



QUARTERLY ACTIVITIES REPORT

CHAMPION IRON REPORTS THIRD QUARTER RESULTS

Strong profitability with Bloom Lake production continuing to track nameplate capacity while preparing for Phase II expansion project

Montreal, January 29, 2020 - Champion Iron Limited (TSX: CIA) (ASX: CIA) ("Champion" or the "Company") is pleased to announce strong operational and financial results for the third quarter ended December 31, 2019 of the fiscal year ending March 31, 2020.

For complete details of the unaudited Condensed Consolidated Financial Statements and associated Management's Discussion and Analysis, please refer to the Company's filings on SEDAR (www.sedar.com) or the Company's website (www.championiron.com). All amounts are in Canadian dollars unless otherwise indicated.

Conference Call Details

Champion will host a conference call and webcast at 8:30 AM EST (Montreal Time), on Wednesday, January 29, 2020 to discuss the third quarter results of the fiscal year ending March 31, 2020. Call details are outlined at the end of this news release.

1. HIGHLIGHTS

Operations

- Quarterly production of 1,832,800 wmt of high-grade 66.4% Fe iron ore concentrate, tracking favourably to the nameplate capacity of the Bloom Lake mine during a planned semi-annual shutdown period, compared to 1,791,300 wmt during the same period of the prior year;
- Quarterly recovery rate of 81.7% including a monthly recovery rate of 84.2% in December, which is close to the Company's all-time-high monthly recovery rate of 84.6%, compared to a recovery rate of 80.7% during the same period of the prior year; and
- Total cash cost¹ of \$54.2/dmt (US\$41.1/dmt) (C1) and an AISC¹ 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.

Financial

- Revenues of \$171.1M, an increase of 6.7% from the previous quarterly results, compared to \$147.5M in the same period of the prior year;
- EBITDA¹ totalling \$57.9M representing an EBITDA margin of 34%, compared to \$65.4M representing an EBITDA margin of 44% in the same period of the prior year;
- Net income of \$30.2M or \$0.07 earnings per share, compared to net income of \$31.2M or \$0.05 earnings per share in the same period of the prior year; and
- Invested \$50.9M at Bloom Lake mainly in connection with the Phase II expansion project and prepaid \$14.3M in municipal taxes to the city of Fermont, resulting in cash on hand² of \$187.6M as at December 31, 2019, compared to \$185.4M as at December 31, 2018.

Recent Developments

- On January 6, 2020, the Company announced a proposal to re-domicile from Australia to Canada which is expected to increase the attractiveness of the Company to a more diverse financial market including additional eligibility to indices globally.

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.

"With our high-quality product in rising demand, Bloom Lake continues to track its nameplate capacity, delivering strong profitability for our Company," commented David Cataford, Champion's CEO. "With this momentum, we continue to upgrade our processes to improve the reliability of our operations and advance critical items for our Phase II expansion project. Together with our strong partnerships, we are well-positioned to consider the completion of Phase II."

2. BLOOM LAKE MINE OPERATING ACTIVITIES³

	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 ¹	57,910	65,409	287,421	191,672
Statistics (in dollars per dmt sold)				
Average realized selling price ¹	89.0	86.2	107.1	87.9
Total cash cost (C1 cash cost) ¹	54.2	49.4	52.3	49.7
All-in sustaining cost ¹	62.2	55.5	63.7	56.0
Cash operating margin ¹	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 gates 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 gates 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.

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.

3. 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 Platts TSI IODEX 62% Fe CFR China Index ("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 Platts IO Fines 65% Fe CFR China Index ("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.

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 cost¹ or C1 cash cost¹ per tonne totalled \$54.2/dmt, compared to \$49.4/dmt in the same period of the previous year. The C1 cash-cost¹ 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 cost¹ of \$52.3/dmt compared to \$49.7/dmt in the previous year. The C1 cash cost¹ 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").

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.

G. Net Income (Loss) & EBITDA¹

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 EBITDA¹ of \$57,910,000, representing an EBITDA¹ margin of 34%, compared to an EBITDA¹ of \$65,409,000, representing an EBITDA¹ 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 EBITDA¹ of \$287,421,000 representing an EBITDA¹ margin of 47%, compared to an EBITDA¹ of \$191,672,000, representing an EBITDA¹ 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 income¹ of \$154,340,000 and an adjusted EPS¹ of \$0.27 for the nine-month period ended December 31, 2019.

H. All-In Sustaining Cost¹ and Cash Operating Margin¹

The Company believes that the AISC¹ and cash operating margin¹ 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 AISC¹ as the total costs associated with producing iron ore concentrate. The Company's AISC¹ 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 AISC¹ of \$62.2/dmt compared to \$55.5/dmt in the same period last year. In addition to the C1 cash costs¹ 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 AISC¹ of \$62.2/dmt from the realized average selling price¹ of \$89.0/dmt, the Company generated a cash operating margin¹ 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 AISC¹ of \$63.7/dmt compared to \$56.0/dmt in the same period of last year. Despite a higher AISC¹, the cash operating margin¹ 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.

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.

4. CONFERENCE CALL AND WEBCAST INFORMATION

A webcast and conference call to discuss these results will be held on Wednesday, January 29, 2020, at 8:30 AM EST (Montreal Time). Listeners may access a live webcast of the conference call from the Investors section of the Company's website at www.championiron.com or by dialing toll free 1-888-390-0546 within North America or +1-888-076-068 from Australia.

An online archive of the webcast will be available by accessing the Company's website at www.championiron.com. A telephone replay will be available for one week after the call by dialing +1-888-390-0541 within North America or +1-416-764-8677 overseas, and entering passcode 481324#.

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 the MD&A for the period ending December 31, 2019, 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

³ 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.

About Champion Iron Limited

Champion is a producing iron development and exploration company, focused on developing its significant iron resources in the south end of the Labrador Trough in the province of Quebec. Following the acquisition of its flagship asset, the Bloom Lake iron ore property, the Company implemented upgrades to the mine and processing infrastructure and has partnered in projects associated with improving access to global iron markets, including rail and port infrastructure initiatives with government and other key industry and community stakeholders. Champion's management team includes professionals with mine development and operations expertise, who also have vast experience from geotechnical work to green field development, brown field management including logistics development and financing of all stages in the mining industry.

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For additional information on Champion Iron Limited, please visit our website at: www.championiron.com.

Forward-Looking information

This news release 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 news release that address future events, developments or performance that Champion expects to occur including management's expectations regarding (i) the Company's growth; (ii) the increase of the plant capacity and reliability; (iii) the benefits of the proposed re-domiciliation from Australia to Canada; and (iv) the improvement of SFPPN's operational efficiency and associated reduction in port operation costs; 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. 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: 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 and uncertainties discussed in the Company's MD&A for the year ended March 31, 2019, 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 press 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.