

February 24, 2020

NEWSLETTER

CHAMPION IRON 

TIER 1 MINING & DEVELOPMENT



CHAMPION IRON NEWSLETTER

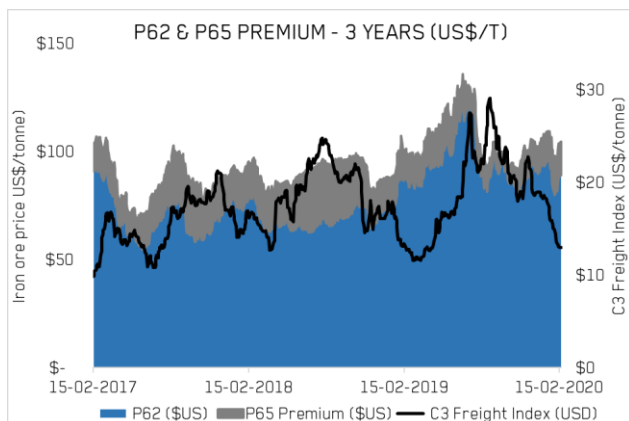
Since our last newsletter issued on November 29, 2019, Champion reported its fiscal third quarter results on January 28, 2020, where the Bloom Lake Mine’s operations continued to track favourably with its nameplate capacity, providing the company with continued profitability. Bloom Lake’s previously announced Phase II expansion project is proceeding with its approved C\$68M budget being deployed on schedule. An ongoing thorough review of the Phase II expansion funding consideration, required to complete the project, is advancing as per management’s expectations. Champion aims to communicate additional details on its proposed Phase II expansion project by the middle of the current calendar year. As detailed in the reported findings of the August 2019 feasibility study, the Bloom Lake Phase II expansion project highlighted strong economics and a potential rapid delivery, whereby the proposed timeline includes commissioning in the second half of the 2021 calendar year.

Regarding the ongoing tragic 2019-nCoV outbreak centered primarily in China, as of the time of this publication, Champion’s supply chain and sales channels remain unaffected. Our product remains in high demand with our high-grade iron ore concentrate sales already committed for the coming months.

On January 6, 2020, Champion announced a redomiciliation to Canada which is expected to simplify its corporate structure and could result in cost savings. In addition to aligning our company with its flagship asset location and continuous local support, the redomiciliation is also anticipated to improve the attractiveness of our company’s stock by improving access to additional equity indices and investors globally.

INDUSTRY VIEWS & 2019-nCoV

It is difficult for anyone to forecast the exact outcome of this tragic event. As of the time of this publication, our sales channels remain unaffected by the situation. While the media focuses on the likely negative impact on the Chinese and global economy, we rarely read about detailed analysis of the impact on the steel industry and iron ore. To date the P65* high-grade iron ore index used to price our sales has effectively remained flat since the beginning of the outbreak.



Source: Platts, Bloomberg data

In tandem, the global freight market, including the C3 route which we use to price our freight, has corrected materially given the important drop in Brazilian iron ore exports and the recent increase in vessel capacity not seen since 2015¹. This dynamic continues to offer strong benefits for our company.

While the 2019-nCoV virus is likely to impact short-term economic growth in China, some of the recent dynamics are important to consider when assessing the impact to the iron ore industry, including:

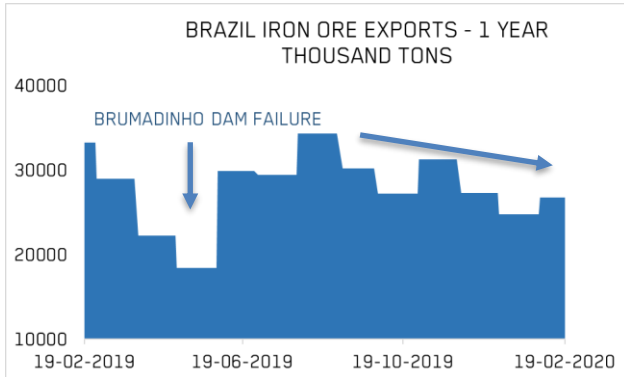
- The initial outbreak occurred during the seasonally slow construction period of the Chinese New Year. While several industries are expected to return to normal by March^{2,3}, this timing correlates with the 2003 SARS event where the epidemic only delayed the springtime peak for steel demand until the summer⁴.

- While China is the largest consumer of global seaborne iron ore in the world, the country also sources more than 20% of its iron ore from domestic production⁵. As detailed in a recent survey completed by MySteel on February 7, 2020, at least 25% of the domestic concentrate output has been affected, leading China to lean more aggressively on the global seaborne market². A more recent survey predicts a recovery in local mining, to occur in tandem with renewed domestic business activity in general⁶.

- Only a small portion of the blast furnaces, the primary consumers of iron ore, are currently affected by the situation with their total utilisation still elevated around 78%⁷. Most of the crude steel production cuts have thus far been endured by EAFs, which mainly consume scrap material, where recent capacity utilisation plummeted to 22% according to MySteel data⁷. Reducing blast furnace output can be timely given the considerable time required to cool-off while the Chinese EAFs have relatively higher operating costs, relatively lower margins and can be shut down more easily⁸. This short-term shift in steel production capacity would favour iron ore consumption compared to scrap material.

- Cyclone Damien impacted a major iron ore producing region of Australia in recent weeks, leading one of the major producers in the region to reduce guidance for the year⁹.

- Substantially lower exports out of Brazil in recent weeks, primarily affected by weather¹⁰, but also by the country’s largest producer incurring unscheduled maintenance, in addition to further suspension of tailings disposal at some of their operations¹¹. Despite healthy iron ore prices, Brazil’s monthly export volumes reported in January were at the lowest monthly total seen since the April aftermath of the Brumadinho tragic dam failure. More recently, Brazilian domestic iron ore stocks have been depleted in order to meet customers’ commitments¹⁰. Wood Mackenzie expects the ongoing supply disruption supply to last into February¹⁰.



Source: Platts, Bloomberg data

While the factors above demonstrate the fragility of our industry’s supply, we continue to believe in the structural shift occurring in the high-grade iron ore market, as our customers look to reduce emissions in the steelmaking process and improve their efficiencies. Although we have built strong partnerships in China where our product continues to be in high demand, we have taken steps to further diversify our global customer base.

As communicated in our most recent investor call, we have recently engaged with new customers outside of China, including those located in India. India is on a high growth trajectory, where the government aspires to more than double steel output by the end of the decade¹². By the end of March 2020, India will hold an auction for 19 mines with a total production capacity of approximately 84 Mtpa, which could result in some short-term supply disruption as operations transfer ownership⁹. As India primarily consumes high-grade iron ore, we believe we have the opportunity and ability to sell to Indian customers additional volumes in the event that the 2019-nCoV virus outbreak creates additional slowdowns for steel manufacturers in China.

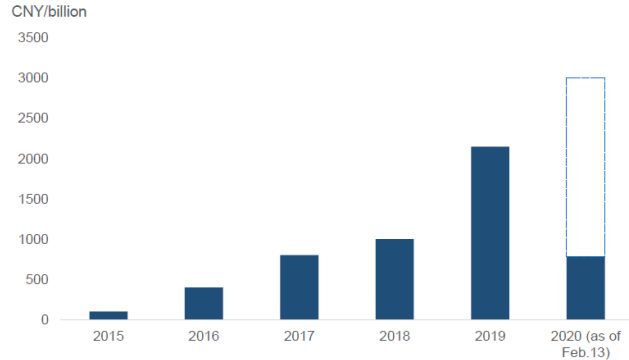
RECENT MACROECONOMIC EVENTS

We are not economic experts and this section merely reflects our view of the macroeconomic situation. While the potential economic impact of the 2019-nCoV virus on the economy should not be understated, it is relevant to look at recent trends and experts’ views, beyond the stabilization of the ongoing situation.

The most recent quarterly Chinese GDP figure marked the lowest annual growth rate in 29 years at 6% YoY in Q4-2019¹³. Despite this lower growth rate, China’s National bureau of statistics reported a new record in 2019 for crude steel production, up 8.3% to 996M tons¹⁴. Despite the lower economic growth, China and the USA came to a preliminary trade agreement in late 2019, after which some of the most recent Chinese economic data turned positive. In fact, Chinese construction PMI’s were markedly strong in January, with the business expectations sub-index hitting the highest level in nearly a year¹⁵.

With an increased focus on motivating economic growth, China recently introduced new policies. In addition to a reduction of the Chinese Central Bank reserve rate early in the year, China has been aggressively deploying their special

purpose bond program, which targets an acceleration in infrastructure spending and could result in an increased demand for steel and iron ore^{6,16}. Targets set by the government for this special purpose bond (SPB) is set to materially outpace previous years⁶.



Source: public source, Mysteel

With the impact of the 2019-nCoV virus, it is important to consider the Chinese government’s economic response, assuming the spread is controlled. The government of China has already announced a “People’s war” against the virus and is calling for a fast recovery of economic activities with most recent surveys pointing to a full recovery of business activities by the beginning of March⁶. As business activity returns to normal, some economists suggest that President Xi will attempt to maintain a minimum yearly growth rate of 6% in order to meet a 10-year target set by government officials. Given the recent impact of the 2019-nCoV virus, maintaining such a target would require an acceleration of economic activity in the following months¹⁷. As a result, any policies aimed at boosting growth will likely involve fixed asset investment and infrastructure projects that would push steel production higher than previously anticipated for 2020⁸. A recent statement by China’s President Xi aligns with such views, with a mention of the government being ready to promote the resumption of business operations and support for enterprises that have been affected¹⁸.

MARKET-FACING ACTIVITIES

Our team’s core focus is to engage with customers and financial partners as our company looks to advance the Phase II growth initiative announced on June 20, 2020. In recent weeks, we held site visits at our operations with prospective new customers and financial organisations as we look to engage with the best partners aligned with our growth initiatives. With our current and new partnerships, our strategy remains to create value for our shareholders as we consider our company’s expansion plans.

With a continuous focus on increasing our company’s exposure, our team maintains a dialogue with our already strong shareholder base and seeks to increase awareness with prospective investors. In so doing, we recently completed several investor meetings across north America and Europe. We believe that over time, our track record will continue to attract additional investors to our company.

PHASE II UPDATE

As communicated in our most recent investor call on January 29, 2020, we have now committed a total of C\$47.2M dollars towards our Phase II expansion which proposes to double production at Bloom Lake to 15 Mtpa. Thus far, construction is progressing on time and on budget and several key milestones have already been completed. The progress of our current work program and potential non-dilutive financing solution would aim to maintain the previously disclosed timeline, with a start of increased operations in the second half of calendar 2021. The civil and concrete work completed to date has already de-risked the timing of delivering the project. With the remaining funds from the initially budgeted and approved \$68-million program, we are advancing detailed engineering, continuing electrical work in the plant, ordering long lead items and working on critical path items.

Second silo near train load out area completed



Reclaim conveyor structure assembly ongoing



Thickener installation



Heating system commissioned



Megadome insulation and completion



Manufactured spirals ready for delivery





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Our website at championiron.com

This newsletter has been authorized for release to the market by the disclosure committee of Champion Iron Limited.

The information regarding the Phase II expansion of Bloom Lake has been taken from the Phase II Feasibility Study announced on June 20, 2020. The Company is not aware of any new information or data that materially affects the Phase II Feasibility Study and confirms that all material assumptions and technical parameters underpinning the estimates in the Phase II Feasibility Study continue to apply and have not materially changed.

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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, as well as future events, developments or performance that Champion expects to occur including management’s expectations regarding (i) the timing and funding of the Company’s growth project, (ii) the Company’s growth economics, (iii) the 2019-nCoV impact to steel and iron ore demand, (iv) the potential impact of the Redomiciliation process, (v) China’s economic growth and potential economic policies, (vi) Brazil’s iron ore export volumes, (vii) investor demand and considerations (viii) events impacting equity markets and iron ore prices, (ix) potential new clients and markets, realized prices and demand for Bloom lake iron ore concentrate, (x) Champion’s attractiveness to prospective investors, (xi) economic stimulus and infrastructure projects, (xii) the grade of Champion’s products, (xiii) supply disruptions in the global iron ore industry, (xiv) Champion’s iron ore concentrate impact to emission in steel making process and (xv) the Company’s growth project timeline 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; the extent and impact of the 2019-nCoV virus reported to have surfaced in China; 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 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.

REFERENCES:

- ¹ Macquarie, February 11, 2020 and Wood Mackenzie, 2015
- ² MySteel, February 7, 2020
- ³ Macquarie, February 17, 2020
- ⁴ Wood Mackenzie, January 2020
- ⁵ MySteel, February 6, 2020
- ⁶ MySteel, February 20, 2020
- ⁷ MySteel, February 10, 2020
- ⁸ Wood Mackenzie, January 31, 2020
- ⁹ Macquarie, February 17, 2020
- ¹⁰ Wood Mackenzie, January 31, 2020
- ¹¹ BMO February 11, 2020
- ¹² BMO, November 11, 2019
- ¹³ BMO, January 17, 2020
- ¹⁴ Clarksons January 17, 2020
- ¹⁵ BMO, February 4, 2020
- ¹⁶ Mysteel January 17, 2020
- ¹⁷ BMO, January 27, 2020
- ¹⁸ Clarksons, February 11, 2020

*P62: Platts TSI IODEX 62% Fe CFR China; P65: Platts IO Fines 65% Fe CFR China