

Champion Iron Announces Refinancing to Optimize Capital Structure and Transaction to Acquire 100% of Bloom Lake

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MONTREAL, May 29, 2019 - [Champion Iron Ltd.](#) (TSX: CIA) (ASX: CIA) ("Champion" or the "Company") is pleased to announce that its subsidiary Québec Iron Ore Inc. ("QIO"), operator of the Bloom Lake Mining Complex, has concluded an agreement in principal with la Caisse de dépôt et placement du Québec ("CDPQ") for a preferred share offering of C\$185 million plus a commitment for a fully underwritten US\$200 million credit facility with The Bank of Nova Scotia ("Scotiabank") and Societe Generale ("SocGen"). The proceeds of such financings will be used to fund strategic initiatives and to refinance QIO's current outstanding credit facilities, thereby significantly reducing their carrying costs. In addition, Champion is pleased to report that its subsidiary QIO has concluded an agreement with the government of Québec, through its agent Ressources Québec Inc. ("RQ"), to acquire RQ's 36.8% equity interest in QIO for a total cash consideration of C\$211 million (the "Transaction"). The Transaction would increase Champion's stake in QIO to 100%.

Conference Call Details

Champion will host a conference call and webcast at 9:00 AM, Eastern Time, on Wednesday May 29, 2019 to discuss the capital restructuring and the Transaction. Call details are outlined at the end of this news release.

Commenting on the Transaction and capital restructuring, David Cataford, CEO of Champion, said, "Modifying the capital structure of Champion will provide substantial cost savings to our company. We are thrilled to see CDPQ continue to support our growth initiatives and count on new financial partners like Scotiabank and Societe Generale. Their confidence in our company is extremely motivating. Increasing our ownership of Bloom Lake to 100% is a prudent use of our capital, given the proven production and cash flow generation this project has delivered. Champion is very fortunate to be operating in a jurisdiction which has provided us with timely support. We thank the government of Québec for believing in the project when capital was scarce, and we are proud to be able to deliver them excellent returns for their initial investment. Finally, we are pleased to continue our partnership with the government of Québec through its mandatory, Ressources Québec, as a key shareholder of our publicly listed entity, [Champion Iron Ltd.](#)"

Transaction Highlights

The Transaction is expected to be immediately accretive on key operating and financial metrics, including earnings, EBITDA and operating cash flow per share. The Transaction utilizes Champion's balance sheet strength while maintaining low financial leverage. The Transaction is expected to allow the increase of allocated production to Champion by approximately 2.75 Mtpa of high-grade iron ore. The closing of the Transaction is anticipated to occur in the summer of 2019 and is subject to customary conditions as well as to the procurement by QIO of the necessary financing as described herein. The Transaction will be funded from proceeds of newly refinanced facilities in addition to cash on hand.

Capital Restructuring Highlights

- Significantly reduces cost of debt – At current effective rates, the new debt facility weighted average cost of debt ranges between 6.88% and 7.67% depending on the Company's EBITDA compared to a weighted average cost of debt between 12.37% and 14.75% for the current credit facilities put in place to finance the Bloom Lake restart in October 2017.
- Fully underwritten by sophisticated global financiers – Scotiabank and SocGen have partnered as Joint Lead Arrangers, Joint Bookrunners and Co-Underwriters.
- Maintains CDPQ as strategic partner – CDPQ's total commitment to our Company increases by approximately C\$57 million, from US\$100 million of long-term debt to C\$185 million as preferred shares.

- Improves balance sheet flexibility – Compared to QIO's current long-term debt facilities, this loan facility bears less covenants, further enabling the Company to contemplate organic growth opportunities and greater flexibility.

QIO has entered into an agreement in principal for the issuance of perpetual preferred shares with CDPQ for total proceeds of C\$185 million (the "Investment"). Proceeds from the Investment will be used to fund current and future strategic initiatives and repay CDPQ's existing subordinated credit facility held by QIO of C\$128 million (US\$100 million). The dividend rate associated with the preferred shares will be based on the gross realized iron price and will fluctuate from 9.25% when the gross realized iron price for Bloom Lake 66.2% iron ore is greater than US\$85/t to 13.25% should the gross realized iron ore price decrease below US\$65/t. CDPQ's investment is subject to customary conditions as well as the repayment of the current CDPQ subordinated credit facility granted to QIO, receipt of all required regulatory approval and the issuance of 15 million warrants of Champion to CDPQ with an exercise price of C\$2.45 and a 7-year term.

In addition, QIO has signed a commitment letter with Scotiabank and SocGen for a fully underwritten US\$200 million credit facility (the "Loan Facility"). Upon completion and execution of the final loan documentation, the Loan Facility will be available by way of a US\$180 million senior secured fully amortizing non-revolving credit facility (the "Term Facility") in addition to a US\$20 million senior secured revolving credit facility (the "Revolving Facility"). The Loan Facility will bear interest between LIBOR plus 2.85% if the net debt to EBITDA ratio is lower or equal to 1.00x to LIBOR plus 3.75% if the net debt to EBITDA ratio is greater than 2.50x. The Term Facility will mature five years from the closing date while the Revolving Facility will mature three years from the closing date. The Loan Facility funds will be used to repay outstanding long-term debt instruments in the aggregate amount of US\$103 million previously made available by Glencore International AG and Sprott Private Resource Lending (Collector) LP and to fund current and future strategic initiatives. The Term Facility shall be repaid in equal quarterly installments of principal and accrued interest starting on the second full year following the closing date and is not subject to prepayment penalties. The Loan Facility includes standard and customary finance terms and conditions including with respect to fees, representations, warranties, covenants and conditions precedent prior to closing. Closing of the Loan Facility, which is not subject to further technical due diligence, is anticipated to occur in the summer of 2019.

Conference Call and Webcast Information

A conference call and webcast to discuss today's announcement will be held on Wednesday, May 29, 2019, at 9:00 AM 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 +1-800-076-068 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 796369#.

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 Québec. 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.](http://www.championiron.com), 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 Transaction, its proposed terms and its financing; (ii) the Loan Facility and its proposed terms; (iii) cost savings and growth plans; (iv) deemed accretion on key operating and financial metrics; (v) the timing of release of feasibility study; (vi) the potential expansion of the operations at Champion's flagship asset the Bloom Lake mine; (vii) the estimated future

operation capacity of the Bloom Lake mine; and (viii) the increase of allocated production 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.

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