

April 11, 2024

NEWSLETTER

CHAMPION IRON 

**A RARE SOLUTION TO
DECARBONIZE STEELMAKING**

CHAMPION IRON NEWSLETTER

Since our October 24, 2023 newsletter, Champion Iron Limited (“Champion” or the “Company”) reported record production of 4.0 million wet metric tonnes (wmt) of high-purity 66.3% Fe concentrate for the three months ended December 31, 2023. In doing so, the Company demonstrated its ability to reach and exceed its recently expanded nameplate capacity of 15 million tonnes per annum (“tpa”). As detailed in Champion’s recent quarterly webcast, the Company aims to identify bottlenecks at Bloom Lake and investigate opportunities to invest in operations to structurally increase the mine’s nameplate capacity beyond 15 Mtpa over time. As mentioned in the webcast, temporarily exceeding nameplate capacity caused additional wear on plant equipment, which would require additional maintenance to stabilize certain elements at Bloom Lake, prior to being positioned to sustainably achieve or surpass its expanded nameplate capacity in future periods.

While Bloom Lake’s production capacity increased during the most recent quarter, the rail operator did not haul at contracted levels. This haulage shortfall resulted in the inability to ship all of the iron ore concentrate produced during the period. As a result, the Company increased iron ore concentrate inventories to 2.4M wmt as at December 31, 2023. The Company is engaging with the rail operator to receive contracted haulage services to ensure Bloom Lake’s increased production, as well as iron ore concentrate currently stockpiled at Bloom Lake, will be hauled over future periods. As detailed during the recent webcast, the specific timeline to receive improved rail services remains uncertain.

In line with Champion’s vision to align with the steel industry’s shift towards green steelmaking, the Company’s Board of Directors provided a final investment decision for the Direct Reduced Pellet Feed (“DRPF”) project in January 2024. This carbon neutral project is to upgrade half of Bloom Lake’s capacity to an industry leading 69% Fe Direct Reduction (“DR”) quality iron ore, which is a raw material required to complement and/or substitute scrap steel in steelmaking without utilizing coal in Electric Arc Furnaces (“EAF”). Benefiting from a robust balance sheet with its net cash position as at December 31, 2023 and a recent increase in its financial liquidity, through a refinancing in November 2023, the Company is well positioned to fund the DRPF project’s remaining expenditures. As at December 31, 2023, the project is scheduled to be completed in calendar H2/2025, subject to meeting construction milestones by mid-2024, with remaining expenditures estimated at approximately C\$410 million.

DRPF Project



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

In January 2024, Champion achieved an additional significant milestone by announcing the details of the Kami Project Study, which evaluated the construction of a 9.0M wmt per year DR quality iron ore operation (the “Study”). The Study, filed in March 2024, enables the Company to consider strategic partnerships prior to advancing the project.

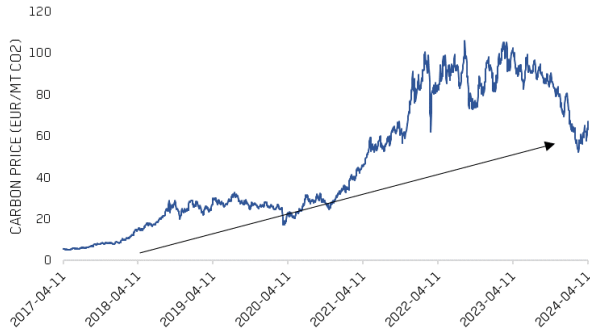
GROWING SUPPORT FOR THE GREEN STEEL

The steel sector is responsible for nearly 10% of global emissions, producing over 3.3 billion tonnes of CO_{2e}.¹ As such, it poses a significant challenge for several countries’ ability to meet emission reduction commitments. To achieve such commitments, carbon emissions in the steel industry must fall to 208 million tonnes by 2050, constituting a 94% reduction.² As a result, governments worldwide are accelerating efforts to support the green steel transition, including significant financial support from countries including Japan, Germany, UK, Canada, the Netherlands and many others.³

An initiative drawing considerable attention is the Carbon Border Adjustment Mechanism (“CBAM”), which aims to address carbon leakage by equalising the carbon price paid in the European Union (“EU”) with those from non-EU countries for imported raw materials, including iron and steel-related products. The mechanism was implemented in October 2023, whereby EU-based importers of goods and raw materials are required to report embedded emissions generated overseas from their imported products. The subsequent stage is scheduled to commence in January 2026, with full implementation by 2034, where importers will face financial obligations for embedded carbons from their imported goods. This rise in the cost of carbon taxes in the EU is expected to impact their trading partners for carbon emissions generated overseas. The increase in carbon prices will not only impact steel trade patterns but also is expected to increase the incentive for EU’s trading partners to invest in emission reduction technologies. With the price of carbon rising over the last few years, this mechanism will

become of greater importance for Europe’s iron and steel trading partners in the coming years, which inevitably will favor lower emitting raw materials produced globally. While the EU is the first to implement a carbon pricing mechanism, other regions are beginning to follow suit, including the U.S. with the Foreign Pollution Fee Act introduced in November 2023.⁴ Canada, Australia, the United Kingdom and Latin America have also announced public consultations as they consider implementing similar mechanisms.

EU CARBON PRICE EVOLUTION



Source: Champion Iron Limited, Bloomberg

Further support for green steel was observed at COP28 in early December 2023, where more than 35 key steel producers, industry associations, standard setting bodies, and international organizations announced their recognition of the importance to reduce emissions in the sector by establishing the Steel Standards Principles for decarbonization.⁵ These principles recognize the need to align and refine existing emissions standards in the steel industry across different regions. Furthermore, at COP28, several countries, including Canada, Germany, the UK and the U.S., pledged to adopt timebound commitments for the procurement of low emission steel for use in public infrastructure construction.⁶ Complementing this announcement was China’s National Development and Reform Commission implementing measures to build low-carbon buildings starting in 2027 with a vision to use low emission raw materials for the construction sector.⁷

EAFs offer one of the lowest emission intensity amongst commercially viable large-scale steelmaking processes.⁸ This technology, when coupled with reduction of Direct Reduced Iron (“DRI”) and hydrogen as a reductant, can reduce steelmaking CO₂ emissions by 95%, compared to the traditional steelmaking process using Blast Furnaces and Basic Oxygen Furnaces (“BF/BOF”).⁹ One major obstacle for the adoption of additional DRI/EAF capacity is the availability of DR quality iron ore, as this process demonstrates greater sensitivity to impurities in steelmaking. With only approximately 5% of global iron ore production qualifying for DR quality feedstock,¹⁰ a supply deficit is expected to grow in tandem with the increasing market share of EAFs in steelmaking.

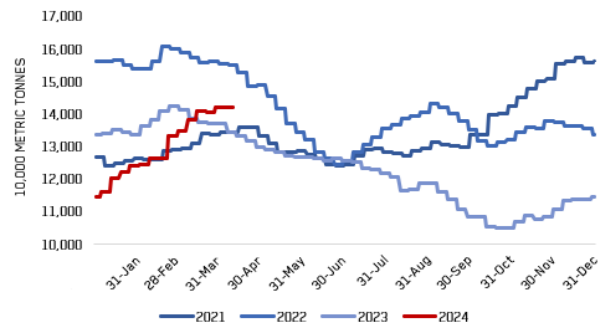
While the Labrador Trough is already a leading global supplier of high-purity iron ore, it also aligns with the provincial governments` recent recognition of the raw material challenges required for the green steel transition. Notably, the provinces of Québec and Newfoundland and Labrador recognized high-purity iron ore on their respective lists of critical minerals. This recognition aligns Champion with local authorities to further collaborate in becoming a global solution for the green steel transition as a leading supplier of DR quality iron ore for EAF steelmaking.

RECENT IRON ORE PRICE VOLATILITY

While iron ore prices remained robust for the greater part of the last few years, highlighting a balanced market, the high-grade Platts 65% Fe iron ore index declined from approximately US\$150 per dry metric tonne (“dmt”) in early 2024 to US\$110-125/dmt in the most recent weeks. A primary driver behind this decline is attributable to seasonal factors, including construction activities in China impacting demand and weather patterns influencing supply. Traditionally, global iron ore inventories increase in January and February as China’s construction activities tend to decline during the winter months and in anticipation of the Chinese New Year (“CNY”) holiday. Historically, inventory levels decline in March and into the steel intensive construction period following the CNY holiday.

Historically, such seasonal fluctuations in inventory levels have lower impact on iron ore prices, largely due to the compensatory effect of reduced iron ore supply from Brazil during the rainy season, which historically occurs in tandem with China’s reduced construction activities. This year presents a departure from the norm, where Brazil demonstrated sustained high shipments attributable to limited rainfall. Notably, Brazilian iron ore exports have surged by 12% year-to-date (“YTD”) in the first three months of the year,¹¹ as production remained largely unhindered by seasonal patterns witnessed in previous years. Despite this notable uptick in exports from Brazil, iron ore inventories at Chinese ports remain largely in-line with historical levels for this time of the year.

Total China Iron Ore Portside Inventory



Source: Champion Iron Limited, Bloomberg data

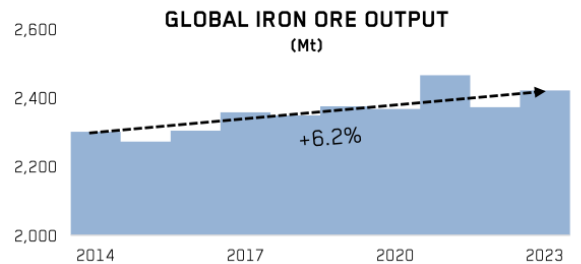
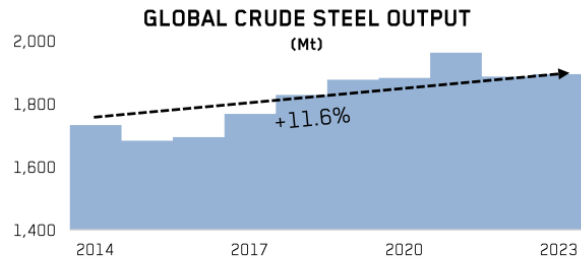
While Brazilian iron ore volumes have been unseasonably high in the first months of 2024, Australian supply has been slightly lower year-to-date¹². Additionally, rail and power disruptions among major iron ore producers, including Sweden and South Africa, highlight supply challenges in the industry which may not be currently apparent due to the unseasonably elevated iron ore exports from Brazil. Looking ahead, iron ore supply growth is anticipated to remain depressed in the near-term with the “Big-4” iron ore producers implying a cumulative production increase of 0.8% in their forward guidance, less than half the rate of production increase in the trailing year.¹³ Recent iron ore price dynamics may also trigger additional supply challenges as it approaches prices where marginal high-cost producers may begin reducing production. A recent precedent includes the price correction in the later months of 2022, when the Platts 62% Fe index fell below the US\$100/dmt for a handful of weeks. At the time, trade data from China showed that iron ore imports from outside of Australia, Brazil and South Africa dropped to their lowest levels in years, likely attributable to marginal iron ore producers’ reduced output in response to the price correction.¹⁴

While iron ore supply/demand dynamics created volatility in prices, recent announcements in China could support additional demand for iron ore in the near future. Specifically, China announced its initiative to funnel 1 trillion Yuan into economic recovery and construction projects to support its targeted 5% GDP growth.¹⁵ This announcement joins recent measures to stabilize the real estate sector, including unprecedented reductions in mortgage rates and looser lending rules for real estate developers.¹⁶ Such measures could support economic activity and iron ore demand. While China deploys measures to stabilize and stimulate certain industries, recent economic indicators are boosting optimism for the country to reach its ambitious growth of 5% this year.¹⁷ Notably, China manufacturing Purchasing Managers’ Index (“PMI”) reversed a five-month contraction in March, to rise to the highest in a year, while the Caixin manufacturing PMI continued to illustrate economic expansion for a fifth month, the longest streak in more than two years.¹⁸



Source: Champion Iron Limited, Bloomberg data

Structurally, iron ore supply growth significantly lagged steel output growth in the last economic cycle. This disconnect was supported by the rising use of scrap in steelmaking. While the scrap industry was optimized, recent efforts by governments to accelerate a transition towards EAF steelmaking to reduce emissions rendered the security of scrap supply as a strategic consideration for many countries. Accordingly, over 60 countries have either banned or are in the process of banning scrap steel exports.¹⁹ This dynamic will eventually stress additional demand for seaborne iron ore supply. Additionally, some countries which depend on scrap to supply their EAFs will now need to source other metallics such as DRI. As CBAM mechanisms are set to potentially impact the use of pig iron as an alternative metallic, due to its elevated emission footprint through the blast furnace process, DR quality iron ore is to become a substitute for many countries currently depending on the seaborne scrap trade. Such dynamics support Champion’s vision to supply DR quality iron ore through its DRPF project and the potential value embedded in its vast resources across the Labrador Trough.



Source: Champion Iron Limited, Mysteel

THANK YOU TO OUR STAFF & PARTNERS

We once again extend our appreciation to our diligent and hard-working employees and partners. Their ongoing commitment contributes to the betterment of the region and they are participating in a unique opportunity to decarbonize steelmaking. Champion was also delighted to recently announce the ratification of a new 5-year collective bargaining agreement (“CBA”) with its unionized employees. The CBA will foster added stability for our workforce, the community, and our Company, and it underscores our commitment to maintaining a robust and mutually beneficial partnership with our employees.



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FORWARD-LOOKING INFORMATION

This newsletter includes certain information that may constitute "forward-looking information" under applicable securities laws. 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) Bloom Lake's life of mine, production, expanded nameplate capacity, potential opportunities beyond life of mine and related investments, and operational maintenance and improvements; (ii) the DRPF Project and its expected project timeline, budget, financing and approvals, layout, construction, production metrics and benefits; (iii) the Kami Project Study and related strategic partnership opportunities;

(iv) the CBA, its expected impact on the Company, its workforce and the community, and the Company's objectives and targets with respect to its workforce; (v) the shift in the steel industry to transition to green steel and to reducing 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) increased shipments of iron ore and related railway capacity; (x) carbon costs reduction; and (xi) 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 Wood Mackenzie, January 30, 2024

2 Wood Mackenzie, January 30, 2024

3 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

4 Center for Strategic & International Studies, November 13, 2023

5 World Trade Organization, December 1, 2023

6 Clean Energy Ministerial, December 5, 2023

7 Fastmarkets, March 26, 2024

8 Wood Mackenzie data

9 Minespans and Wood Mackenzie data

10 Wood Mackenzie, January 30, 2024

11 Bloomberg

12 BMO, March 19, 2024

13 Bloomberg

14 BMO, September 22, 2022

15 Clarksons, January 24, 2024

16 Clarksons, February 20, 2024; BMO, January 29, 2024

17 Bloomberg, April 1, 2024

18 Bloomberg, April 1, 2024

19 The Economic Times, September 29, 2023