

June 4, 2019

NEWSLETTER

CHAMPION IRON 



TIER 1 MINING & DEVELOPMENT

CHAMPION IRON NEWSLETTER

Looking back at our last newsletter on April 15, 2019, our share price is up more than 20%. This strong performance is underpinned by robust iron ore prices as well as strong operational results released on April 30, 2019, creating resilient demand for our stock from new and existing investors globally.

MARKET FACING ACTIVITIES

Last week, we made major announcements where our company will acquire the remaining stake in Bloom Lake mine, entered into a long-term financing term sheet with Caisse de dépôt et placement du Québec and refinanced its long-term debt. Such transactions are expected to be completed in the summer of 2019.

Since our last newsletter, three new investment brokers have initiated research on our stock, helping to increase our company's visibility to investors on a global scale. Alongside such efforts, we travelled to NYC and Los Angeles for introductions to these firms' institutional clientele who demonstrated strong interest and expect to host some of the investment funds to our mining site in the coming weeks.

Following a recent trip to Australia, we felt that the investment community in the Australian market better appreciated the iron ore industry and thus the scarcity of our investment vehicle as an independent high-grade iron ore producer. We decided to use HotCopper in Australia to further promote our company, after which nearly 7,000 investors posted on our blog in the first week of engagement. Our stock trading volume has improved in the last few months, which had been a roadblock for some institutional funds to invest in our company, particularly in Australia. Working with some institutional brokers has enabled our stock liquidity to increase beyond requirement for many funds and may help us qualify for certain index inclusions over time.

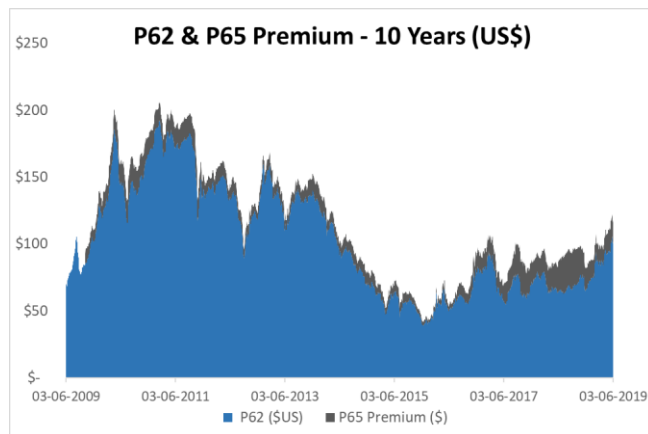
Lastly, we are proud to bring home a prestigious award from London as we attended the 2019 S&P Global Platts Global Metals Awards where Champion received the accolade of the "Rising Star Company Award". The judges honored Champion for its remarkable turnaround of Bloom Lake in such a short amount of time.

We welcome you to visit our website to view a new video addressing our safe tailings management process in addition to a recently posted corporate presentation.

IRON ORE MARKET OVERVIEW

Iron ore price has reached a five-year high following tragic events with VALE in Brazil late January (Figure 1). Most research commentary we have read in the last month have turned focus from supply disruption to inventory issues globally. Despite higher raw material prices, there is little sign of a slowdown in steel demand and steelmaker profitability appears to be resilient. It is interesting to note that P65 in Canadian dollar only sits ~20% below where our flagship asset, Bloom Lake, was once acquired in 2011 for C\$4.9 billion.

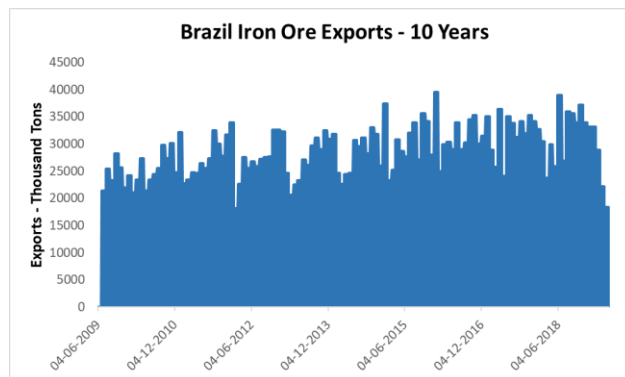
FIGURE 1¹



SUPPLY CONCERNS CONTINUE

As discussed in our prior newsletter, recent VALE events have left the market in a fragile supply situation. Despite an uptick in exports in May², Brazil's exports of iron ore fell to their lowest levels in seven years in April as the impact deepens from output curbs imposed on the country's largest producer³ (Figure 2). Despite some marginal production emerging globally from unconventional 2nd tier suppliers, we do not read about substantial supply emerging to offset recent events in the short term⁴.

FIGURE 2⁵



VALE's supply disruptions and timing to resume operations remain unclear to us. One of the largest affected operations, Brucutu complex, was authorized to resume operations on May 6⁶, only to be suspended again on May 9⁷. On their quarterly call, VALE's CFO commented that despite some expected operations to resume in the next six to twelve months, it will take the company two to three years to meet the initial production target set for 2019⁸. Despite some production likely to resume this year according to VALE's comments, uncertainty remains as to how much supply increase will become available in the spot market as VALE stated its priority to service the domestic Brazilian steel end-user demand⁹.

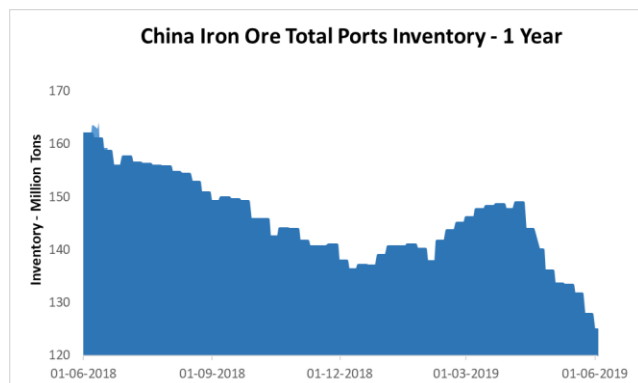
While it is difficult for us to assess when operations will resume at VALE's affected operations, Alexandre Vidigal de Oliveira, National Secretary of Brazil's Ministry of Mines and Energy, recently claimed in an interview to expect a return to normal operations in the medium-to-long term, but added that the outlook for next year was less clear¹⁰.

Regarding another potential supply response of scale, Rio Tinto Group, arguably the major with the most potential spare capacity, claimed they will decide by the end of the year whether to raise iron ore volumes amid supply disruptions¹¹. Despite some marginal increase in supply from India, we understand that heavier restrictions on export and rising steel demand have turned the country into a net importer for the first time last year. Now that the country is entering monsoon season, it is unlikely to see many tonnes appearing from the country until at least Q4¹². Overall, we simply do not see evidence of short-term capacity allowing to rebalance the market from VALE's events.

CHINA IRON ORE INVENTORIES

China inventories have become the focus of many analyst commentaries lately. As discussed in the prior newsletter, some mills have been drawing more aggressively from port inventories rather than purchasing in the seaborne market as prices soar post VALE's events. Recent comments from mills are that many are running at low inventories yet prefer to restock from ports as prices are said to be cheaper than seaborne cargoes¹³.

FIGURE 3⁵



Despite the above dynamic, Steelhome¹⁴ reports that iron ore port stocks have declined for the last 8 weeks, down 11.5% to 113.2mt. Furthermore, Steelhome claims that provisional shipment data suggests Chinese iron ore imports will be at depressed volumes through May and June before recovering in July. We acknowledge that port inventories are still elevated when looking at data for the last decade; we believe that the actual float of this inventory is likely much lower seeing that some materials are of ultra fine blend and difficult to process.

With the information provided to us, we feel the timing of exports from Brazil, having only collapsed in recent weeks, could further pressure Chinese port inventories in the short term as vessels complete deliveries.

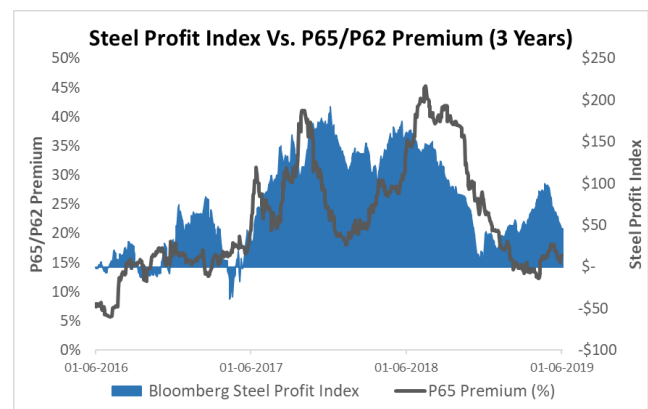
CHINA STEEL MARKET

With China importing approximately 70% of global seaborne iron ore, it is important to track the health of this steel market. China's crude steel production reached a record 85mmt in April, +12.7% YOY¹⁵. CISA's deputy director said that the Chinese steel demand in 2019 will exceed that of 2018, driven by housing, infrastructure and confidence in auto sales to rebound¹⁶, where some expect the government to introduce a subsidy to boost consumption in the near term¹⁷. Globally, the steel market remains sturdy where the World Steel Association¹⁸ reported a world production up 4.9% YOY in March.

While oversupply worries continue at the steel level, output restrictions remain in place in May in the country's largest steel-making hub, Tangshan, in order to manage emissions that remain elevated¹⁹. According to Shanghai Metals Market, further capacity cuts have been announced by authorities, reducing capacity from 134Mtpa to 100Mtpa in 2020 in Tangshan, further helping to balance the market²⁰.

Despite a recent setback, the Bloomberg Steel Profit Index suggests that Chinese steel making margins have improved slightly since the VALE incident despite higher raw material prices. In the past, we have commented our view that steel profit margins should somewhat correlate with the premium realized for our benchmark price index of P65 compared to the traditional P62 index. As such, the P65 premium has improved slightly in recent weeks, but remains low compared to recent history (Figure 4). We remain confident that our premium iron ore concentrate of 66.2% Fe will continue to attract a higher premium over time given structural shifts occurring in the steel-making industry, in particular regarding China's emission standards and ongoing shift in higher quality steel production in China.

FIGURE 4¹





David Cataford
CEO



Michael O'Keeffe
Executive Chairman of the Board

FOR FURTHER INFORMATION PLEASE CONTACT:

Michael Marcotte
Vice-President, Investor Relations
514-316-4858, Ext. 128
info@championironmines.com

FOR ADDITIONAL INFORMATION ON CHAMPION IRON LIMITED, PLEASE VISIT:

Our website at championiron.com

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 seaborne 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 structural shift affecting the high-grade iron ore market; (iv) the potential qualification and inclusion of certain index; (v) the demand for steel and steel making profitability; (vi) the emergency of additional iron ore supply; (vii) the premium we will obtain for our iron ore and (viii) the usability of ultra fine blends inventory in China 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.

Certain of the information in this newsletter has been obtained from external sources, studies or reports. While the Company believes this information to be reliable it has not independently verified such information and disclaims any liability pursuant to such information.

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