Perfectly positioned for China's iron ore market

METALS & MINING | INDUSTRIAL METALS & MINERALS

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Mining is a cyclical industry. There are no secrets here. With the long time-cycle required to bring a new mining project online, the story is always the same.

There is a spike in demand for a particular metal, leading to a shortfall in supply. The mining industry responds to this surge in demand by bringing new production online (eventually). Because the supply response is on a company-by-company basis rather than being a coordinated strategy, this response is uneven.

After several years just to *begin* ramping up supply, many different companies bring new projects online all at once. At some point, a supply deficit turns into a supply surplus. By this point, however, several other projects have already been financed to construction, and even more new supply comes online.

A surplus turns into a glut, and a bull market for a particular metal becomes a bear market. Such cycles are almost inevitable. Given this reality, the question becomes: how do mining companies – especially junior miners with limited resources – weather these cyclical downturns?

This is a question that mining executives have been attempting to answer for decades, generally without a lot of success. **Century Global Commodities Corp.** (TSX: CNT, OTCQB: CEUMF, Forum) is one junior mining company which believes it has come up with a good answer to that question.

This TSX-listed junior mining company specializes in iron ore exploration and development. The iron ore sector is one of the most cyclical of all metals markets. These more dramatic peaks and troughs are a combination of two factors:

a. Massive global demand for iron ore
b. A multitude of very large iron ore deposits

Being a very large market means that any surge in demand translates into the need for *millions of tonnes* of new supply, per year. The existence of many large iron ore deposits means that when the mining industry starts ramping up, the supply of iron ore from a relatively small number of new projects can dramatically increase overall supply.

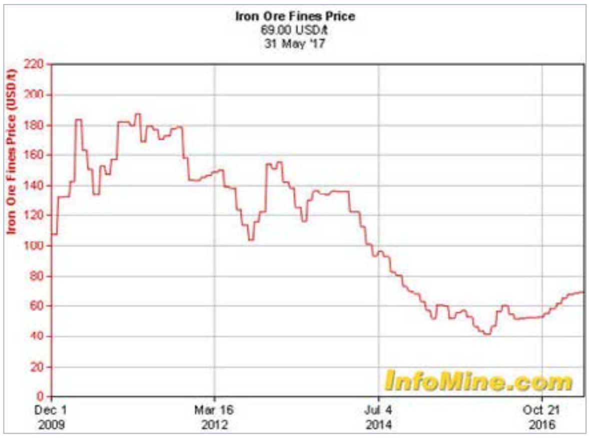


Chart used courtesy of Infomine.com

After the price of iron ore peaked in 2009 at more than $180/tonne (USD), the sector moved down from that bull market to a precipitous trough. Prices bottomed near the end of 2015 at slightly more than $40/tonne (USD).

Since that time, iron ore prices have been creeping higher. But fundamentals are still a mixed bag. On the one hand, imports of iron ore into China this year are on track to set a new, all-time record. On the other hand, inventory levels in Chinese ports have also hit a new record.

Without any clear indication that this current bear market has ended, what should iron ore juniors be doing to get through the remainder of this downturn? Sandy Chim, CEO of CNT has an answer to that question: diversification – outside of mining.

The problem is that with mining being a cyclical industry, many metals often rise/fall together in terms of the mining cycle. Thus adding mining operations in an additional metals sub-sector offers no protection from the mining cycle. What is needed is to diversify into sectors which are either counter-cyclical to mining, or at least completely independent of that cycle.

For Century Global, the Company chose food distribution, also aimed at China's huge market. It's *not* a conventional business strategy for a mining company. An iron ore company that is also selling food may be a difficult strategy for mining investors to digest. But just look at the bottom line.

In the fiscal year ended March 31, 2017; the Company recorded revenues of nearly $1.5 million for its food operations, with a profit margin

For the year ended March 31, 2017	Mining & Investment $	Food & Distribution $	Business Development $	Corporate & Others $	Total $
Segment revenue					
Sales to external customers	-	1,425,424	-	-	1,425,424
Segment profit or loss					
Gross profit	-	350,015	-	-	350,015
Income and gains:					
Interest income	-	-	-	254,549	254,549
Gain from sale of assets classified as held for sale	399,955	-	-	-	399,955
Other income or gains	80,198	17,808	-	2,702	100,708
	480,153	17,808	-	257,251	755,212

well above 20%. China's food industry (in general) and meat market (in particular) offer tremendous growth potential going forward.

In the meantime, investors certainly can't forget about CNT's iron ore operations. The fact that Century Global has a full TSX listing speaks to the quality of the Company's iron ore assets and the stability of its operations.

CNT boasts a robust portfolio of advanced-stage iron ore projects, situated in the Quebec-Labrador region – an area known for its vast iron ore resources and political stability. Century Global's flagship project is the Joyce Lake DSO Project.

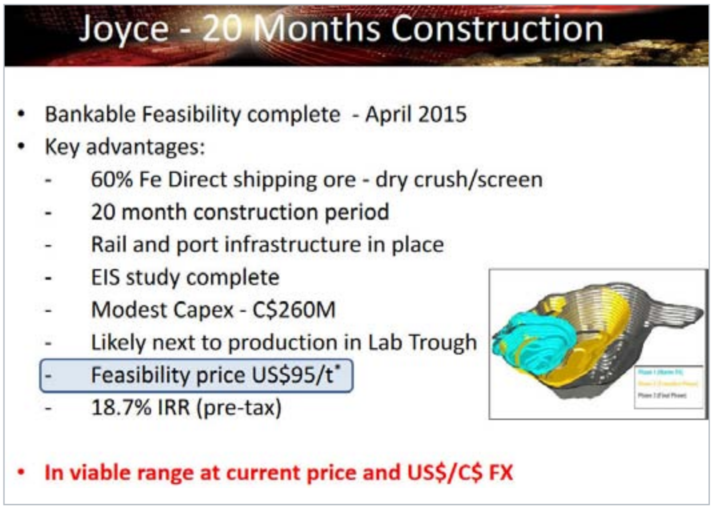
Resource and Reserves	
P+P Reserve	17.7 Mt
P+P Reserve Grade	59.7% Fe
Mining and Costs	
Mining Type	Open Pit
LoM Average Production	2.5 Mt DSO/year
Strip Ratio	4.09
Life of Mine (LoM)	7 years
Capex	C$259.6M
Opex	C$58/dmt (FOB Sept-Iles)
Shipping	US$15/wmt to China
Selling and Financial Evaluation	
Price Assumptions	US$95/dmt, 62% Fe, CFR China
NPV (pre-tax)	C$140M @ 8%
IRR (pre-tax)	18.5%
IRR (post-tax)	13.7%

Several attractive qualities of this project stand out. For an iron ore deposit, the cap ex required to go into production is relatively modest: $259.6 million (CAD). Cash costs for iron production are also low, approximately C$58/dmt (dry metric tonne). The low cap ex and op ex are both a function of the grades and quality of the ore at Joyce Lake.

Not only are the reserve grades of iron 60%, but the ore is very amenable to processing, hence it is a "DSO" project (direct shipping ore). This means that only basic dry crushing and screening is necessary and then it is ready to ship.

With a mere 20 months needed for mine construction, Joyce Lake represents near-term production potential. The project has already progressed through the bankable feasibility study stage, the environmental impact study has been completed, and Joyce Lake is ready for final permitting.

Waiting in the wings are several other advanced-stage iron ore projects. Joyce Lake is relatively modest in size in comparison to many of



Mineral Resource Estimates

	Phase I	Next Phases				
	Joyce Lake	Black Bird	Hayot Lake	Full Moon	Duncan Lake	Total
	DSO	DSO	Taconite	Taconite	Magnetite	
Measured & Indicated[1,2]	24.3 Mt[3]	1.6 Mt	—	7.3 Bt	1.1 Bt	**8.4 Bt**
Inferred[1,2]	0.8 Mt	8.6 Mt	1.7 Bt	8.7 Bt	0.6 Bt	**11.0 Bt**
Status	Feasibility	NI43-101	NI43-101	PEA	PEA	
NPV 8% (C$)	$130.8M	—	—	$5.8B	$4.1B	**$10.0B**

1.Represents 100% basis at the project level
2.As per NI 43-101 technical reports filed on SEDAR
3.Inclusive of Proven & Probable resources of 17.7 Mt

the world's iron ore mines. However, several of the Company's other projects are nothing short of world-class.

Joyce Lake has current Measured and Indicated resources totaling 24.3 million tonnes. It's slated first for development because of its particularly attractive fundamentals. However, Hayot Lake, Full Moon, and Duncan Lake are all *billion tonne* resources. Full Moon, in particular, is a monster project.

Full Moon boasts Measured & Indicated resources of 7.3 billion tonnes. It hosts an additional Inferred resource of 8.7 billion tonnes. The project has already been advanced to a preliminary economic assessment (PEA), completed in 2015.

With an extremely low strip ratio (0.1:1), the op-ex for this project is very attractive at an estimated $49.85/dmt (CAD) – even lower than Joyce Lake. Not surprisingly, cap-ex costs for this project are much greater. Capital expenditures necessary to bring the Full Moon project to production are estimated at more than $7 billion (CAD). Putting this into perspective, even at its projected production level of 20 million tonnes of iron ore concentrate per year, with this mammoth resource Full Moon has **an estimated mine life of 290 years.**

Obviously, Full Moon is not a project which will be moving to production under the current fundamentals in the iron ore (and steel) market. This is a project where the appeal to larger mining companies and end users will rise commensurately with the price of iron ore. As the mining cycle reverts back from bear market to bull market, this massive project with its low op-ex will very likely find a buyer.

Predicting when the next bull market will arrive for iron ore is a subject in which management takes a very active interest. The Company has done several industry presentations on this subject, most recently in October 2015.

The next bull market for iron ore can be abbreviated to one word: China. China is the destination for roughly 70% of all seaborne shipments of iron ore, globally. This overwhelming demand dominance is a function of two crucial economic fundamentals:

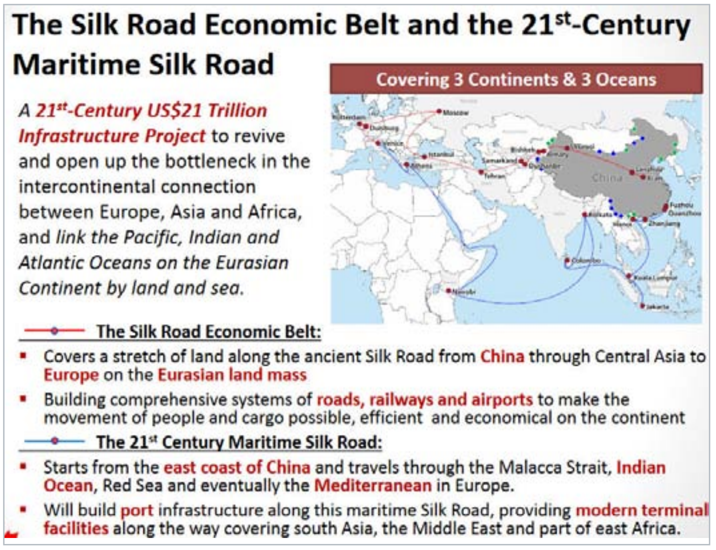
a. China is the world's manufacturing powerhouse.
b. With the world's largest population and steadily rising income levels, China's economy is now generating enormous domestic demand.

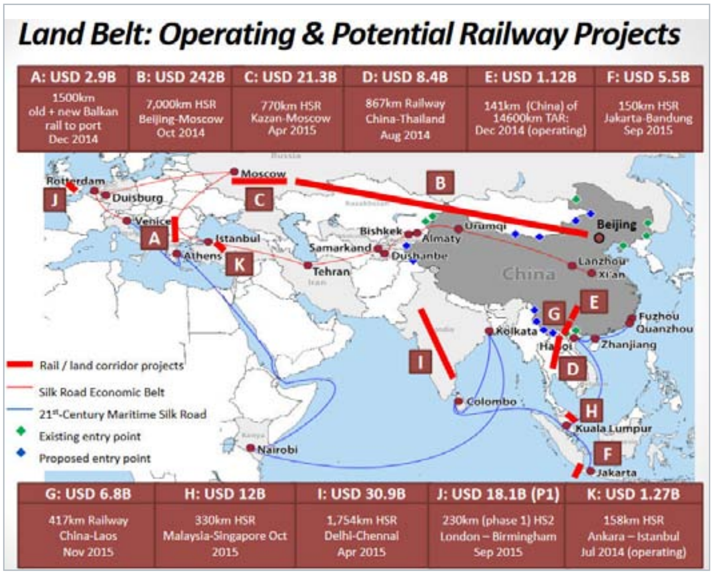
However, even beyond these factors there is China's "Belt and Road" initiative. **Belt-and-Road is nothing less than the paramount global infrastructure initiative of the 21st century.** It dwarfs any/all other infrastructure planning anywhere else on the planet, with total investment estimated at **$21 trillion (USD).**

The Belt and Road initiative is China's detailed plan to economically integrate and elevate the economies of the Asian continent through massive investment in transportation and economic infrastructure. Along with this are additional investments in port infrastructure, in order to improve trade ties with Europe and Africa.

All infrastructure requires enormous quantities of steel as a construction input, and manufacturing all of that steel will require massive tonnages of iron ore. The next bull market for iron ore is just as much of a certainty as the Belt and Road initiative itself. However, CNT's management is leaving nothing to chance.

The Company has world-class iron ore projects, with a starter project





(Joyce Lake) ready to move to production as soon as iron ore begins to move into its next up-cycle. It has a strategic diversification strategy designed to minimize shareholder dilution as the industry moves through the tail end of this bear market. CNT is also well-financed, with current working capital in excess of $30 million (CAD).

What else could management do to position Century Global for future success in meeting the huge demand for China's iron ore market? Align the Company with strong strategic partners.

BAOWU

China Baowu Steel Group Co., Ltd ("Baowu), the merged company of Baosteel Group Co., Ltd. and WISCO Iron and Steel (Group) Company, through its subsidiaries, owns approximately 24% equity stake in Century with up to 40% joint venture interests in Century's core projects and a 60% off-take agreement for the production of these joint ventures. Baowu is the second largest steel maker in the world by output according to World Steel Association in 2016 and is ranked 204 in Fortune's Global 500 (2017).

China Minmetals Corporation (Minmetals), through its subsidiary, owns approximately 5% equity stake in Century and a 10% off-take agreement for the production from the Duncan Lake project. Minmetals has been restructured from two Fortune Global 500 companies, namely China Minmetals and China Metallurgical Group, and is China's largest and international metals and minerals corporate group, and also the largest and strongest in metallurgical construction and operation services globally. The company is ranked 120 in Fortune's Global 500 (2017) and ranked the first among global metal enterprises.

Given CNT's operations focus, naturally its strategic alliances have also been forged with Chinese entities. With the high profile of these Fortune Global 500 companies, this will help to open doors, not only in terms of financing Joyce Lake to production, but also in attracting the sort of major partners required to move to production on its much larger projects.

The peaks and valleys of the mining industry have claimed increasing numbers of victims in recent years, especially from among the junior miners. As Century Global positions itself for the next bull market in iron ore with its world-class projects, management's diversification strategy and strategic partnerships are geared at maximizing the long-term return for the Company's shareholders.

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