

October 24, 2023

NEWSLETTER

CHAMPION IRON 



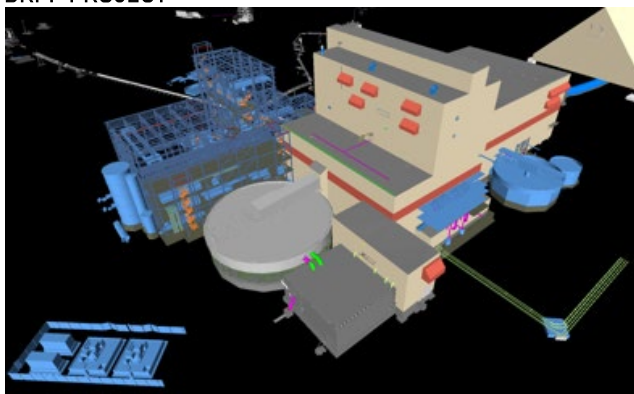
**A RARE SOLUTION TO
DECARBONIZE STEELMAKING**

CHAMPION IRON NEWSLETTER

Since our April 18, 2023 newsletter, Champion Iron Limited (“Champion” or the “Company”) reported record iron ore production of 3.4M wmt for the three months ended June 30, 2023. This represents approximately 90% of Bloom Lake’s expanded nameplate capacity, following the recent completion of the Phase II expansion project. Supported by recent equipment commissioning and the operational optimization of the Phase II expansion project (“Phase II”), Bloom Lake is now well positioned to reach its expanded 15M tpa capacity in the near term. As detailed in the Company’s Q1/FY24 results, recent forest fires near Sept-Îles, Québec, resulted in interruptions to railway services, negatively impacting quarterly sales and financial results. Despite the logistical challenges posed by the wildfires, the Bloom Lake mine remained operational, resulting in the stockpiling of 1.3M wmt of high-grade iron ore concentrate at the mining complex as of June 30, 2023. As detailed in our Q1/FY24 results and webcast, the Company does not anticipate additional sales of stockpiled iron ore concentrate in Q2/FY24, since railway capacity remained affected with ongoing repairs and scheduled railway maintenance. However, the Company does expect to benefit from the sales of stockpiled iron ore during several upcoming quarters thereafter, enabled by the recent delivery of additional rollingstock.

Further to the positive findings of a feasibility study released in January 2023 and an initial budget of \$62M approved by the board of directors of the Company (the “Board”), the Company advanced the Direct Reduction Pellet Feed Project (“DRPF Project”), which remains on schedule for potential completion in the second half of calendar year 2025. Most recently, the Company advanced detailed engineering work, ordered long-lead equipment, and initiated on-site activities in preparation for upcoming civil work programs. The Board expects to review the DRPF Project’s final investment decision in the near-term.

DRPF PROJECT



Source: Champion Iron Limited; Rendering of the Phase II concentrator including the proposed modifications for the DRPF project

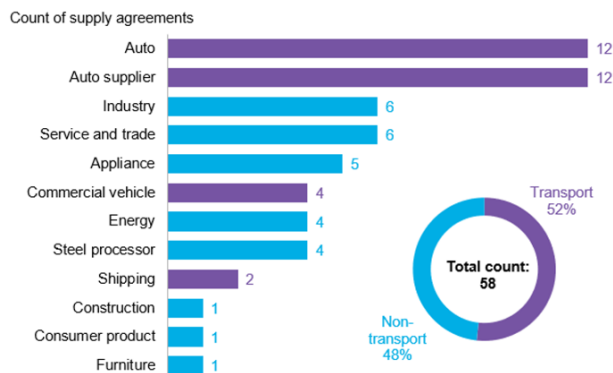
Champion continues to evaluate organic growth opportunities which are strategically positioned to address the expected supply deficit of high purity iron, which is required to reduce emissions in steelmaking. These projects include the ongoing feasibility study for the Kamistiatasset

iron ore project (the “Kami Project”), evaluating the production of DRPF quality iron ore, and a feasibility study in connection with the re-commissioning of the Pointe-Noire Iron Ore Pelletizing Facility and its ability to produce DR grade pellets. Both studies are expected to be completed in the near-term.

GREEN STEEL TRANSITION ACCELERATING

While steel has garnered increasing attention in the context of industrial decarbonization, the International Energy Agency (“IEA”) lists the steel industry as “not on track” to meet its Net Zero scenario by 2050¹. Steelmaking currently produces nearly 10% of global emissions, due to the extensive use of coal as a reductant in the conventional blast furnace (“BF”) and basic oxygen furnace (“BOF”) steelmaking method, which represents approximately 70% of global steel production capacity². In response, a noticeable transition has emerged, veering away from the traditional BF-BOF steelmaking approach, towards the more environmentally friendly Direct Reduced Iron (“DRI”) and Electric Arc Furnace (“EAF”) steelmaking route. This accelerating transition benefits steelmakers as they can reduce emissions and carbon tax exposure, but this is now also triggered by steel consumers who are increasingly conscious of the emission footprint embedded in their products. As such, several announcements relating to low carbon steel supply agreements were completed in recent months, in sectors ranging from automakers to heavy industries, construction and consumer goods³. Fueling this transition to DRI/EAF steelmaking also includes extensive government funding to support the green steel transition, including recent announcements in France, United Kingdom, Japan, Germany, Canada, the Netherlands and other countries⁴.

LOW CARBON STEEL AGREEMENTS (2H/2022-1H/2023)



Source: Champion Iron Limited, BloombergNEF, public announcements

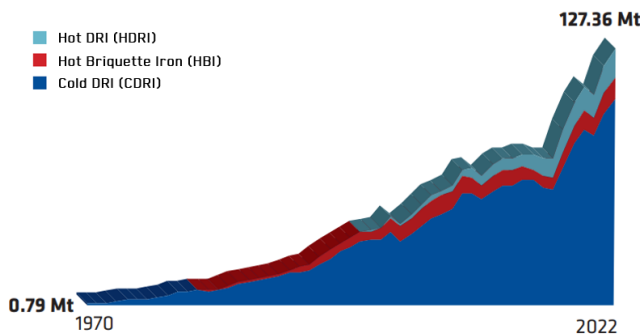
In response to end users seeking greener steel, prominent steelmakers commenced imposing supplementary charges for steel made with reduced carbon footprints. Notably, a major US-based steelmaker initiated a US\$40/tonne surcharge for steel produced using DRI/HBI⁵. Likewise, a Nordic producer announced an anticipated €300/tonne (-US\$330/tonne) premium for near-zero emissions steel⁶. While such premiums may trigger additional expenses across supply chains, high-value products, such as automobiles and appliances, are estimated to experience price increments of less than 1%⁷. As such, several well

recognized consumer brands initiated agreements to embrace the shift to greener steel⁸. The increase in greener steel demand also led to the price reporting agency, Fastmarkets, launching the first European green steel premium index. Launched in June 2023, the inaugural assessment was set at €200-300/tonne for steel with maximum of 1 tonne CO₂ per tonne of steel⁹.

SHIFTING STEELMAKING SUPPLY CHAIN

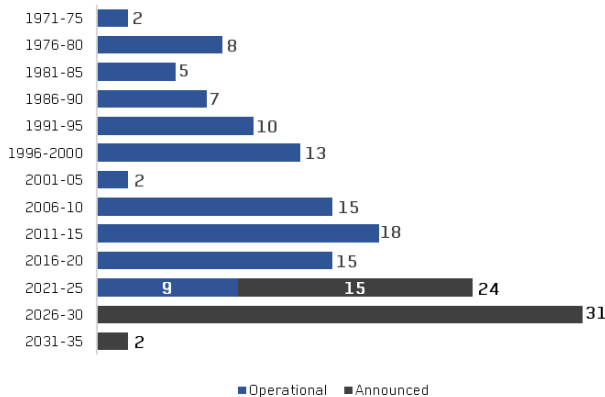
EAFs require metallics to produce steel, including scrap, pig iron or DRI. As scrap is already in finite supply and pig iron comes from the BF process which is responsible for most of the emissions in steelmaking, there is a growing appetite for DRI to service the EAF transition. DRI growth is visible through historical DRI production, which nearly doubled in the last decade, but it is also set to accelerate with the number of recent project announcements¹⁰.

GLOBAL DRI PRODUCTION (1970 TO 2022)



Source: Champion Iron Limited, Midrex and World Steel Dynamics

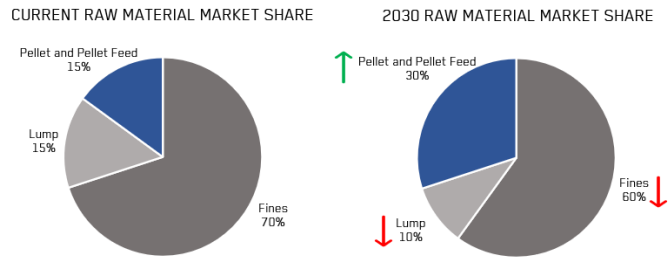
TOTAL NUMBER OF DRI/HBI PROJECTS BY YEAR OF BEGINNING OPERATIONS



Source: Champion Iron Limited, McKenzie & Company data

Iron ore pellet feed is required to produce DR pellets needed to supply DRI/HBI projects. As such, a much larger iron ore pellet feed market will be required and such market is expected to capture an increasing market share within the iron ore industry, as the shift to green steelmaking accelerates¹¹. Currently, iron ore global trade is comprised of ~70% iron fines (mainly from Australia and Brazil), ~15% of lumps, and ~15% of pellets (including pellet feed). To

enable the green steel transition, pellet feed and pellets are expected to nearly double their market share by 2030¹².

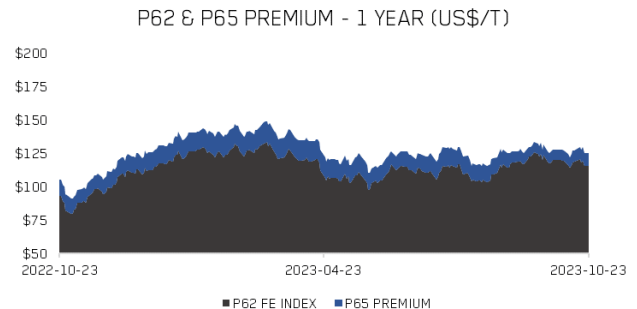


Source: Champion Iron Limited, BMO data

The path to decarbonize steelmaking will undoubtedly be marked by challenges. This includes the declining quality of iron ore produced and the rare amount of quality iron reserves that can qualify for direct reduction pellet feed¹³. The Labrador Trough, hosting Champion’s property portfolio, hosts a vast iron resource and offers a rare scalable solution to enable the steel industry to transition to DRI/EAF steelmaking. Through its DRPF project, Champion is set to become a leading supplier for DRI/EAF steelmakers. Additionally, with its up to 69% Fe DRPF quality iron ore with 1.2% gangue, Champion’s DRPF project is anticipated to produce one of the purest offerings globally. This would enable steelmakers to complement their supply chain of other metallics, including reducing contaminants and residuals that are often problematic in the EAF steelmaking process.

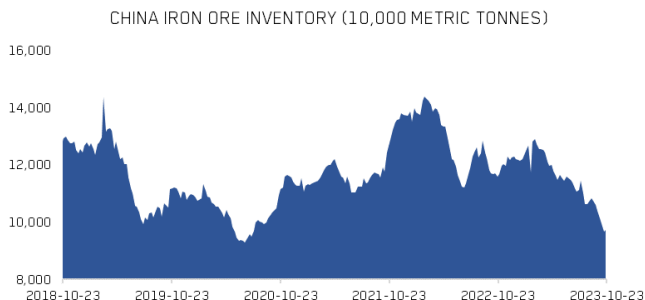
MARKET UPDATE

In addition to a decelerating global economy, China’s economic activity continued to fall short of expectations in recent months amid a fragile post COVID-19 recovery period. Additionally, global seaborne iron ore currently stands unaffected from seasonal rain and typhoon seasons which typically impact exports from Australia and Brazil from November to May. Despite this economic backdrop and the robust seasonal supply of iron ore, iron ore prices have remained relatively stable over the previous months.



Source: Champion Iron Limited, Platts data

In contrast to the soft global economic situation and the seasonally robust seaborne supply of iron ore, China’s iron ore inventories recently reached multi-year lows.

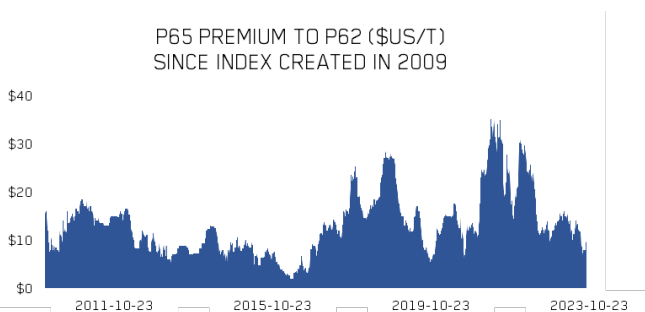


Source: Champion Iron Limited, Bloomberg Data

While China’s economic headlines have been lackluster, local authorities increased stimulus commitments to stabilize their economy. At the heart of China’s economic woes lies the deepening property crisis where local corporate bond defaults recently saw significant increases. This financial stress is evident with several real estate developers announcing financial difficulties in recent weeks¹⁴. In response to these economic worries, following China’s Politburo leadership gathering in late July, there has been a discernible shift towards a pro-growth approach aiming to stabilize the real estate industry and alleviate financial stress¹⁵. Since then, China initiated several stimulus programs aimed at supporting the property market and economic growth, including mortgage rate cuts, the easing of property buying restrictions and additional liquidity measures for real estate developers¹⁶. While such measures may not have an immediate economic impact, they could support additional steel demand, should the property market stabilize and financial stress ease.

Champion’s vision continues to be confirmed with the wave of additional announcements of DRI/EAF steelmaking capacity. By contrast, premiums for high grade iron ore have recently been at multi-year lows. This weakness can likely be attributed to several factors, including¹⁷:

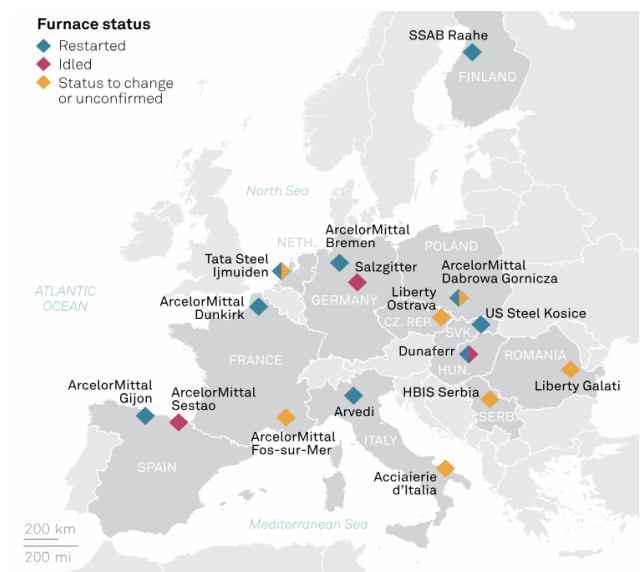
- Reduced emission controls in China amid diminished industrial activity;
- Reduced steelmaking capacity across Europe, following the energy crisis, impacting demand from a major seaborne consumer of high purity iron ore and pellets;
- Robust seasonal exports from Brazil, the largest seaborne supplier of high purity iron ore; and
- Low steel mill profitability, resulting in reduced focus to optimize value-in-use in the steelmaking process.



Source: Champion Iron Limited, Platts Data, Bloomberg

Collectively, these factors impacted the short-term premiums for high grade iron ore; however, recent events signals supporting demand for high grade iron ore, including:

- Recent announcements of sintering restrictions in China’s key steelmaking hub amid deteriorating environmental conditions, potentially increasing the use of pellets which require high purity iron ore¹⁸;
- Several European steelmakers reopening dormant facilities in recent weeks/months, following last winter’s energy crisis¹⁹;
- The approaching Brazilian rain season, which historically negatively impacts the seaborne supply of high grade iron ore²⁰; and
- Rising coking coal prices, which could incentivize higher demand for high-purity iron ore to optimize value-in-use in steelmaking.



Source: S&P Global²¹

THANK YOU TO OUR STAFF & PARTNERS

Once again, our dedicated employees and valued partners showcased their exceptional agility and resilience in maintaining a safe work environment and supporting our operations, despite the challenges imposed by Québec’s most impactful wildfires in generations. The harmonious synergies between our Company, local communities and collaborators empower our Company to enhance its role in the green steel supply chain, critical in the battle against climate change.



David Cataford
Chief Executive Officer



Michael O'Keeffe
Executive Chairman of the Board



Michael Marcotte
Senior Vice-President, Corporate
Development and Capital Markets

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FORWARD-LOOKING INFORMATION

This newsletter includes certain information that may constitute "forward-looking information" under applicable 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 statements regarding: (i) the Phase II expansion project, its nameplate capacity and completion schedule; (ii) the DRPF Project and its expected project timeline, budget, financing and approvals, layout, construction, production metrics and benefits; (iii) the study to evaluate the re-commissioning of the Pointe-Noire Iron Ore Pelletizing Facility to produce DR pellet feed product and its results and expected timeline; (iv) the Kami project updated feasibility study and its anticipated completion date; (v) the shift in the steel industry to transition to green steel and to reduce emissions, announcements to address elevated emissions embedded in steel, increase in DRI demand and EAF capacities and related supply deficit and higher premiums, and the Company's positioning in connection therewith and expected benefits thereof for the Company; (vi) global macroeconomic conditions and factors that could influence the steel

market and iron ore production (including supply, demand and premiums) and expected benefits thereof for the Company; (vii) impact of the Company's operations on the environment and communities; (viii) shipping and sales of accumulated concentrate inventories; (ix) carbon costs reduction; and (x) the Company's growth, opportunities and vision generally, 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 expressed 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 and business conditions; general economic, competitive, political and social uncertainties and unrest, including the Russia-Ukraine crisis, its development and its impact on the steel and iron ore industries and the global economy; the effects of catastrophes and public health crises, including the 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 2023 Annual Information Form and the risks and uncertainties discussed in the Company's Management's Discussion and Analysis for the year ended March 31, 2023, all of which are available on SEDAR+ at www.sedarplus.ca, the ASX at www.asx.com.au and the Company's website at www.championiron.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. Investors and others should carefully consider the above factors as well as the uncertainties they represent and the risks they entail. Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company's ability to predict or control. The forward-looking statements contained herein are made as of the date hereof or such other date or dates specified in such statements.

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

1 International Energy Agency
 2 International Energy Agency 2023: 10% includes 8% related to steelmaking emissions and 2% of indirect emissions from electricity generation
 3 Bloomberg, August 10, 2023
 4 ArcelorMittal February 15, 2023; Algoma Steel July 5, 2023; BBC News January 23, 2023; Plata February 17, 2023; BMO April 20, 2023; Reuters June 6, 2022; Reuters, September 16, 2023
 5 Platts, July 26, 2023
 6 Bloomberg, March 31, 2023
 7 Bloomberg, March 31, 2023
 8 Bloomberg, August 10, 2023
 9 Fastmarkets, June 8, 2023
 10 McKenzie and Company data, Midrex and world steel dynamics, September 12, 2023
 11 BMO, August 2, 2023
 12 BMO, August 1, 2023
 13 Wood Mackenzie data
 14 Bloomberg, August 17, 2023
 15 Macquarie, July 24, 2023
 16 Bloomberg, August 30, 2023; Scotiabank, September 20, 2023
 17 Wood Mackenzie data, Platts data, Bloomberg news
 18 Mysteel, September 11, 2023
 19 S&P data. Minespan data
 20 news.metals.com; Bloomberg data
 21 S&P Global, March 13, 2023