

June 12, 2020

NEWSLETTER

CHAMPION IRON 



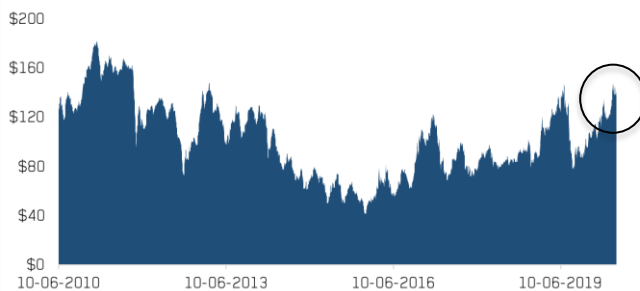
TIER 1 MINING & DEVELOPMENT

CHAMPION IRON NEWSLETTER

Since our last newsletter issued on February 24, 2020, Champion Iron Limited ("Champion") reported its fourth quarter and full year results for the fiscal year ended March 31, 2020. With our current focus on mitigating the risks related to COVID-19 for our employees, partners and communities, we rapidly adapted operations in response to the new challenges created by the pandemic. Following a short pandemic-related ramp-down, our operations have been ramping up, as per our April 23, 2020 announcement, and our high-grade iron ore continues to be in rising demand globally.

While the pandemic has impacted several industries, the steel sector, and in particular the segment that utilizes blast furnaces ("BF") and basic oxygen furnaces ("BoF"), has remained robust with China now approaching all time high steel production levels¹. While demand for steel and iron ore surpassed the expectations of several analysts, such demand is believed to be primarily driven by China's economic rebound following the COVID-19 outbreak, while the global supply of iron ore has been severely impacted in several regions, including Brazil, which supplies nearly one quarter of global iron ore exports². This robust demand coupled with the weak supply response likely contributed to the recent rise in iron ore prices, which are revisiting levels not seen in over six years. In fact, when considering estimated freight cost which declined in tandem with energy prices and the tailwind of the Canadian currency, indices often used to benchmark our realized price are rapidly approaching new historical highs. While some investors have been and are currently focusing on gold's performance in response to the recent global economic uncertainty, indices used to benchmark our realized price increased by approximately 30% year to date, compared to gold's performance of approximately 15% year to date using the same currency. Champion is well positioned to benefit from this robust iron ore pricing as we continue to consider the completion of Bloom Lake's Phase II expansion project, which proposes to double the mine's production capacity.

P65 - C3 X 1.25 (\$/T) - 10 YEARS

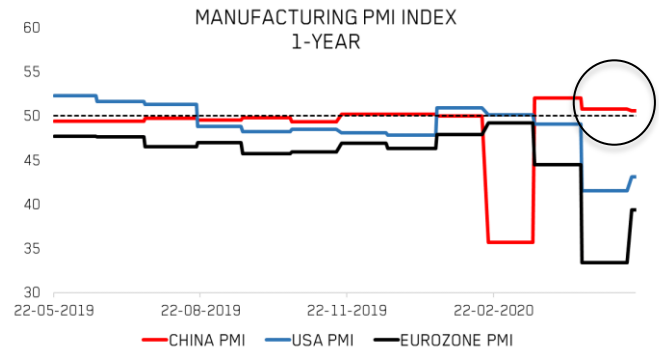


Source: Champion Iron data, Bloomberg

WHY CHINA MATTERS FOR IRON ORE

In 2019, China accounted for approximately 53% of global steel production and 57% of global imports of iron ore. While China was the first region to be affected by the COVID-19 pandemic, the country is arguably ahead of all other major economic zones in restarting and rebounding its economic activity and performance. One of the key economic

indicators, the Purchasing Managers Index ("PMI"), measures economic growth/contraction, where a level of 50 indicates a stagnant economy. This indicator, and others such as the growth in car sales and rising power generation¹ highlight a growing level of economic activity in the country.

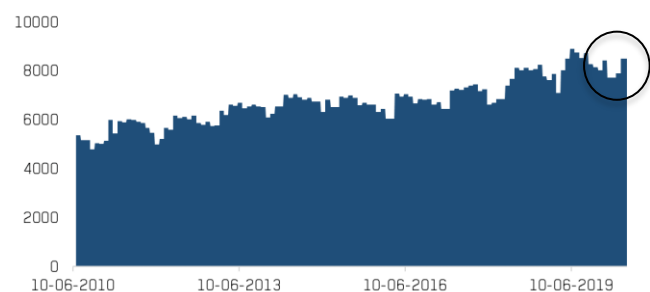


Source: Bloomberg, Champion Iron data

While China is the world's largest iron ore consumer and steel producer, its current steel making method is also heavily weighted to utilizing BF's and BoF's, which primarily consume iron ore and coal, compared to other developed economies who rely more aggressively on Electric Arc Furnaces ("EAF"), which primarily consume scrap material in the steel making process. In 2019, approximately 12% of China's steel making production relied on EAFs, compared to approximately 50% in the Eurozone and 70% in the USA. While economic engines such as the USA and Europe appear to remain affected by the pandemic, when looking at indicators such as the PMI, their steel making methods tailored to EAFs limit the demand impact of raw iron ore.

While the world's economies seem to be recovering at different paces from the pandemic, China could benefit from lower freight rates created by a reduction in fuel cost and could increase its competitive positioning to supply steel globally³. The fact is that China is back to near all time high steel output, while consumption is set to be near 1.1 Btpa in the second quarter of the 2020 calendar year, or 5% above levels for the same period in 2019. To put this in context, this increase is the equivalent of adding the combined normal steel consumption of Japan, India, the USA and Germany in a single quarter⁴.

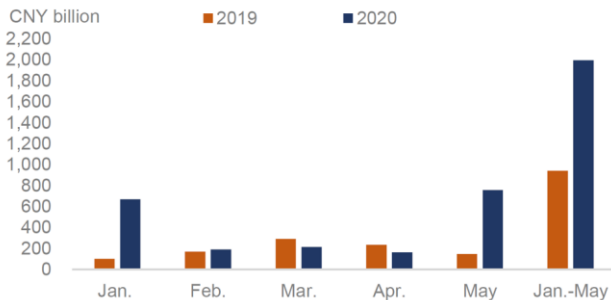
CHINA TOTAL CRUDE STEEL OUTPUT
10- YEARS (10,000 TONS)



Source: Champion Iron data, Bloomberg

In addition to this already healthy rebound in economic activity and steel production in China, several sources point

to an acceleration in steel intensive industries. Wood Mackenzie recently published a study to revise their estimate for Chinese steel demand for 2020 with the expectation of stimulus favouring steel-intensive infrastructure⁵. Several initiatives from China support Wood Mackenzie's view including an acceleration of the special purpose bonds, often used to finance infrastructure projects. While there is a natural delay between the issuance of bonds and shovels in the ground, the special purpose bond issuance in May was up 418% from the same period in 2019 and 366% from April, with issuances year to date already surpassing all of 2019⁶.



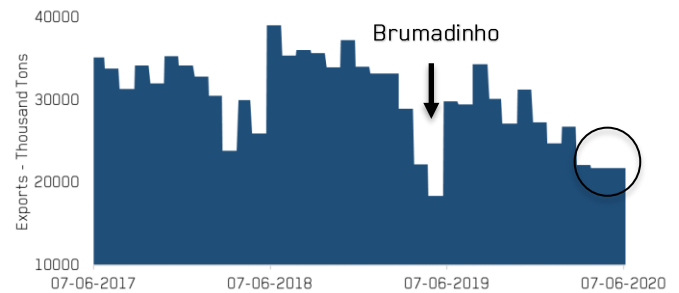
Source: Mysteel

While special purpose bond issuances are accelerating, their limitations are also being relaxed to include other steel intensive sectors such as property construction⁵. In addition, several other stimulus programs could support rising demand for steel intensive sectors in the coming months including: an 8.8% year to date increase in the total value of land transactions compared to the same period in 2019, fixed asset investment nearly double the levels seen in March and an increase of 10.9% compared to the same period in 2019, and an acceleration in Chinese national railway construction¹. One could infer that the potential demand increase from government led stimulus tailored to create employment could become a demand driver in the industry which could be less price sensitive than the traditional steel demand from the private sector.

MUTED SUPPLY RESPONSE & COVID-19 IMPACT

As China, the world's second largest economy and largest producer of steel, recovers from the affects of COVID-19, several key suppliers of iron ore continue to be affected by the pandemic. Brazil, which supplies nearly 25% of global iron ore exports and over 70% of the high grade iron ore market², has seen its exports collapse after a short recovery, following the tragic Brumadinho dam failure in early 2019. As Brazil currently has the second most reported COVID-19 cases globally⁷, Brazilian authorities have announced several mine closures as it implements safety measures to mitigate the spread of the outbreak⁸. As a consequence, Brazilian exports fell 27.8% in May compared to the same period in 2019⁹, and they are currently trending to multi-year low levels. While it is difficult to predict the long-term supply impact of COVID-19 related mine closures, Brazil's largest producer has publicly stated that recent announcements are not expected to impact their already revised 2020 guidance⁸.

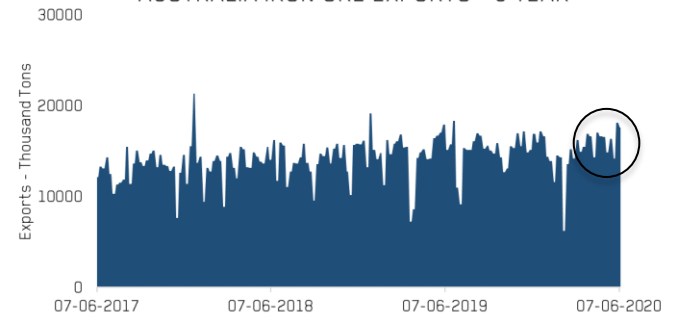
BRAZIL IRON ORE EXPORTS 3-YEARS



Source: Champion Iron data, Bloomberg

In addition, Australia, which accounts for nearly 60% of the global seaborne iron ore market², is not materially responding to higher prices. While there is recent evidence of increases in exports with volumes up 3.4% in May compared with the same period in 2019¹⁰, production volumes are not filling the supply gap created by shortfalls in Brazil. It is interesting to highlight that we are not aware of significant near term growth projects announced in the industry despite higher prices over the last several months.

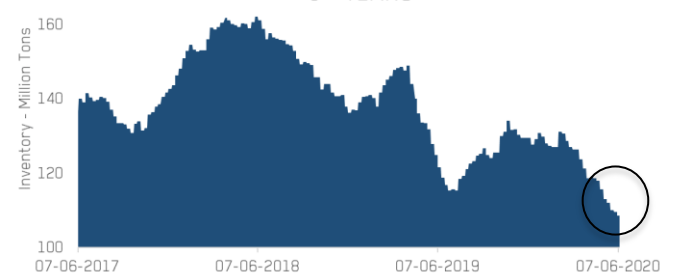
AUSTRALIA IRON ORE EXPORTS - 3 YEAR



Source: Champion Iron data, Bloomberg

While the domestic Chinese production has historically acted as a marginal supplier, expert data suggests that domestic mining rate is already elevated as 85% of Chinese operations are already profitable at current levels⁵. With strong demand and limited additional visible marginal supply, Chinese iron ore inventories are drawing down quickly revisiting multi-year lows, further stressing product availability ahead of stimulus programs potentially increasing demand for steel and iron ore.

CHINA IRON ORE PORT INVENTORIES 3 - YEARS



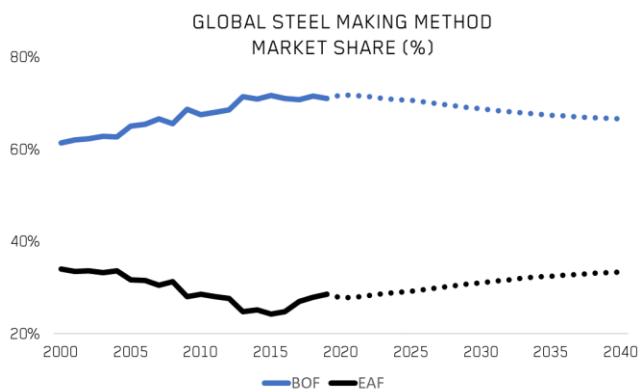
Source: Champion Iron data, Bloomberg

MAJOR PRODUCT DEVELOPMENT

In the last quarter, we announced the completion of a positive commercial production test. We believe this commercial test is one of the biggest operational achievements by our team since the recommissioning of Bloom Lake in early 2018. While our high-grade iron ore concentrate remains in high demand, we have now proven our ability to produce a direct reduction ("DR") iron ore concentrate, which could be sold to producers of DR pellets, which can be converted by direct reduced iron ("DRI") producers and utilized in EAFs.

Similar to the trend in the car industry towards electric propulsion, we believe that a transition from traditional steel making methods utilizing BF's and BoFs, to more EAFs, is inevitable over time. While BF/BoF's primarily consume iron ore and coal as their main inputs, EAFs primarily consume scrap metal, but they also require DRI as a diluent for the contaminants often embedded in the scrap input. EAFs are believed to be the main solution to help the steel industry materially reduce emissions over the coming years¹¹.

Along with growing pressure to reduce emissions in the steel industry, as it is one of the largest CO₂ emitters in the world, scrap availability is set to improve over the coming years in developing markets. We are proud that our current high-grade iron ore already contributes to the reduction of emissions in the traditional steel making process, but our recently completed production test confirms that Bloom Lake is one of the few mining operations globally that can transition and service a growing subset of the steel making sector.

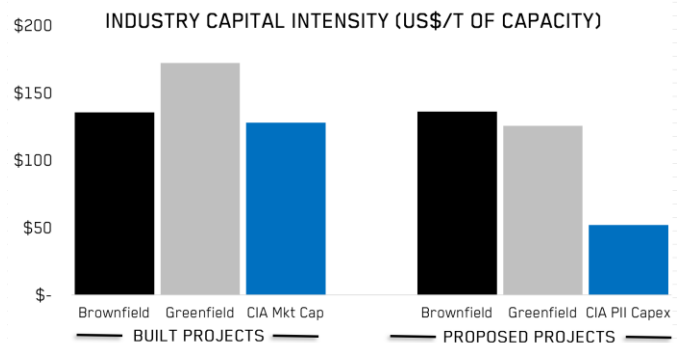


Source: Wood Mackenzie data, Champion Iron

PHASE II UPDATE

As noted in our March 23, 2020 press release, which detailed our required actions in connection with the COVID-19 pandemic, we noted that communication of further details regarding the Phase II expansion plans would be postponed to a later time. With most of the previously approved C\$68 million Phase II-related budget deployed, we have stated that the timeline for the remaining work to complete the project is estimated at less than 18 months. Our team continues to work on several fronts to de-risk the project while producing iron ore in a price environment offering attractive operating margins for our business.

As demonstrated in the Feasibility Study completed last summer, the Bloom Lake Phase II expansion project proposes very strong economics using conservative freight rates and iron ore prices nearly 30% below current prices. This expansion already benefits from over US\$1.2 billion of capital invested from the mine's previous owner, likely making the completion of the project the least expensive on a capital intensity basis per tonne globally². In addition to the potential value to unlock from our Phase II expansion project, our current market capitalization continues to be below the replacement cost of the already producing Phase I plant when compared to the capital required to build projects over the last 15 years (unadjusted for inflation)². We continue to believe in our ability to create value for our shareholders and we are thankful for your ongoing support as we unlock the full potential of our assets.



Source: Wood Mackenzie data, Champion Iron (CIA Mkt Cap. As at June 10, 2020)



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Our website at championiron.com

This newsletter has been authorized for release to the market by the CEO of Champion Iron Limited, David Cataford.

The information regarding the Phase II expansion of Bloom Lake has been taken from the Phase II Feasibility Study announced on June 20, 2019. Champion 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 future events, developments or performance that Champion expects to occur including management’s expectations regarding (i) the demand for Champion’s production and sales commitment, (ii) the timing and funding of Champion’s growth project, as well as the timing of any announcements in respect thereof, (iii) the indices used to estimate realized prices, (iv) the global economic situation and impacts to the global demand of iron ore and steel, (v) the impact of the COVID-19 pandemic to the global supply and demand of iron ore, (vi) the shift from BF/BoF to EAF in the steel industry and impact to demand of DR concentrate, (vii) the DR commercial production test and its ability to be sold to DR producers, (viii) Champion’s iron ore concentrate impact to emission in steel making process, (ix) Champion’s growth economics, (ix) the capital intensity of iron ore projects and the replacement cost of Champion’s Phase I plant. 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 Champion 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 Champion, which may cause Champion’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 COVID-19 pandemic; 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 Champion’s 2020 Annual Information Form and the risks and uncertainties discussed in Champion’s MD&A for the year ended March 31, 2020, 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 Champion believes this information to be reliable it has not independently verified such information and disclaims any liability pursuant to such information.

REFERENCES:

- ¹ BMO, June 3, 2020
- ² Wood Mackenzie data
- ³ Morgan Stanley, June 4, 2020
- ⁴ BMO, June 4, 2020
- ⁵ Wood Mackenzie, May 31, 2020
- ⁶ Mysteel, June 1, 2020
- ⁷ Bloomberg, June 1, 2020
- ⁸ Reuters, June 7, 2020
- ⁹ BMO, June 9, 2020
- ¹⁰ Tex Report, June 9, 2020
- ¹¹ Wood Mackenzie, May 29, 2020

*P62: Platts TSI IODEX 62% Fe CFR China; P65: Platts IO Fines 65% Fe CFR China; C3: Freight rate Tubarao-Qingdao