

September 15, 2024

# NEWSLETTER

CHAMPION IRON 

**A RARE SOLUTION TO  
DECARBONIZE STEELMAKING**

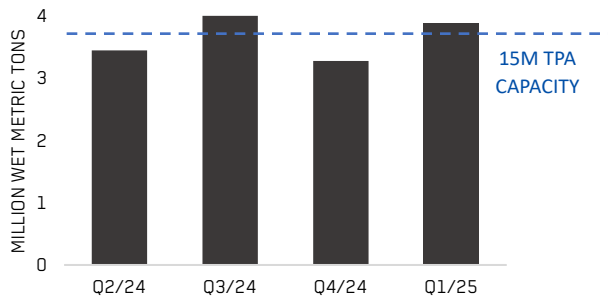


## CHAMPION IRON NEWSLETTER

Since our April 11, 2024 newsletter, Champion Iron Limited (“Champion” or the “Company”) reported production of 3.9 million wet metric tonnes (“wmt”) for the three month period ended June 30, 2024, an 18% increase from the previous quarter. This production increase was supported by work programs aimed at solidifying operations and the absence of major scheduled semi-annual shutdowns during the period. Additionally, the Company achieved record quarterly sales of 3.4 million dry metric tonnes (“dmt”) of high-purity 66.3% iron ore concentrate. While sales volumes improved in the most recent quarter, haulage services continued to lag Bloom Lake’s production volumes. Accordingly, accumulated iron ore stockpiles at Bloom Lake rose to 3M wmt as at June 30, 2024. The Company continues to seek improvements from the rail operator to receive contracted haulage services to ensure that Bloom Lake’s production, as well as iron ore concentrate currently stockpiled at Bloom Lake, is hauled over future periods.

Further to its strategy of identifying bottlenecks at Bloom Lake, which included pushing facilities beyond their nameplate capacity in the third quarter of fiscal 2024, the Company continued to evaluate work programs and investments required to increase Bloom Lake’s nameplate capacity beyond 15M tpa. Accordingly, in the quarter ended June 30, 2024, Champion acquired additional mining equipment and ordered additional railcars to increase near-term operational flexibility and support potentially higher production and sales volumes in the future.

### BLOOM LAKE’S RECENT IRON ORE PRODUCTION



Source: Champion Iron Limited

The Company’s emergency response plan was tested in July 2024, when a preventive evacuation of its workforce was completed in response to nearby forest fires. The comprehensive protocols enabled our team to evacuate our workforce and secure our site infrastructure within 18 hours. Although operations were impacted, our workforce’s ability to deploy a rapid evacuation while safeguarding the safety of all personnel was a significant achievement.

Champion’s Direct Reduced Pellet Feed (“DRPF”) project, set to upgrade half of Bloom Lake’s capacity to Direct Reduction

(“DR”) quality pellet feed iron ore, continues to advance as planned with commissioning scheduled for the second half of calendar year 2025. The DRPF project recently achieved additional construction milestones, with the Company expending C\$153.8 million in cumulative investments as at June 30, 2024, from the project’s study estimated total capital expenditure of C\$470.7 million. This growth project will not only align our Company with the industry’s transition towards green steelmaking but is also expected to increase the realized price for iron ore produced at Bloom Lake.

### DRPF PROJECT UNDER CONSTRUCTION



Source: Champion Iron Limited

In March 2024, Champion published a study evaluating the Kami project, located only a few kilometres from Bloom Lake. In the most recently completed quarter, the Company initiated work regarding the project’s environmental impact statement. Additionally, the Company continues to evaluate opportunities to improve the project’s economics, including strategic partnerships, prior to considering a final investment decision.

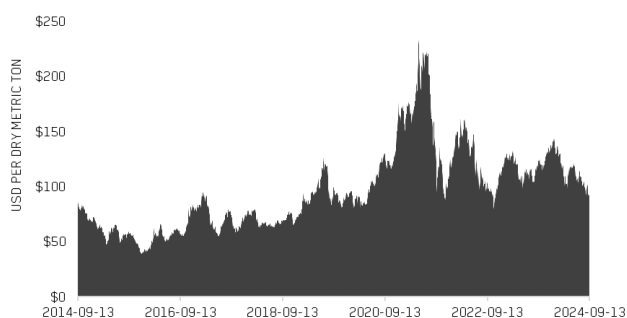
In tandem with the Company’s growth projects which are aligned to service the green steel supply chain, Canada’s federal government added high-purity iron ore to its critical minerals list in June 2024, joining similar recent announcements from the governments of Québec and Newfoundland and Labrador. This recognition highlights the importance of high-purity iron ore in the green steel supply chain as the steel industry seeks to reduce its carbon footprint, currently representing nearly 10% of global CO<sub>2</sub> emissions<sup>1</sup>. As the steel industry continues its transition to Electric Arc Furnaces (“EAF”) steelmaking to reduce emissions, DR quality iron ore will be required to supply the growing need for Direct Reduced Iron (“DRI”) used by EAF steelmakers. Accordingly, the demand for DRI is expected to increase by approximately 355% by 2050<sup>2</sup>. Benefiting from vast high-purity iron ore resources, Canada holds an opportunity to become a significant supplier of raw material required for the green steel supply chain.

## IRON ORE MARKET UPDATE

Since the release of our previous newsletter, iron ore prices experienced downward pressure, with the Platts 65% Fe iron ore index (“P65 Index”) declining from May through August. Most recently, the P65 Index ranged in price from US\$105-115/dmt, a level not seen since November 2022. This significant decline may be attributed to several factors, including:

- **China’s property sector remaining weak** – Floor space completions have been consistently depressed year-to-date. Meanwhile, floor space new starts are the lowest since 2006<sup>3</sup>;
- **Europe’s economic woes impacting steel demand** – Europe grapples with high inflation, elevated interest rates and a depressed construction sector. Consequently, steel output has moderated with experts predicting a 3.2% growth compared to earlier anticipated growth of 5.6%<sup>4</sup>;
- **Stronger iron ore output from Brazil and Australia** – Australia’s iron ore exports rose 2% in the first half of 2024 compared to the same period of 2023<sup>5</sup>. Meanwhile, Brazilian iron ore exports benefited from the lack of typical seasonal weather-related impacts, with shipments rising by 8.8% year-on-year in the first half of 2024<sup>6</sup>; and
- **Ukraine’s resurgence as an iron ore exporter** – While less significant in scale than the impact from Brazil and Australia, Ukraine’s iron ore exports increased year-on-year in the first half of 2024 following challenges from its conflict with Russia. The seaborne impact of such additional iron ore supply is amplified by low domestic consumption as many steel plants are either partially or fully destroyed and are operating at limited capacity<sup>7</sup>.

### PLATTS 65% FE IRON ORE INDEX – 10 YEARS



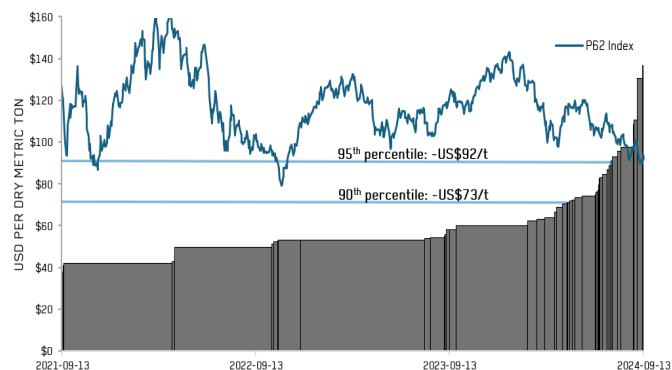
Source: Champion Iron Limited, Platts Data, Bloomberg

While recent steel demand weakened, particularly in China, precedents exist where Chinese authorities have supported the sector during times of economic crisis<sup>8</sup>. Notably, China intervened to rescue the steel sector during the 2008-2009 financial crisis and again in 2016, when demand declined sharply. As such, government interventions not only contribute to stimulating the steel industry, but also support

economic growth for the industrial sector, which represents 32% of China’s GDP<sup>9</sup>. Considering recently weakening economic data in China, some experts believe that government policy inaction is no longer an option to avoid a ripple effect risk to China’s financial sector<sup>10</sup>. Accordingly, recent announcements already position support for the real estate sector, including easing borrowing requirements<sup>11</sup>, which are aligned with previous downturn policies, when the steel sector was supported through stimulus programs for the real estate and infrastructure sectors.

Additional support for iron ore prices may also come from the industry’s steepening operating costs. Currently, approximately 80 million tons of seaborne iron ore supply is estimated to be unprofitable at a Platts 62% Fe Iron Ore Index price of approximately US\$90 per tonne<sup>12</sup>. While this figure excludes several other indirect operating costs, including financing costs and corporate overheads, many producers are already expected to be operating at a loss considering recent iron ore prices. Accordingly, longer dated depressed iron ore prices will likely result in curtailed supply of marginal producers, which could rebalance the market in the absence of an improved economic backdrop or government stimulus programs. This dynamic is also visible through recent downturns, where iron ore prices bottomed near the 95<sup>th</sup> percentile of the global cost curve.

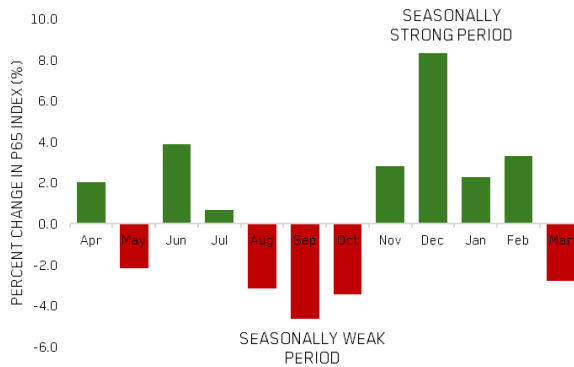
### IRON ORE PRICE VS. ADJUSTED COST CURVE (PLATTS 62% FE - CFR CHINA)



Source: Champion Iron Limited, Platts Data, Wood Mackenzie Data, Bloomberg

Iron ore prices may also find near-term support from seasonal trends. Historically, weaker iron ore prices are experienced from August to October due to seasonally reduced Chinese construction activity and higher iron ore supply from large iron ore producing hubs. This seasonal trend often reverses from November to February as construction activity rebounds in China and iron ore supply is exposed to weather patterns, including heavy rains in Brazil and tropical cyclones in Australia<sup>13</sup>. In the near term, Champion’s DRPF project will enable the Company to engage with additional customers outside of China, including EAF steelmakers, potentially reducing the Company’s pricing dynamic exposure to such seasonal volatility.

**PLATTS 65% INDEX SEASONALITY - 10 YEAR AVERAGE PERCENTAGE CHANGE**

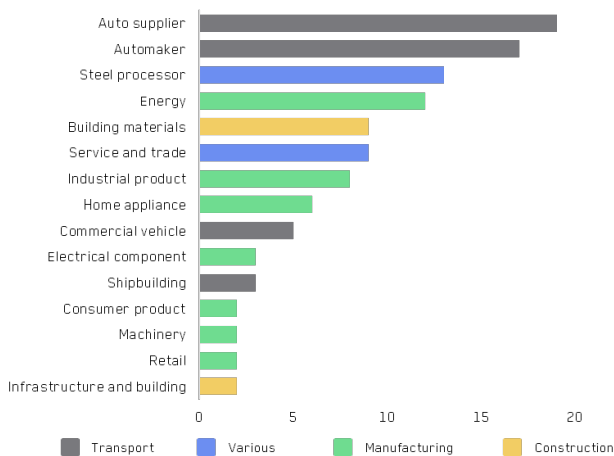


Source: Champion Iron Limited, Platts Data, Bloomberg

**GREEN STEEL = A GROWING INDUSTRY**

While the overall steel industry faced recent challenges, the green steel subset of the industry highlights a growing niche market. Significantly, various steel users are increasingly eager to secure contracts for green steel supply. In fact, the cumulative offtake agreements for low-emission steel have risen by 18% year-to-date with 112 deals, including in increasingly diverse industries<sup>14</sup>.

**GREEN STEEL OFFTAKE ANNOUNCEMENTS SINCE JUNE 2022**



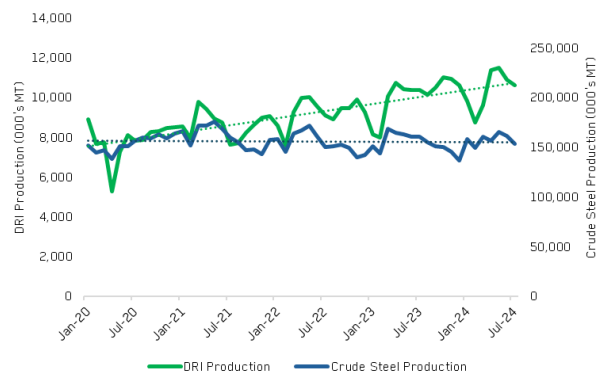
Source: Champion Iron Limited, BloombergNEF

The frequency of such announcements is also rapidly growing as companies aim to lower their value chain emissions by sourcing materials with reduced environmental impacts. While some ESG reporting remains voluntary, companies have increased disclosure of their greenhouse gas emission footprints, with around 42% of

public companies now reporting their value chain emissions (Scope 3), up from 25% two years ago<sup>15</sup>. This growing focus on emission reporting is driven by escalating regulatory requirements in various regions, including Europe, California, the UK, Australia and Canada<sup>16</sup>. Accordingly, as emission reporting becomes a global standard and carbon taxes increase in several countries, companies should be incentivized to secure low carbon steel in their value chain to increase competitiveness.

The DRI and EAF steelmaking process continues to be the popular pathway towards decarbonizing the industry with several announcements of new facilities globally, including many receiving governmental financial support. As such, DRI production increased at a compounded annual growth rate of 6.2% since 2021, compared to a slight decline in steel output over the period. This DRI output growth continued to rise with a 6.5% increase year-to-date compared to the previous year, representing a sharp contrast to the overall crude steel production, which declined by 0.7% over the same period<sup>17</sup>. This trend highlights the resilience of DRI production despite a downturn in crude steel output and the continued growth in the green steel supply chain. Consequently, there will be a growing demand for direct reduction iron ore pellet feed to support expanding DRI production, which supports our vision for the DRPF project.

**MONTHLY GLOBAL CRUDE STEEL AND DRI PRODUCTION**



Source: Champion Iron Limited, WorldSteel Association Data

**THANK YOU TO OUR STAFF & PARTNERS**

We extend our deepest gratitude to all our staff and partners for their exceptional hard work throughout the quarter. Their swift actions during the recent forest fires near Bloom Lake were crucial in ensuring everyone's safety, while mitigating the impact on the environment and local infrastructure. We also thank our shareholders for supporting our long-term vision to decarbonize the steel industry.



**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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Our website at [www.championiron.com](http://www.championiron.com)

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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 production, expanded nameplate capacity, potential opportunities and related investments, and operational maintenance and improvements; (ii) the DRPF Project and its expected project timeline, budget, financing and benefits, including additional customers; (iii) the Kami Project Study and related evaluation of project economics and strategic partnership opportunities; (iv) 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; (v) 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; (vi) impact of the Company's operations on the environment and communities; (vii) shipping

and sales of accumulated concentrate inventories; (viii) increased shipments of iron ore and related railway capacity; (ix) delivery and commissioning of new mining equipment and railcars and their impact on production, shipments and sales; (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 2024 Annual Information Form and the risks and uncertainties discussed in the Company's Management's Discussion and Analysis for the year ended March 31, 2024, all of which are available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca), the ASX at [www.asx.com.au](http://www.asx.com.au) and the Company's website at [www.championiron.com](http://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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1 Our World in data (2020)  
 2 Agora Energiewende | The world Bank Organisation  
 3 BMO, August 15, 2024  
 4 Eurofer, August 2024  
 5 Australia's Bureau of Statistics  
 6 Brazil's Ministry of Development, Industry and Foreign Trade  
 7 Ukraine State Customs Service  
 8 BMO, August 20, 2024  
 9 Statista, January 18, 2024  
 10 BMO, August, 2024  
 11 Goldman Sachs, September 4, 2024 | Bloomberg August/September, 2024  
 12 Goldman Sachs, August 01, 2024  
 13 Clarksons, August 26, 2024; News.metals.com; Bloomberg data  
 14 BloombergNEF, June 30, 2024  
 15 ESG Today, April 10, 2024  
 16 Aligned Incentives, April 26, 2024  
 17 WorldSteel Association, August 22, 2024