

October 6, 2022

NEWSLETTER

CHAMPION IRON 

TIER 1 MINING & DEVELOPMENT

CHAMPION IRON NEWSLETTER

Since our March 28, 2022 newsletter, Champion Iron Limited (“Champion” or the “Company”) reported record production in its fiscal 2023 first quarter, positively impacted by the completion of the first rail shipment from the Bloom Lake Mine’s Phase II expansion project (“Phase II”) in May 2022. The Phase II project is designed to double Bloom Lake’s nameplate capacity to 15M tpa and has received cumulative investments of nearly US\$2 billion over the past decade, primarily from the mine’s previous owners. Despite pandemic-related challenges and global supply chain issues, the large-scale project was completed ahead of schedule and within the range of the cost parameters detailed in the 2019 feasibility study. As disclosed in the most recent quarterly results, Champion expects the Phase II project to reach commercial production by the end of the 2022 calendar year.

In line with its vision to participate in the green steel supply chain, Champion announced on May 17, 2022, the entering into an acquisition agreement for the Pointe Noire Iron Ore Pelletizing Facility (the “Pellet Plant”) located in Sept-Iles, Québec. In tandem with the acquisition, Champion entered into a Memorandum of Understanding (the “MOU”) to complete a feasibility study with a major international steelmaker, to evaluate the re-commissioning of the Pellet Plant and the production of Direct Reduction (“DR”) Grade Pellets. DR grade pellets are required in the Direct Reduced Iron (“DRI”) steel making method, which utilizes Electric Arc Furnaces (“EAF”) that can reduce emissions by more than 50%, compared to traditional steel making using Blast Furnaces (“BF”) and Basic Oxygen Furnaces (“BOF”)¹.



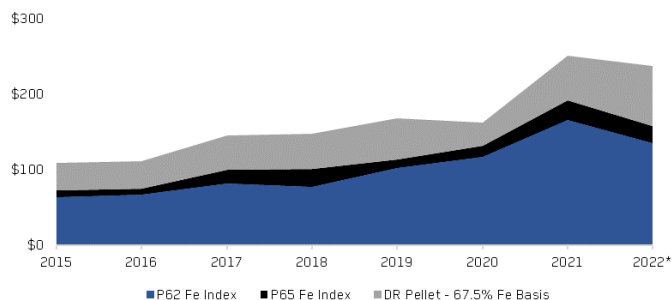
Source: Champion Iron Limited

In tandem with this project, Champion is evaluating the potential to upgrade some of its market leading high-purity 66.2% Fe iron ore concentrate to a DR grade pellet feed product. This higher purity product would serve as the primary feed to produce DR grade pellets, which can be converted to DRI and substitute prime scrap and/or pig iron as a source of virgin iron units in the EAFs. Additionally, such higher quality products can contribute to reach the low impurity levels required to produce flat steel products in the EAF. Feasibility studies investigating infrastructure upgrades required to convert Bloom Lake concentrate to a DR grade pellet feed and produce DR grade pellets are currently underway.

While higher purity products, such as DR grade pellet feed and DR grade pellets, play a meaningful role in reducing

emissions for our customers, they also attract premiums over the traditional iron ore indices. In fact, DR grade pellets currently attract a US\$95/tonne premium above the P65 index currently used as a benchmark for Champion’s 66.2% Fe iron ore concentrate. This premium, which averaged US\$44.1/tonne over the P65 index, since the index was created in 2015, also proved to be resilient in cyclical downturns, including the most recent 2015 iron ore price correction². Further to such historical premiums, a recent study completed by Wood Mackenzie examined the projected impact of the steel industry’s transition to EAF steelmaking in response to meeting required emission reductions by 2050. This transition is expected to trigger an increase in demand for DR grade pellets of more than 500%, representing a potential supply shortfall of nearly 350M tpa³.

P62, P65 & DR PELLET PRICE HISTORY
 US\$/TONNE



Source: Champion Iron Limited, Wood Mackenzie Data
 *2022 Wood Mackenzie estimate

In addition to maximizing the value of our products and reducing emissions for our customers, Champion is also advancing a feasibility study on the Kamistiatu iron ore project (the “Kami project”), which is expected to be completed in the first half of the 2023 calendar year.

GREEN STEEL TRANSITION ACCELERATING

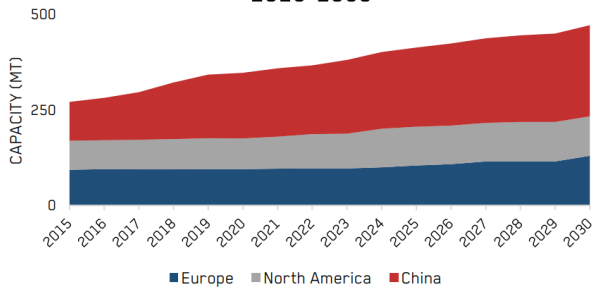
With the steel industry responsible for 8% of global emissions⁴, the preference for EAF steelmaking is increasing rapidly amid global efforts to decarbonize. China launched its all-inclusive carbon action plan in October 2021, targeting to peak its carbon emissions by 2030. According to the plan, the proportion of steel produced from EAF’s is expected to exceed 15% by 2025, and 20% by 2030, from the current market share of approximately 10%⁵.

Confirming this stance on emission reductions, we have also witnessed an acceleration in new EAF announcements in China. In the first four months of 2022 alone, China approved the construction of 16 new EAF’s, adding to the 43 approvals in 2021, representing a significant increase in EAF project generation, compared to previous years⁶.

China is not the only region leading the path to a greener steel industry. Subsequent to the UN Climate Change Conference (COP26) held in November 2021, we have witnessed a global momentum shift. China, Europe and North America have announced plans for nearly 86.3 million tonnes of additional EAF capacity. Such recent EAF capacity announcements in major hubs suggest an accelerating trend

in EAF steelmaking as it represents the same quantum increase in EAF capacity to that which was previously delivered over the last 6+ years. In sharp contrast, only a handful of new BF/BOF projects were announced over the same period. The additional EAF capacity announced since the onset of 2021 alone would require a more than doubling of the current merchant market for DR feed quality iron ore. This represents a significant opportunity for the Company and its proposed DR grade pellet feed project.

EAF CAPACITY TO DOUBLE IN KEY REGIONS 2015-2030



ANNOUNCED & UNDER CONSTRUCTION EAF CAPACITY



New EAF capacity to require ~45Mt/year of additional DR feed quality iron ore, more than doubling the current merchant market size

Source: Champion Iron Limited, Wood Mackenzie data, SP Global research; EAF capacity net of closures; rebased on 1/3 DRI raw material sourcing assumption for EAF & 1.5 tonne of DR feed iron ore per tonne of DRI; IIMA data.

CHINA'S MACROECONOMIC IMPACT

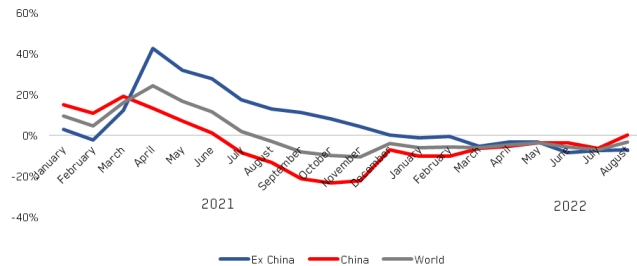
Along with other industrial metals, the global economic slowdown pressured iron ore prices in recent months. The high-grade Platts P65 Index traded at its year-to-date low on September 2, 2022, 12% below its historical average since the index was created in 2009⁷. Weak demand in China contributed to lower iron ore prices, likely attributed to several factors including:

- Zero-COVID policy prioritised over economic growth with containment measures at the top of policymakers' agendas.⁸
- Weak steel margins leading steel mills to reduce production and/or undertake maintenance activities.⁹
- A slowdown in the property sector, with China's largest developer facing liquidity issues, in addition to turmoil in the sector amid an increasing number of homebuyers boycotting mortgage payments.¹⁰

As a result, global steel industry output experienced a mild decline in recent months, following remarkable year-over-

year growth in 2021. The World Steel Association reported crude steel production to be 5.0% below the same period in 2021, however remains 4.5% above 2020 levels.¹¹

CRUDE STEEL PRODUCTION (YEAR OVER YEAR GROWTH - %)



Source: Champion Iron Limited, World Steel Association data

In light of reduced economic activity in China, recent macroeconomic events signal that policymakers are prepared to support infrastructure and property development to stimulate the economy, which could become a positive catalyst for iron ore and steel demand¹². Recently, China announced the release of substantial funds earmarked for infrastructure development, lowered its interest rate as a measure to stimulate growth and injected capital to support liquidity for real estate developers¹³. In line with such announcements, the country's largest real estate developer, Evergrande, announced on September 13, 2022, the restart of construction at over 668 of its idled 706 construction sites¹⁴.

Such announcements coincide with a stabilization of China's steel output in August, demonstrating a growth of 0.5% year-over-year, marking the first monthly increase since July 2021¹⁵. Although uncertainty prevails regarding China's prioritizing its zero-COVID policy over economic growth, recent developments in other countries demonstrate a gradual return to pre-pandemic normality.

INDUSTRY SUPPLY CHALLENGES

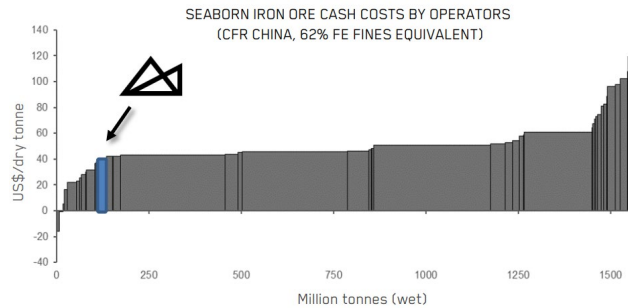
Arguably, historical prices should be a good gauge of the prices required to motivate supply. With prices below historical levels, even before inflationary adjustment, it is not surprising to witness signals of reduced iron ore supply globally. Data suggests several iron ore miners are reducing production. In fact, China's iron ore imports from outside of the main exporting hubs of Australia, Brazil, and South Africa, dropped to its lowest level since September 2018¹⁶. This likely suggests marginal cost iron ore suppliers are curtailing production, due to profitability challenges.

Major iron ore producing hubs are not immune to lower prices. Cumulative iron ore shipments from Australia, Brazil, and South Africa, representing 84% of the industry trade flows, have not seen a month with positive year-over-year export growth since August of last year¹⁷. As such, an estimated 30 million tonnes from Australia's smaller mines are experiencing profitability issues and are threatened with shutdowns, as per industry commentary¹⁸. Additionally, China's iron mines have some of the highest operating costs globally and accordingly could further reduce global supply, but also increase demand for iron ore from the seaborne

market.¹⁹ Preliminary data from August, 2022, already demonstrate a slight decline in China’s iron ore output following weaker prices.²⁰ Such reductions in global iron ore supply could offset the impact of softer economic activity.

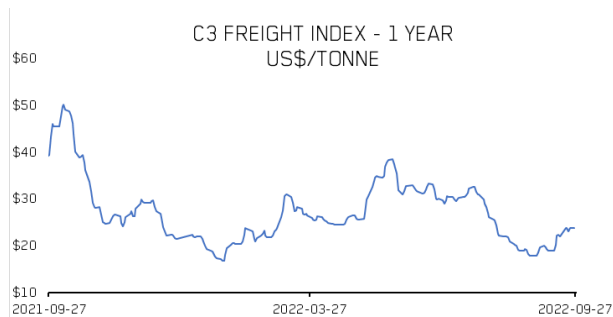
As some iron ore producers struggle with current market prices, supply is being negatively impacted, even with the heavy rain and typhoon season approaching in Brazil and Australia, respectively. Such seasonal events typically occur between December and March, and they have disrupted iron ore supply in some previous years. Poor seasonal supply coupled with a potential rebound in Chinese demand, could serve to increase iron ore supply demand in the months ahead.

Benefiting from premium pricing for its high-purity iron ore products, Champion ranks among the industry cost leaders according to recent data. While the Company recently experienced higher operating costs per tonne at Bloom Lake, primarily related to the commissioning of the Phase II project, Champion looks to benefit from economies of scale as Phase II reaches commercial production.



Source: Champion Iron Limited, Wood Mackenzie data for calendar Q2/2022

It is worth noting that the recent lackluster iron ore supply impacted dry bulk freight prices. Accordingly, the C3 index used to price Champion’s sea freight, corrected from abnormally elevated levels following recent port congestions globally and rising bunker fuel prices. Ongoing market dynamics led to a 35% correction to the C3 index from recent peak levels seen in May 2022. This decline in freight prices should contribute towards offsetting lower iron ore prices for some producers, including Champion.²¹



Source: Champion Iron Limited, Baltic Exchange data

THANK YOU TO OUR STAFF

Our employees are our most valuable asset. The dedication and agility they displayed while completing the Phase II project will positively impact the local communities for decades. Our team’s commitment aligns with our vision to be

a global leader in the green steel supply chain, while continuously upholding our values and respect for the environment. This is demonstrated by our commitment to reduce our greenhouse gas emissions by 40% by 2030, and to become carbon neutral by 2050. We thank our staff and all of our stakeholders, who cumulatively enable us to prudently implement our growth strategy, which will provide beneficial impacts, on both a local and global scale.

69% Fe DR PELLETT FEED – FLOTATION PLANT



KAMI PROJECT



PHASE II – SIGNIFICANT MILESTONES

Commissioning achieved ahead of schedule



First rail shipment announced early May





David Cataford
Chief Executive Officer



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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 and filed on August 2, 2019. Champion is not aware of any new information or data that materially affects the information included in 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. The Phase II Feasibility Study dated August 2, 2019 is available at www.sedar.com.

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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 impact on nameplate capacity, its completion schedule and remaining capital expenditures; (ii) studies to evaluate the re-commissioning of the Pellet Plant and the commercial production of a 69% Fe DR pellet feed product and their results and expected timeline; (iii) the Kami project updated feasibility study and its results and expected timeline; (iv) capital return strategies and other organic growth opportunities; (v) shift in the steel industry to reduce emissions, announcements to address elevated emissions embedded in steel, increase in DRI demand and EAF capacities and the Company's positioning in

connection therewith; (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) greenhouse gas and CO2 emissions reduction objectives; (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 or 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 2022 Annual Information Form and the risks and uncertainties discussed in the Company's Management's Discussion and Analysis for the year ended March 31, 2022, all of which are available on SEDAR at www.sedar.com, 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

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