

January 13, 2021

NEWSLETTER

CHAMPION IRON 

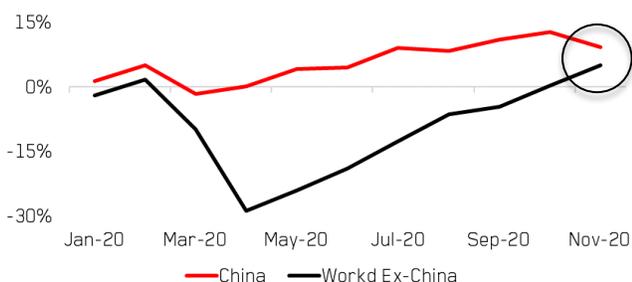
TIER 1 MINING & DEVELOPMENT

CHAMPION IRON NEWSLETTER

Since our last newsletter, issued on September 30, 2020, Champion Iron Limited (“Champion” or the “Company”) reported record production and financial results in the quarter ended September 30, 2020. Shortly thereafter, the Company announced its final approval of the Bloom Lake Mine’s Phase II expansion project, to be funded from cash on hand and an increase to its senior secured credit facility, in addition with plans to acquire the Kami project adjacent to its current operations.

As the world eagerly awaits the positive impacts of vaccines against the COVID-19 virus, the global economy continues to improve, leading to record steel output in recent months¹. With the global economic engine showing signs of recovery, governments globally continue to propose and implement additional economic stimulus programs to anchor the recovery, often positively impacting the demand for iron ore and steel². While China was arguably the first economy globally to recover from the affects of the pandemic, the rest of the world is now resurging with its crude steel output reaching the first year over year growth figure since the onset of the pandemic.

STEEL GROWTH DEMAND (YEAR-OVER-YEAR %)



Source: Champion Iron Limited, World Steel Association

While the demand for iron ore accelerates in tandem with the global economic recovery, global supply continues to be challenged, with constrained export capabilities from Australia³. In addition, ongoing challenges in Brazil following the Brumadindo dam break in January 2019, led to another guidance reduction from one of the world’s largest producers in November⁴. With such dynamics, iron ore prices continue to climb, with iron ore indices in Champion’s domestic currency now surpassing all time highs.

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



Source: Champion Iron Limited, Platts data, Bloomberg data

While higher prices for iron ore are beneficial for our Company, their impact on the profitability of steel makers appears to be muted with the support of rising steel prices in major producing hubs. While some steel makers in specific regions of China and other manufacturers of select steel products are experiencing depressed profitability due to rising raw material costs⁵, China’s Basic Oxygen Furnace (“BOF”) steel profit index continues to track positively, suggesting the ability for steel makers to absorb the rise in iron ore prices⁶. In addition, inventories of raw iron ore remain near 3-year lows while those of finished steel products, currently at their lowest levels since January 2020⁷, continue to decline across major hubs. The resilient profitability of steel makers, combined with low finished steel products, provides incentives for continued robust demand of iron ore near term⁸.

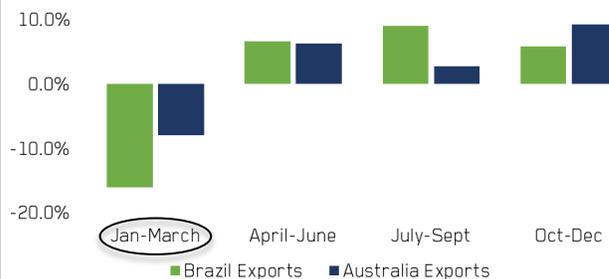
CHINA BOF STEEL PROFIT INDEX 1 YEAR



Source: Champion Iron Limited, Bloomberg data

Opposing the current robust demand for iron ore and steel, is a long history of supply weakness in the months ahead. In fact, Australia’s exports (-55%⁹ of global exports) has historically been impacted by cyclones in the first calendar quarters, while Brazil’s exports (-22%¹⁰ of global exports) have a history of being exposed to its rainy season in the same period. A repeat of a negative natural event-related crisis, which sometimes occurred in previous years, could further tighten the short-term supply/demand dynamics in the industry¹¹.

BRAZIL/AUSTRALIA IRON ORE EXPORT SEASONALITY - 10 YEAR AVERAGE



Source: Champion Iron Limited, Bloomberg data

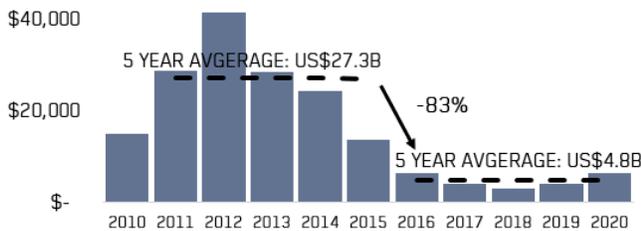
In addition, as part of an ongoing Australian government review regarding the destruction of the Juukan Gorge aboriginal site in May, as mentioned in our previous newsletter, an initial report by lawmakers was published early December, suggesting a permanent moratorium on mining in that area and a suspension of Section 18, which allowed miners to submit applications which could result in

the destruction of aboriginal sites. While the initial report is subject to further discussion and approvals are unlikely to be obtained until after the upcoming state election in March 2021, it does raise additional concerns for iron ore exports in one of the world's largest iron ore producing hubs¹².

INDUSTRY STARVING FOR GROWTH CAPITAL?

Despite potential near term supply risks for iron ore as discussed, the industry continues to suffer from a structural lack of investments in growth projects. In fact, the average annual development capital deployed in the industry collapsed -83% in the last five years compared to the previous five years¹³. This drastic lack of investment across the industry is expected to limit additional near-term iron ore supply, as large-scale infrastructure required by projects traditionally require 5-14 years of lead-time for project completion¹⁴. As most industry participants benefit from higher iron ore prices, most continue to commit to shareholder return policies as opposed to accelerating development capital¹⁵.

GLOBAL IRON ORE INDUSTRY DEVELOPEMENT CAPITAL (US\$M)



Source: Champion Iron Limited, Wood Mackenzie data

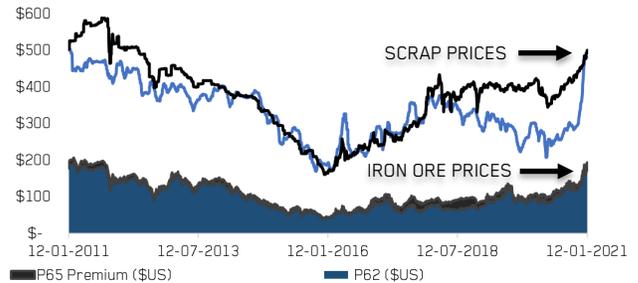
CHINA TO CHANGE SCRAP POLICY?

Some industry participants highlight a potential risk to iron ore demand as China attempts to reduce its dependence on iron ore imports¹⁶. As such, China announced plans to reintroduce ferrous scrap imports near term, following a ban implemented in 2019 to reduce pollution levels and raise domestic scrap consumption¹⁷. Prior to banning imports in 2019, China had imported over 10 million tonnes of scrap in certain years, which could translate into a reduction of iron ore imports of approximately 1-2% annually¹⁸.

While this change in policy would only have a marginal impact on the overall supply/demand dynamics in the short-term, it underpins a transition for China from Blast Furnaces ("BFs") to Electric Arc Furnaces ("EAFs")⁹. A growth in Chinese EAF production, which primarily use scrap as input material, could face a challenge in coming years, as current scrap availability reflects the quality of steel that was manufactured 15-20 years ago. China has only recently adopted international steel chemistry standards, meaning much of the currently available scrap has elevated levels of impurities¹⁹. A likely consequence of using lower quality scrap material is that it could lead to higher requirements for direct reduction iron ("DRI") to help control impurity levels²⁰.

Significantly, earlier this year, Champion successfully demonstrated that its Bloom Lake mine can produce a direct reduction ("DR") iron ore concentrate, positioning our Company as one of the few iron ore producers globally who can help steel makers transition to EAFs. With such a dynamic, in addition to the existing premium price for DR concentrate, when compared to our existing high-grade iron ore concentrate, DR and DRI material pricing could improve in the coming years and be priced against scrap material²⁰, which could further improve the competitive positioning of this product.

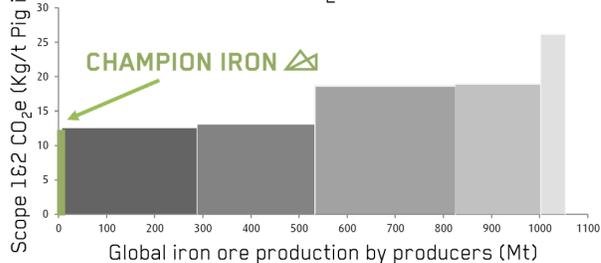
P62/P65 vs SCRAP METAL CFR CHINA & TURKEY 10 YEARS (US\$/T)



Source: Champion Iron Limited, Platts data, Bloomberg data

While we are excited about the prospect of our DR concentrate to contribute to the reduction of emissions for the steel making process with EAFs compared to BFs, our Company is already globally ranked as one of the iron ore producers with the lowest emission footprint (Scope 1&2 and Scope 3)²⁰.

SCOPE 1&2 CO₂e INTENSITY



Source: Champion Iron Limited, Bank of Montréal

PHASE II UPDATE & KAMI ACQUISITION

With our Company's iron ore concentrate in high demand and following the announcement of the increase to our current credit facility to US\$400M, Champion announced on November 12, 2020, that it will proceed with the completion of the Phase II expansion project, expected to double Bloom Lake's nameplate capacity to 15 Mtpa by mid-2022.

While the project is already well advanced, our team rapidly deployed its workforce and contractors, in order to deliver the project within the expected timeframe. Since the announcement, our team has advanced work programs, including the completion of the civil work of the ore storage area and the train loadout transfer tower, advanced

installation of several items for the recovery system, and ongoing electrical and structural work programs.

In addition to the near-term growth opportunity proposed by our Phase II project, Champion announced on November 16, 2020, plans to acquire the Kami project, a large-scale high-grade iron ore deposit adjacent to our current operations. As part of the acquisition, Champion expects to secure additional capacity at the multiuser berth of the port of Sept-Îles, currently used by the Company. As detailed in the announcement, our team expects to revise the Kami project's scope and update its feasibility study in the near term, as it diligently considers growth alternatives within its portfolio.

We are thankful for your support as we aim to build a sustainable mining company.

PHASE II PROJECT – RECENT WORK PROGRAMS

Concentrator – Spirals installation completed on floor 741



Load-out – Transfer tower erection and cladding continued



Concentrator – Launder installation in gravimetry sector



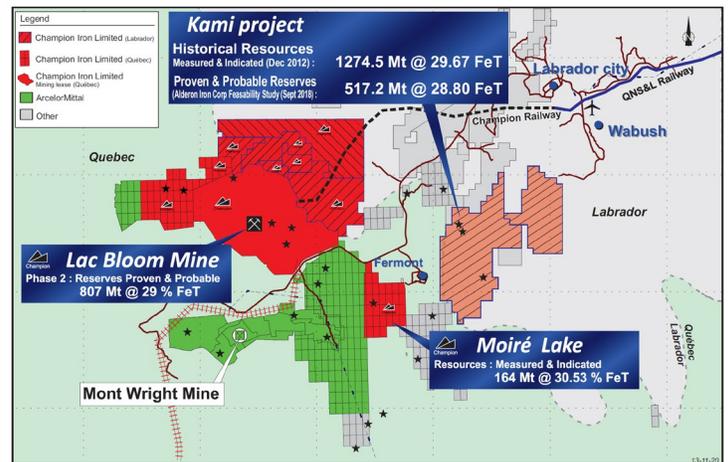
Concentrator – Structure modification in grinding sector



Load-out – Conveyor 6 structure erection



KAMI PROJECT





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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; 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) the seasonality impact of iron ore exports in Australia and Brazil and its impact on the industry supply and demand dynamics, (iv) steel makers' profitability, ability to absorb higher iron ore prices and their near term demand for iron ore, (v) the outcome and timing of the Juukan Gorge event to Australian policies and its impact on iron ore exports, (vi) industry growth capital and its impact on iron ore supply, (vii) China's scrap

import policies and its impact on iron ore import demand, (viii) the impurity levels of Chinese domestic scrap and the requirements for Direct Reduction Iron by Chinese EAFs, (ix) the Company's product demand and pricing, (x) the increase of the senior secured credit facility (xiii) the Phase II project development and delivery time, and (xii) the Kami project proposed acquisition, related port capacity and expectation for a revised feasibility study. , 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

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- ¹ World Steel Association
 - ² Macquarie, December 11, 2020; New York Times, November 5, 2020
 - ³ Bloomberg, November 22, 2020
 - ⁴ Bloomberg, December 7, 2020
 - ⁵ Mysteel, December 21, 2020
 - ⁶ Mysteel, December 2, 2020
 - ⁷ RBC, December 9, 2020
 - ⁸ BMO, December 16, 2020
 - ⁹ Wood Mackenzie data
 - ¹⁰ Wood Mackenzie data
 - ¹¹ Bloomberg, December 7, 2020
 - ¹² Bloomberg, December 16, 2020; The Guardian, December 9, 2020; BMO, December 9, 2020
 - ¹³ Wood Mackenzie data
 - ¹⁴ Wood Mackenzie, September 2020
 - ¹⁵ Clarksons August 11, 2020; Bloomberg November 5, 2020; Macquarie September 3, 2020; BMO December 3, 2020
 - ¹⁶ BMO, November 19, 2020
 - ¹⁷ Platts, December 24, 2020; BMO, December 18, 2020; Mysteel, September 30, 2020; Fastmarkets, October 15, 2020
 - ¹⁸ BMO December 11, 2020; Morgan Stanley November 25, 2020
 - ¹⁹ BMO November 30, 2020
 - ²⁰ BMO November 27, 2020