

September 30, 2020

NEWSLETTER

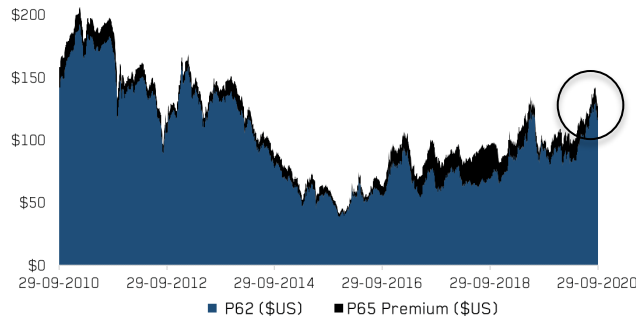
CHAMPION IRON 

TIER 1 MINING & DEVELOPMENT

CHAMPION IRON NEWSLETTER

Since our last newsletter issued on June 12, 2020, Champion Iron Limited ("Champion" or the "Company") reported its first quarter results for the fiscal year ending March 31, 2021, marking a record corporate quarterly net profit. Despite the ongoing negative effects of the global COVID-19 pandemic on several industries, global iron ore prices have nonetheless remained robust, which may be primarily explained by the continued outperformance of China's steel production and demand¹.

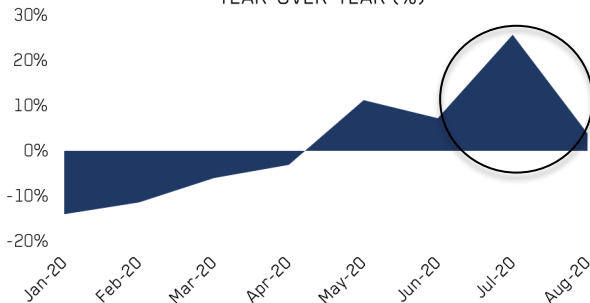
P62 & P65 PREMIUM - 10 YEARS (US\$/T)



Source: Champion Iron Limited, PLATTS data

Whereas 2019 witnessed a period of material supply disruption in the iron ore industry, largely due to the tragic dam failure in Brazil, 2020 will likely be remembered in future years by the acceleration in demand driven by global economic stimulus in response to the COVID-19 pandemic. In the month of August alone, China produced over 95 million tonnes of crude steel, which exceeded the entire 2019 annual steel production of Japan or Europe².

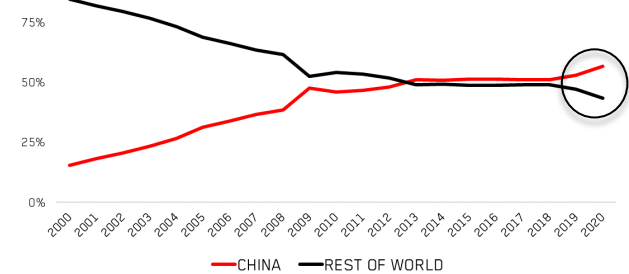
CHINA 2020 - TOTAL CRUDE STEEL OUTPUT YEAR-OVER-YEAR (%)



Source: Champion Iron Limited, Bloomberg data

While total crude steel output from China appears to have moderated in recent weeks, likely impacted by recent heavy floods³, the country changed its status as a net importer of steel for the first time since 2009⁴. Ten years ago, as most of the world suffered a dramatic collapse in steel demand in tandem with the global financial crisis, the Chinese government released a RMB4 trillion package to strengthen its infrastructure and property sector¹. Today, while the rest of the world remains significantly impacted by the pandemic, a similar response is taking place with China announcing several economic stimulus programs, leading the country's market share of steel production to comfortably surpass half of the world's output.

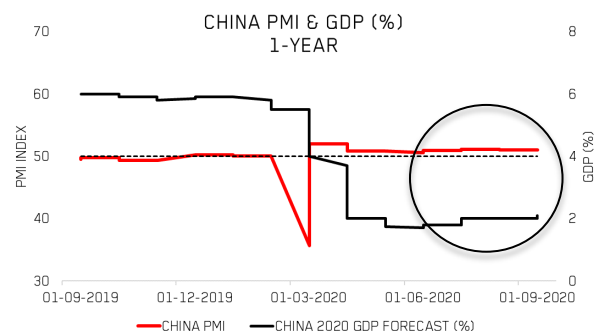
GLOBAL STEEL PRODUCTION MARKET SHARE 20-YEARS



Source: Champion Iron Limited, Wood Mackenzie Data

As China's economic rebound takes hold across several steel intensive industries including auto sales, real estate construction and infrastructure⁵, the Chinese government continues to announce steel intensive programs, which could support future steel demand. With a recent acceleration of Special Purpose Bonds ("SPB") issuances in August, primarily targeting steel intensive construction, analysts believe there should be a renewed impetus for infrastructure investment growth in the coming months⁶. In addition, according to Mysteel, nearly 3,000 major infrastructure and construction projects were started across China in August, a 51.6% increase month over month. With September and October being historically seasonally strong months for construction in China⁶, another short-term indicator of resilient construction activity for future months includes August's excavator and loader sales increasing by 56% and 10%, respectively, year over year. China is also promoting long-term construction demand with a recently issued plan to renovate nearly forty thousand urban communities over the next five years, likely investing several trillion RMB⁷.

With China proving its ability to rebound quickly from the pandemic, we continue to monitor their governments' views of the required stimulus with their stabilizing economy. Recent economic data such as Gross Domestic Product (GDP) and the Purchasing Managers Index (PMI), indicate stabilizing economic activity in China. A recent Chinese State Council statement reaffirmed efforts to pursue prudent policies to maintain a steady economy, but also cautioned from resorting to a flood of policies⁸.

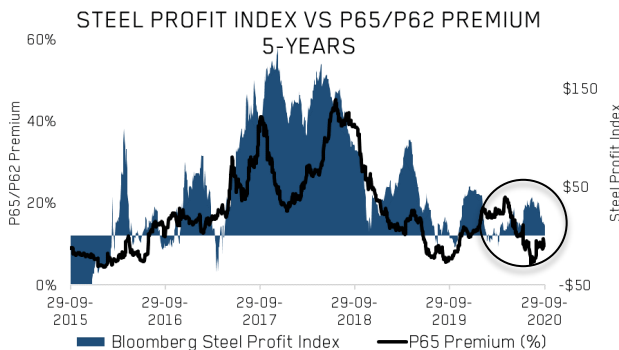


Source: Champion Iron Limited, Bloomberg data

Other countries globally are also starting to contribute to an increase in iron ore demand with several announcements of blast furnaces restarting after being idled in response to the pandemic⁹. India, the second largest producer of steel globally, has also seen crude steel production recover in August with a year over year decline of 4%, compared to a year over year decline of 15% in July, despite soaring infection rates¹⁰.

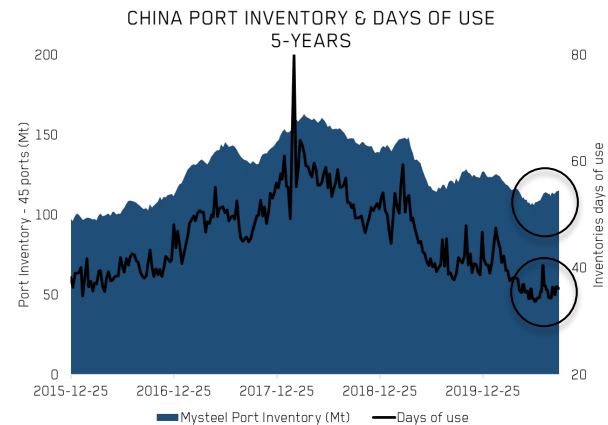
Despite the increase in demand for steel and iron ore in recent months, the depressed steel makers' profitability is often discussed by industry commentators¹¹. Absent of noticeable steel price increases, this low profitability, as illustrated by the "steel profit index", could limit incentives for additional steel production in the industry.

Historically, the high-grade iron ore premium benefits from a natural hedge to a declining iron ore price. In fact, the steel profitability index has an historical correlation with the premium for high-grade iron ore concentrate, where a decline in iron ore prices typically leads to an increase in steel makers' profitability. Whereas steel makers profitability increase with a declining iron ore price, their preference to consume higher quality material increases due to environmental reasons and efficiencies in the steel making process. This dynamic has acted as a natural hedge for Champion's product pricing in the event that iron ore prices decline.



Source: Champion Iron Limited, PLATTS data

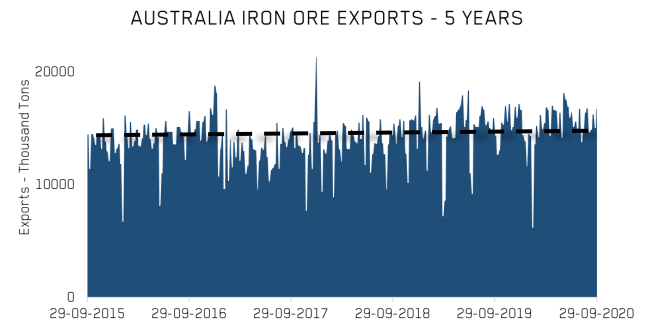
The debate of supply vs demand can be a lengthy discussion; however, iron ore inventory levels in China have historically been a gauge of the market balance. Despite a reduction in congestion at Chinese ports in recent weeks, a much awaited increase in export volumes from Brazil in July and August and the recent completion of Australian major port maintenance, China's iron ore inventories are not rising materially¹². While several analysts have commented about the increase of iron ore inventories in recent weeks as a potential sign for coming weakness in iron ore prices, the "days of use" which divides port inventories by daily discharge rates remains at multi-year lows.



Source: Champion Iron Limited, Mysteel data

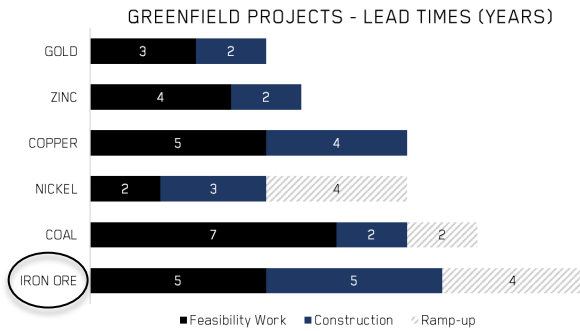
HIGHER IRON ORE PRICE TO INCREASE SUPPLY?

As iron ore prices continue to rise, limited incremental new supply has emerged globally. While we acknowledge that Brazil has somewhat recovered from the tragic events of early 2019, only marginal economic projects, primarily located in China have entered the market, most of which are now producing at full capacity¹³. Australia, which accounts for nearly 60% of global iron ore exports, has not seen a material shift in iron ore export volumes despite higher prices in recent years.



Source: Champion Iron Limited, Bloomberg data

Although there are several projects identified and discussed as potential new suppliers for the industry, few can start production in the short-term. In fact, the large-scale infrastructure required by iron ore projects traditionally results in longer lead times for project completion when compared to other commodities¹⁴.



Source: Champion Iron Limited, Wood Mackenzie data

In addition to historically longer lead times for iron ore projects, recent events could increase permitting requirements and completion timelines for projects in the industry. The tragic dam failures in Brazil in 2015 and 2019 have triggered substantial reviews of tailings management methods by authorities in the country, impacting permits of several existing operations¹⁵. As Brazil accounts for over 70% of high-grade iron ore exports globally¹⁶, any incremental permitting scrutiny could contribute to restrain incremental supply in future years for product competing with the high-grade iron ore sold from our Company.

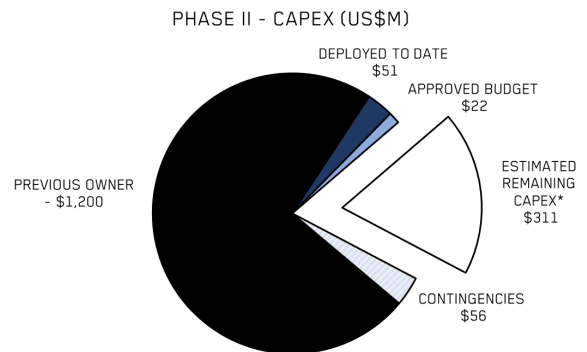
Earlier this year, Australian headlines highlighted issues in the country's iron ore industry as several aboriginal heritage sites were destroyed in the world's largest iron ore mining hub. While the operator of the site had received permissions to conduct activities under the existing Aboriginal Heritage Act¹⁷, this event triggered other miners to review existing projects and engage with local stakeholders to better inform them about their projects and their impacts on known aboriginal heritage sites¹⁸. There have been 463 applications to impact West Australian Aboriginal heritage sites on mining leases in the past 10 years, without any being rejected by authorities. A recent consultation formed the basis for the ongoing draft of a new Aboriginal Cultural Heritage Bill, which proposes to amend the current legislation, including its definition of Aboriginal heritage sites and related land use proponents. This new Aboriginal Cultural Heritage Bill is expected to be released to the public in the coming months¹⁹.

Recent events in Brazil and Australia highlight the importance and need for companies like Champion to adhere to and enforce our values and respect for the land that we exploit. In addition to providing material on our website, detailing our safe tailings management protocols and process, our team recently completed its first sustainability report which highlighted our commitment to the environment and the social impacts of our Company. The report also provides information on the status of Champion's commitments in relation to the United Nations' Sustainable Development Goals, setting out an operating framework aiming to benefit all our Company's stakeholders.



PHASE II UPDATE

With all of the permits having already been granted to complete the construction and operate the Bloom Lake Iron Ore Mine's Phase II expansion project, our Company recently resumed discretionary capital spending and increased its Phase II related budget by C\$30M, from the initial C\$68M previously announced on June 20, 2019. The additional budget approved by Champion's board of directors allows the Company to advance the project and preserve key timelines for the next stages of the project.



*Based on Phase II Feasibility Study released on June 20, 2019, CAPEX is pre-deposits

With the expansion project benefitting from over US\$1.2B in capital investments by the mine's previous owner, the recent work completed to date by the Company has significantly de-risked the project completion and its timeline. With most of the civil and concrete work already finished, the project's completion is estimated at 18 months following the Company's board of directors' approval to proceed.

We are thankful for your support as we aim to build a sustainable mining company and leverage the decades of available resources within our portfolio to the benefit of employees, partners, communities and shareholders.



David Cataford
Chief Executive Officer



Michael O’Keeffe
Executive Chairman of the Board



Michael Marcotte
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FOR ADDITIONAL INFORMATION ON CHAMPION IRON LIMITED, PLEASE VISIT:

Our website at www.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 the Company’s growth (including growth economics, capital expenditures, timing and expected benefits of the Phase II expansion project, the ability to preserve key timelines for the Phase II expansion project and the available resources within the Company’s portfolio); development activities; infrastructure build-out and related capital expenditures and the timing thereof; the amount and timing of capital projects and the anticipated benefits thereof; alignment with stakeholders (including Champion’s commitments in relation to the United Nations’ Sustainable Development Goals); realized price; financial projections; optimization of operations; ability to exceed nameplate capacity and to increase plant capacity and reliability; COVID-19 measures and policies; the Company’s safe tailings management protocols and processes; as well as management’s expectations regarding (i) the global economic situation and impacts to the global demand of iron ore and steel, (ii) the impact of the COVID-19 pandemic to the global supply and demand of iron ore, (iii) economic indicators and their impact on the economy, the iron ore and steel industry, (iv) the status of China’s economic situation and the status of economic stimulus programs, (v) the impact of steel makers’ profitability on the high-grade iron ore concentrate price, (vi) the use of iron ore inventories as a proxy for market balance, (vii) projects identified in the industry and their ability to start production in the short-term, and (viii) dam failures in Brazil and destruction of aboriginal sites in Australia and their impacts on the industry’s

permitting timeline for new projects, 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. 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 expressed or implied in forward-looking statements include, without limitation: project delays; changes in the assumptions used to prepare feasibility studies; continued availability of capital and financing and general economic, market or business conditions; general economic, competitive, political and social uncertainties; the effects of catastrophes and public health crises, including impact of COVID-19 on the global economy, the iron ore market and Champion’s operations; 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 2020 Annual Information Form and the risks and uncertainties discussed in the Company’s MD&A for the year ended March 31, 2020, both available on SEDAR at www.sedar.com. Champion cautions that the foregoing list of risks and uncertainties is not exhaustive. 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 newsletter 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. If Champion does update certain forward-looking information or statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements or information. 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.

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

REFERENCES:

- ¹ Wood Mackenzie, August 2020
- ² Bloomberg & Wood Mackenzie data
- ³ Wood Mackenzie, August 14, 2020
- ⁴ Bloomberg, August 1, 2020
- ⁵ Reuters, August 11, 2020; Mysteel, September 17, 2020; Wood Mackenzie, August 2020
- ⁶ BMO, August, 2020
- ⁷ China’s State Council, July, 2020; BMO, August 28, 2020
- ⁸ Xinhua, September 3, 2020
- ⁹ ArcelorMittal, Clarksons, Maquarie, August/September, 2020
- ¹⁰ BMO, August 7, 2020
- ¹¹ Mysteel, September 10, 2020; BMO, September 23, 2020
- ¹² BMO, September 2, 2020; Goldman Sachs, September 14, 2020; Mysteel, September 18, 2020
- ¹³ Mysteel, September 21, 2020
- ¹⁴ Wood Mackenzie, September, 2020
- ¹⁵ Wood Mackenzie, August 2020
- ¹⁶ Wood Mackenzie data
- ¹⁷ Wood Mackenzie, June, 2020
- ¹⁸ The Guardian, September 10, 2020
- ¹⁹ Wood Mackenzie, June, 2020