Champion Iron Reports Strong FY2019 Third Quarter Results

14.02.2019 | CNW

Achieves record monthly production of 697,700 wmt and strong operating cash flow of $89 million for the quarter

MONTREAL, Feb. 14, 2019 - Champion Iron Ltd. (TSX: CIA) (ASX: CIA) ("Champion" or the "Company") is pleased to
operational and financial results for the third quarter ended December 31, 2018.

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

1. HIGHLIGHTS

Operations

- Production of 1,791,300 wmt of high-grade 66.4% iron ore concentrate and 5,815,800 wmt since the mine comme operations in February 2018;
- Total cash cost[1] of $49.4/dmt (C1) and an all-in sustaining cost[1] of $55.5/dmt.

Financial

- Net income of $31.2 million for the quarter and $119.4 million for the nine-month period ended December 31, 201
- Revenues of $147.5 million for the third quarter and $473.0 million for the nine-month period ended December 31
- Operating cash flow[2] totalling $89.1 million for the quarter and $138.7 million for the nine-month period ended December 31, 2018;
- Cash on hand[3] of $185 million as of December 31, 2018, an increase of $160 million compared to cash on hand as of April 1, 2018.

"We are extremely pleased with the strong performance delivered by the operations team again this quarter which inclu
monthly production in October 2018 of 697,700 wmt of high-grade iron ore," commented Chairman and CEO Michael O
company remains unhedged and looking ahead, the iron ore market looks favourable, which positions us well to take a
servicing the high-grade iron ore market." continued Mr. O'Keeffe.

2. BLOOM LAKE MINE OPERATING ACTIVITIES[4]

	Three Months Ended		Three Months Ended		Nine Months Ended	
	June 30,	September 30,	December 31,		December 31,	
	2018	2018	2018	2017	2018	2017
Operating Data						
Waste mined (wmt)	3,372,900	2,978,400	3,847,100	1,973,300	10,198,400	1,973,300
Ore mined (wmt)	4,647,900	5,204,900	4,883,400	574,800	14,736,200	574,800
Strip ratio	0.7	0.6	0.8	3.4	0.7	3.4
Ore milled (wmt)	4,244,000	4,964,200	4,531,400	—	13,739,600	—
Head grade (g/t)	31.1	32.0	32.1	—	31.8	—
Recovery (%)	77.1	79.6	80.7	—	79.2	—
% Fe	66.5	66.6	66.4	—	66.5	—
Iron ore concentrate produced (wmt)	1,542,900	1,858,300	1,791,300	—	5,192,500	—
Iron ore concentrate sold (dmt)	1,740,400	1,931,700	1,711,500	—	5,383,600	—
Financial Data (in thousands of dollars)						
Revenues	150,741	174,678	147,546	—	472,965	—
Cost of sales	95,767	87,265	84,482	—	267,515	—
Other expenses	10,032	6,091	(2,345)	38,422	13,778	59,148
Net finance cost	14,239	7,106	9,279	14,502	30,624	15,606
Net income	20,748	67,497	31,199	(54,015)	119,444	(78,026)
EBITDA[1]	44,942	81,321	65,409	(38,422)	191,672	(59,148)
Statistics (in dollars per dmt sold)						
Average realized selling price[1]	86.6	90.4	86.2	—	87.9	—
Total cash cost (C1 cash cost)[1]	55.0	45.2	49.4	—	49.7	—
All-in sustaining cost[1]	59.9	52.9	55.5	—	56.0	—
Cash operating margin[1]	26.7	37.5	30.7	—	31.9	—

Operational Performance

During the quarter, 8.7 million tonnes of material were mined, representing an increase of 7% over the previous quarter. The increase reflects the focus on waste removal during the planned major shutdown of the plant which contributed to a higher strip ratio and higher pre-stripping capital expenditures quarter over quarter.

The plant processed 4,531,400 tonnes of ore during the third quarter, achieving a monthly production record of 697,700 wmt in October. The production for the period was impacted by the planned semi-annual shutdown of 8 days and by an additional 12 days to redesign and modify the crushed ore warehouse chute located between the inland conveyor and the mill. These factors contributed to the variation of 8.7% when compared to the previous quarter. The scheduled major shutdown was the first completed since Bloom Lake achieved commercial production.

The recovery circuit continues to be optimized resulting in an average recovery rate above 80% for the quarter. As the recovery rate continues to improve every quarter reaching recovery rates as high as 86%, the Company is confident that it will achieve the target recovery rate of 83% once the whole circuit has been adjusted.

Based on the foregoing, the Company produced 1,791,300 wmt of high-grade 66.4% iron concentrate during the third quarter ended December 31, 2018 for a total of 5,192,500 wmt of 66.5% iron concentrate for the nine-month period ended December 31, 2018.

3. FINANCIAL PERFORMANCE

A. Revenues

During the three-month period ended December 31, 2018, a total of 1,711,500 tonnes of high-grade iron ore concentrate were sold at a CFR China gross realized price of US$91.6/dmt before shipping. The gross sales price of US$91.6/dmt represents a premium of 27.9% over the benchmark P62 price compared to a premium of 38% in the previous quarter as the price of the P62 strengthened by 7% during the quarter. Deducting sea freight cost of US$26.1/dmt, the Company obtained an average realized price of US$65.5 per tonne (CA$86.2 per tonne) for its high-grade iron ore delivered to the end customer. As a result, revenues totaled $147,546,000 for the period. The sales variation compared to the prior quarter relates to the lower production resulting from the planned major shutdown and the unplanned downtime as well as higher ocean freight costs associated with the winter season.

For the nine-month period ended December 31, 2018, the Company sold 5.4 million tonnes of iron ore concentrate shipped to end customers located in China, Europe, Japan and the Middle East in 31 ChinaMax and Capesize vessels. The Company realized revenues of $472,965,000 during its first nine months of operations for a CFR China gross realized price of US$91.2 per tonne before shipping or US$67.4 per tonne (CA$ 87.9 per tonne) net of sea freight. There are no revenues for the comparative periods as the Company shipped its first vessel of iron ore concentrate on April 1, 2018.

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, 2018, the total cash cost[1]or C1 cash cost[1] per tonne totalled $49.4/dmt. Higher costs compared to the previous quarter stems from fixed costs over lower volume resulting from the planned and unplanned downtime.

For the three first quarters of operations, the Company achieved a total cash cost[1] of $49.7/dmt. The C1[1] cost reflects the impacts of the inefficiencies of the ramp-up period, the delays associated with the completion of the first major planned shutdown since the Company started its operations, combined with an unplanned shutdown during the first winter season.

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

The Company's net income for the three-month period ended December 31, 2018 totaled $31,199,000. The

Government of the province of Quebec, through Ressources Québec, Canada holds a 36.8% interest in Quebec Iron Ore Inc. ("QIO") and as such, is considered Champion's non-controlling interest. The Company holds the remaining interest in QIO. The net income attributable to the Company's shareholders totaled $21,672,000 representing $0.05 earnings per share compared to a loss of $37,341,000 representing a loss of $0.09 per share for the three-month period ended December 31, 2017. The variation period over period is associated with the start of the commercialization on April 1, 2018.

For the nine-month period ended December 31, 2018, the Company generated a net income of $119,444,000 translating to earnings per share of $0.18. A net loss of $78,026,000 or a loss of $0.14 per share was realized in the nine-month period ended December 31, 2017 as the Company completed its construction in February 2018 and shipped its first vessel of iron ore on April 1, 2018.

As a result, during the third quarter ended December 31, 2018, the Company generated an EBITDA[1] of $65,409,000 or 44% and $191,672,000 or 41% for the nine-month period ended December 31, 2018.

D. All-in sustaining cost[1] and cash operating margin[1]

The Company believes that the all-in sustaining costs[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 all-in sustaining cost ("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 dmt sold to arrive at a per dmt figure.

During the quarter, the Company realized an AISC[1] of $55.5/dmt compared to $52.9/dmt in the previous quarter. The variation between quarters is mainly due to higher production costs per unit as a result of lower production and lower volume sold. Sustaining capital expenditures included in the AISC[1] decreased by 48% from $12,875,000 to $6,646,000 for the quarter ended December 31, 2018 due to reduced efforts on the water and tailing facilities during the winter. Higher corporate expenditures reflect additional expenses and corporate personnel hired to position the Company for growth.

Since the start of its operating activities, the Company produced high-grade iron concentrate at an AISC[1] of $56.0/dmt.

For the third quarter ended December 31, 2018, deducting the AISC[1] of $55.5/dmt from the realized average selling price[1] of $86.2/dmt, the Company generated a cash operating margin[1] of $30.7 for each tonne of high-grade iron concentrate sold. For the nine-month period ended December 31, 2018 the Company generated a cash operating margin[1] of $31.9/dmt.

4. ORGANIC GROWTH

Champion's board of directors has approved a budget to complete a feasibility study ("Feasibility Study") with respect to a potential expansion of the operations at its flagship asset the Bloom Lake mine ("Phase II"). The proposed expansion would mainly involve the completion of construction work on a processing plant and other supporting infrastructure which was interrupted in November 2012 by the mine's previous owner. The expansion aims at doubling the current operational production capacity of 7.5 million tonnes of high-grade 66% iron concentrate.

During the three months ended December 31, 2018, the Company continued with the Feasibility Study and a significant milestone was completed in the beginning of December with respect to the permitting process with the submission of the Option Analysis Report to Environment Canada. The Company aims at publishing the Feasibility Study by the summer of 2019. Pending a positive decision resulting from an economical feasibility study, construction could start in late 2019 or early 2020 with first production as early as 2021. Phase II could potentially create over 500 jobs during construction and 200 permanent operational jobs.

During the quarter, expenditures totalling $2,140,000 were incurred for the Bloom Lake mine Phase II Feasibility Study.

5. EXPLORATION ACTIVITIES

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

Exploration Program for the quarter ended December 31, 2018

Assays are still pending following the 9,600 meters drilling program at Powderhorn which was completed in December. Given the encouraging results previously reported by the Company, a further 4,000 meters of drilling commenced in January, designed to benefit from the winter conditions, thereby preventing environmental damage to the wetlands. The exploration program at Powderhorn targets the same volcanic units that host the Buchans Mine, located 60 km away, a rich volcanogenic massive sulphide deposit. To date, approximately 14,000 metres have been drilled. During the quarter ended December 31, 2018, $1,117,000 in expenditures were incurred for the Powderhorn property.

At the Company's Fermont holdings, samples collected during the 2018 drilling at the Peppler Lake property will be submitted for metallurgical testing in the first half of 2019. Drill results will also be used for geological modeling and an update of historical resources.

6. CONFERENCE CALL AND WEBCAST INFORMATION

A webcast and conference call to discuss these results will be held on Thursday, February 14, 2019, at 4:00 PM Eastern 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 702570 #.

Notes:

[1] The Company provides some non-IFRS measures as supplementary information that management believes may be useful to investors to explain the Company's financial results. Please refer to note 15 Non-IFRS financial performance measures of the Company's MD&A dated February 13, 2019, available on the Company's website at www.championiron.com or on SEDAR at www.sedar.com for reconciliation of these measures.

[2] Operating cash flow includes change in non-cash operating working capital.

[3] Cash on hand includes cash and cash equivalents and short-term investments.

[4] The Company considers that pre-commercial production operations at the Bloom Lake mine commenced on April 1, 2018 upon 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.

For additional information on Champion Iron Ltd., 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 recovery rate; (ii) the Company's growth; (iii) the Company's exploration activities and programs; (iv) the potential expansion of the operations at Champion's flagship asset the Bloom Lake mine; (v) the estimated future operation capacity of the Bloom Lake mine; (vi) the anticipated construction schedule for a potential expansion of the Bloom Lake mine; (vii) the anticipated production schedule for such potential expansion of the Bloom Lake mine; (viii) the potential job creation related to the Bloom Lake mine; and (ix) the estimated date of publication of the feasibility study; 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 the feasibility study; project delays; continued availability of capital and financing and general economic, market or business conditions; general economic, competitive, political and social uncertainties; future prices of Iron Ore; failure of plant, equipment or processes to operate as anticipated; delays in obtaining governmental approvals, necessary permitting or in the completion of development or construction activities, as well as those factors discussed in the section entitled "Risk Factors" of the Company's 2018 Annual Information Form 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 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.

SOURCE Champion Iron Ltd.

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