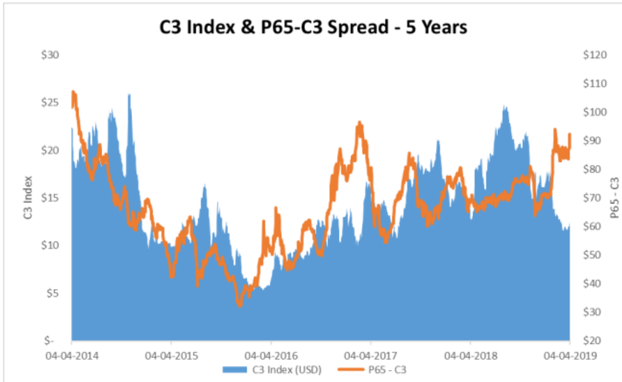
In addition, VALE's events appear to have increased issues with contaminants in the market regarding alumina content. We understand that VALE's southern system had very low alumina content. Consequently, as of late February, the Platts-assessed discount for an additional 1% of alumina nearly doubled, sitting over $5.2/t. Champion not only benefits from higher quality ore but also from sub-benchmark level contaminant exposure including alumina. In fact, our company has yet to receive any penalties for contaminants.

FIGURE 3[11]



Another impact of VALE's events relates to freight rates as VALE is one of the largest users of freight globally. The C3 benchmark, which quotes freight between Brazil-China, has decreased by nearly 25% since the tragedy on January 24th. Looking at the P65 price index less the C3 Freight index, upon which Champion bases its sales and freight cost, we are facing some of the best market prices seen in nearly five years (Figure 4). Adjusting this data for currency, Champion is actually facing near decade-high margins of P65 – C3.

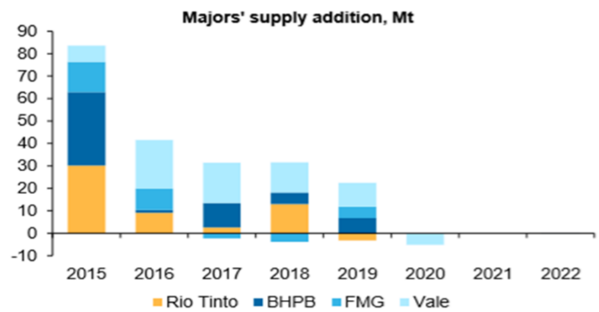
FIGURE 4[11]



Lastly, with regards to VALE's long-term impact on market dynamics, we would remind investors that concentrating high-grade iron ore requires substantial tailings management. Our view is that any future permitting globally will be further scrutinized by regulators and likely to see increased capital expenditures to address higher standards for tailings management. This alone is likely to reduce the amount of competing products in the years to come. We welcome you to visit our website to view a video highlighting our tailings management process which we believe is setting a new standard in the industry.

Despite recent increase in iron ore prices, we have yet to see any producers of importance proposing to increase supply. As per public comments by both BHP and RIO after VALE's incident, it does not appear that majors will look to rebalance the market and offset VALE's reduced supply at the current stage. Many believe that China will be instrumental in rebalancing the market for any deficits, while some data argue a break-even cost on P62 benchmark of US$75-85/t[12]. Overall, the outlook for new supply from majors remains constrained with limited projects sanctioned (Figure 5). Since this chart was made, Fortescue has sanctioned the Iron Bridge project for approximately 20Mtpa, being one of the first projects we have seen advance. Interestingly, along with the announcement to sanction Iron Bridge, Fortescue explained their view on the rising demand for higher quality products in the market, which confirms Champion's long-term view of an ongoing structural shift for a high-grade product.

FIGURE 5[7]



Source: IHS, Company Reports, Macquarie Commodity Strategy, December 2018.

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FORWARD-LOOKING INFORMATION

This newsletter includes certain information that may constitute "forward-looking information" under applicable Canadian securities legislation. All statements, other than statements of historical facts, included in this newsletter that address impact on iron ore and seaborn market, as well as future events, developments or performance that Champion expects to occur including management's expectations regarding (i) the Company's growth; (ii) the Company's exploration activities and programs; (iii) the potential resource estimate at the Powderhorn project; and (iii) the structural shift affecting the high-grade iron ore market 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 expected gains of the Corporation in the current situation. Although Champion believes the expectations 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: 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 and the risks and uncertainties discussed in the Company's MD&A for the year ended March 31, 2018, both available on SEDAR at www.sedar.com. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such forward-looking information. Accordingly, readers should not place undue reliance on forward-looking information. All of Champion's forward-looking information contained in this news release is given as of the date hereof and is based upon the opinions and estimates of Champion's management and information available to management as at the date hereof. Champion disclaims any intention or obligation to update or revise any of its forward-looking information, whether as a result of new information, future events or otherwise, except as required by law.

REFERENCES:

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[3] Wood Mackenzie, Global iron ore long-term outlook Q1 2019
[4] Miningnews.net, April 14, 2019
[5] Platts, March 21, 2019
[6] Macquarie, March 13, 2019
[7] Bloomberg
[8] Reuters, February & March 2019
[9] Reuters, March 15, 2019
[10] VALE Corporate Presentation, January 2018
[11] Platts
[12] Wood Mackenzie, April 2019