

# FIRST QUARTER OF THE 2024 FINANCIAL YEAR

Webcast Presentation — July 28, 2023



PREMIUM PRODUCT  
TIER 1 JURISDICTION  
HIGH QUALITY INFRASTRUCTURE

CHAMPION IRON 

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All statements in this Presentation, other than statements of historical facts, that address future events, developments or performance that Champion expects to occur are forward-looking statements. These statements may include, but are not limited to, management's expectations regarding: the project to upgrade the Bloom Lake iron ore concentrate to a higher grade with lower contaminants, expected project layout, production metrics, approvals, timeline and financing; the study evaluating the re-commissioning of the Pointe-Noire Iron Ore Pelletizing Facility to produce Direct Reduction ("DR") grade pellets and its anticipated completion timeline; the Kami Project's feasibility study, its purpose and anticipated completion timeline; Bloom Lake's optimized reserves and resources; life of mine and nameplate capacity; Champion's positioning to service the industry's transition to Electric Arc Furnaces ("EAFs") and focus on DR quality products; the shift in steel industry production methods and expected rising demand for higher-grade iron ore products and related market deficit and higher premiums, including using reduction technologies and the Company's related potential and transition of its product offering; green steel, emission reduction and other Environmental, Social and Governance related initiatives, objectives, targets and expectations and the Company's positioning in connection therewith; shipping and sales of accumulated concentrate inventories; increase of the Company's shipping capacity; optimization work programs and their expected results and impact on production and cash cost; stripping activities; return of the railway to normal capacity following damage caused by forest fires; expected lower fuel prices; emergency response programs and safety awareness campaigns; Champion's financial outlook; "Cluster II" opportunities; and the Company's growth and opportunities generally.

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and the Company's website at [www.championiron.com](http://www.championiron.com). 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 statements. Accordingly, readers should not place undue reliance on forward-looking statements.

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Reference to P62: Platts TSI IODDEX 62% Fe CFR China; P65: Platts IO Fines 65% Fe CFR China.

This Presentation has been authorized for release to the market by the CEO of Champion, David Catafora.

All amounts are in Canadian dollars unless otherwise stated.

# CONFERENCE CALL PARTICIPANTS

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*Chief Executive Officer*



**ALEXANDRE BELLEAU**  
*Chief Operating Officer*



**DONALD TREMBLAY**  
*Chief Financial Officer*



**MICHAEL MARCOTTE**  
*Senior Vice-President  
Corporate Development  
and Capital Markets*

# FY2024 FIRST QUARTER HIGHLIGHTS



**3,397,200 WMT**  
CONCENTRATE PRODUCED

**2,563,500 DMT**  
CONCENTRATE SOLD

**78.2%**  
ORE RECOVERY



**\$81.3/DMT**  
TOTAL CASH COST<sup>1</sup>

**\$94.1/DMT**  
ALL-IN SUSTAINING COST<sup>1</sup>



**\$297.2M**  
REVENUES

**\$65.8M**  
EBITDA<sup>1</sup>

**\$19.0M**  
ADJ. NET INCOME<sup>1</sup>

**\$0.04**  
ADJUSTED EPS<sup>1</sup>



**\$250.3M**  
CASH & CASH EQUIVALENTS

**\$479.8M**  
SHORT-TERM AND  
LONG-TERM DEBT<sup>2</sup>

**\$328.8M**  
AVAILABLE  
AND UNDRAWN LOANS<sup>3</sup>

- No major environmental issues reported since the recommissioning of Bloom Lake in 2018
- Optimized emergency response programs to be deployed in the event of forest fires near or at the mine site
- Additional awareness campaigns, including onboarding key personnel as safety influencers, to reinforce protocols

## QUEBEC IRON ORE + CONTRACTORS FINANCIAL PERIODS

	2023	Q1/2024
Total Recordable Injury Frequency Rate (TRIFR)	2.54	3.38
Disability Injury Severity Rate (DISR)	26.69	15.60



→ Our commitment to building lasting relationships based on trust with our Innu partners and host communities was recognized through the “Sollio Groupe Coopératif – Community Involvement” award at the prestigious Les Mercuriades 2023 competition organized by the Federation of Québec Chambers of Commerce and the 2023 “Community Relations” award from the Québec Mining Association



- In collaboration with our Innu partners, we announced scholarships to encourage Uashat Mak Mani-Utenam students to pursue their academic goals and their passion for sports and arts
- Invited by our union stakeholders to share our best practices in preventing workplace harassment at a renowned international conference

# OPERATIONAL & FINANCIAL RESULTS

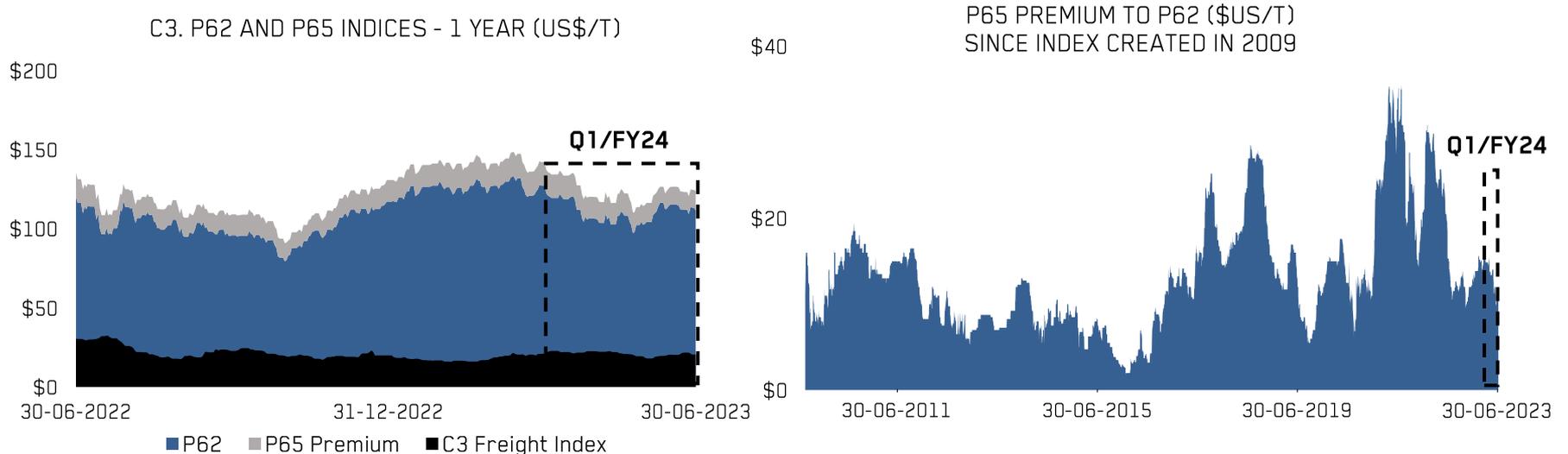
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# INDUSTRY OVERVIEW

- The P62 average iron ore index and the P65 index premium decreased by 11.6% and 11.5% respectively, from the previous quarter
- Lower iron ore prices during the period are attributable to the decelerating economic growth in China and weakening steel mill profitability
- The C3 freight index increased 16.2% from the previous quarter in tandem with recovering exports volumes from Brazil following seasonal factors impacting production



# IMPACT OF RECENT FOREST FIRES

- Recent forest fires near Sept-Îles, Québec, approximately 300 kilometres south of Bloom Lake, resulted in interruptions to railway services between May 30 and June 10, 2023
- As forest fires subsided, railway services resumed gradually in the period and are expected to return to normal capacity in the near term
- Despite operational impacts, 1.3M wmt of iron ore concentrate were stockpiled at the mining complex as of June 30, 2023



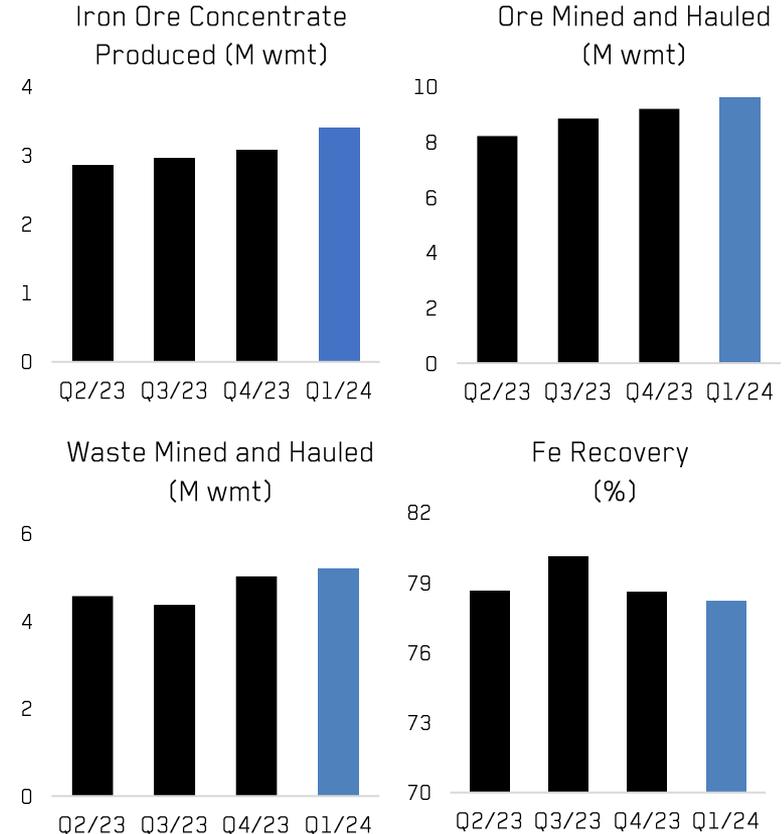
- The Company expects to gradually ship and sell the stockpiled iron ore concentrate as rollingstock capacity increases in the upcoming quarters

# OPERATIONS OVERVIEW

- Record quarterly iron ore production of 3.4M wmt, up 49% year-on-year
- Recent commissioning of the remaining mining equipment and ongoing optimizing of operations to enable Bloom Lake to reach its expanded nameplate capacity of 15M tpa in the near term
- Quarterly iron ore sales negatively impacted by railway service interruptions following recent forest fires in the region
- Stripping ratio and Fe recovery impacted by mining equipment availability and the focus on critical activities to mitigate the impact of forest fires
- Stripping activities expected to be recovered in future periods and Fe recovery expected to benefit from optimization work programs

FINANCIAL PERIODS	Q2/23	Q3/23	Q4/23	Q1/24
Iron ore concentrate produced (M wmt)	2.86	2.96	3.08	3.40
Iron ore concentrate sold (M dmt)	2.79	2.69	3.09	2.56
Waste mined and hauled (M wmt)	4.57	4.37	5.02	5.20
Ore mined and hauled (M wmt)	8.21	8.84	9.19	9.59
Strip ratio	0.56	0.49	0.55	0.54
Head grade Fe (%)	29.5	28.5	28.4	28.8
Fe recovery (%)	78.6	80.1	78.6	78.2
Product Fe (%)	66.1	66.0	66.1	66.1

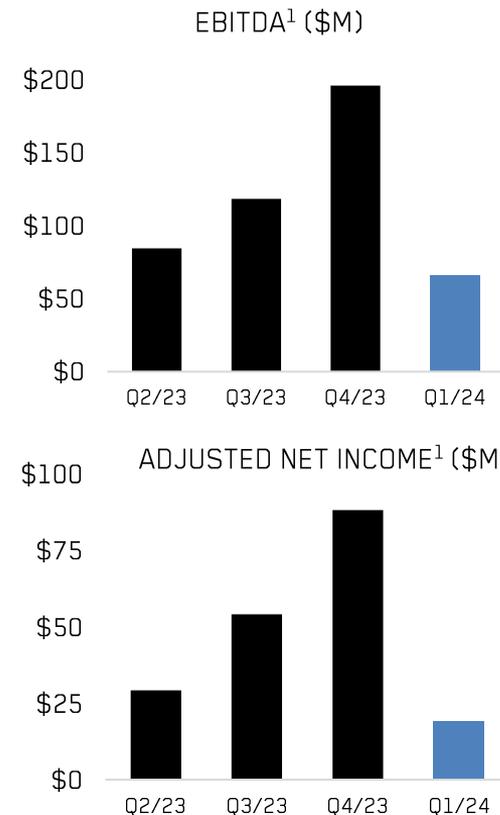
Note: All information presented in reference to financial periods



# FINANCIAL HIGHLIGHTS

- Revenues of \$297.2M, EBITDA<sup>1</sup> of \$65.8M and adjusted EPS<sup>1</sup> of \$0.04
- Financial results negatively impacted by lower shipments due to forest fires and the significant negative provisional pricing adjustments on volumes in transit as at March 31, 2023
- Quarterly cash cost per tonne positively impacted by increased production and lower fuel prices and negatively impacted by the increase in rail and port costs caused by semi-annual price indexations using trailing fuel prices

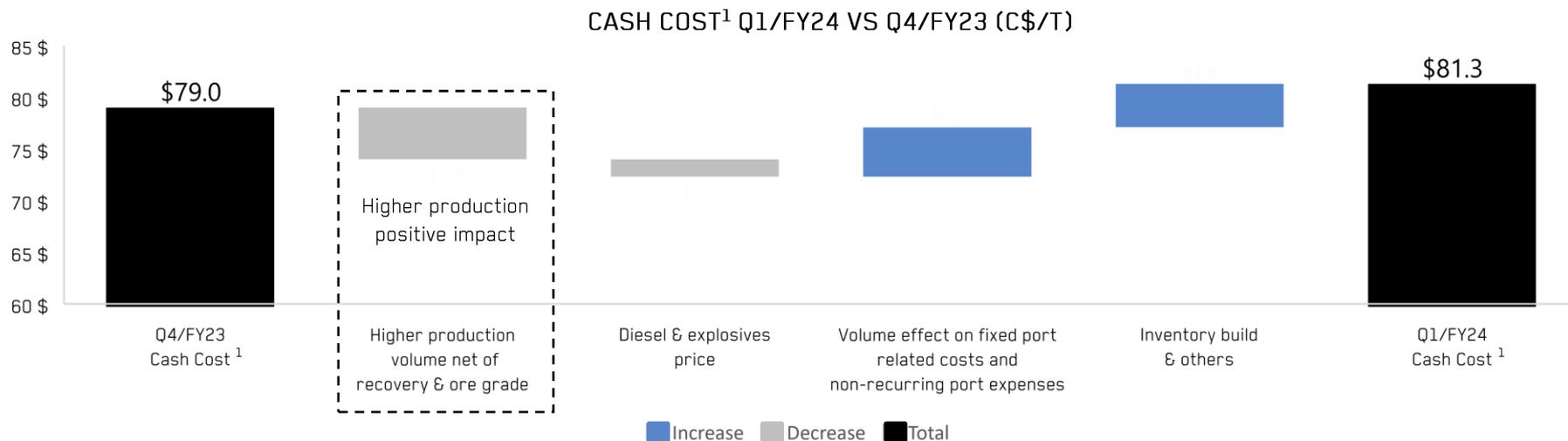
FINANCIAL PERIODS (\$ MILLION)	Q2/23	Q3/23	Q4/23	Q1/24
Revenues	300.6	351.2	463.9	297.2
EBITDA <sup>1</sup>	84.3	118.2	195.7	65.8
Operating income	55.9	87.7	153.2	39.1
Net income	19.5	51.4	88.2	16.7
Adjusted net income <sup>1</sup>	29.3	54.1	88.2	19.0
Net cash flow from operations	87.1	13.4	167.7	49.3
Earnings per share - basic	0.04	0.10	0.17	0.03
Adjusted earnings per share - basic <sup>1</sup>	0.06	0.10	0.17	0.04
Gross average realized selling price (\$/dmt) <sup>1</sup>	157.0	171.6	183.2	168.8
Net average realized selling price (\$/dmt) <sup>1</sup>	107.6	130.4	150.0	115.9
Total cash cost (\$/dmt) <sup>1</sup>	65.9	76.0	79.0	81.3
All-in sustaining cost (\$/dmt) <sup>1</sup>	81.9	86.7	85.7	94.1
Cash operating margin (\$/dmt) <sup>1</sup>	25.7	43.7	64.3	21.8
Cash operating margin (%) <sup>1</sup>	23.9%	33.5%	42.9%	18.8%



Note: Financial periods

# TRANSITIONAL AND NON-RECURRING COST IMPACTS

- Quarterly cash cost<sup>1</sup> per tonne positively impacted by increased production volumes and lower fuel prices and offset by the impact of lower shipments on fixed costs at the port terminal in Sept-Îles amortized over fewer tonnes
- The Company expects its cash cost<sup>1</sup> per tonne to benefit from several factors in the near term including:
  - Additional production volumes as the Company completes the Phase II ramp up
  - Increased focus on optimizing operations with the ongoing commissioning of new mining equipment
  - A return to normal on railway services and lower fuel prices in the upcoming rail costs indexation adjustment



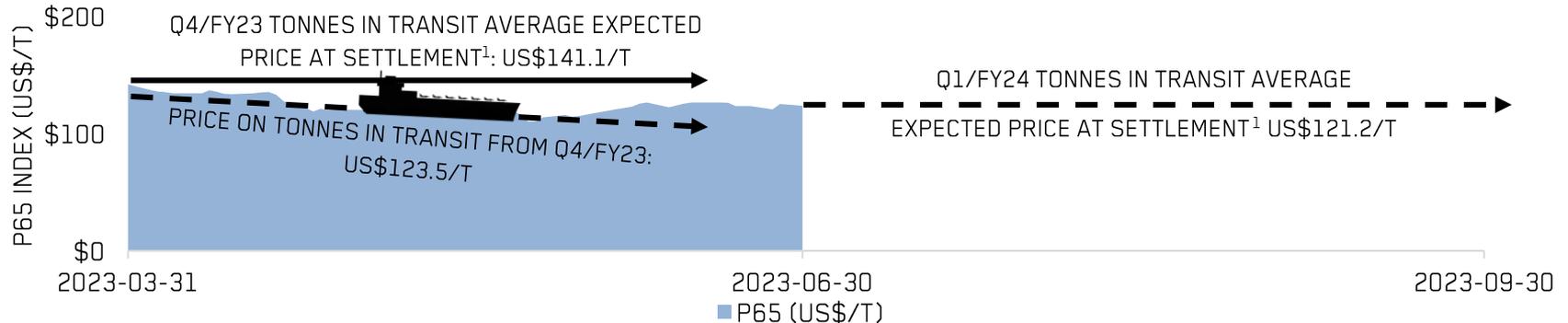
Note: <sup>1</sup> Non-IFRS financial measure, ratio or other financial measure. Refer to the disclaimer at the page 2 of this presentation

# PROVISIONAL PRICE ADJUSTMENT

- 2.0M tonnes, which were subject to provisional pricing at the end of Q4/FY23, realized an average price of US\$123.5/t during the quarter
- Q1/FY24 negative provisional pricing adjustment of US\$34.9M represents a negative impact of US\$13.6/dmt on the average realized price for tonnes sold in the period

PROVISIONAL IMPACT Q1/FY24				PER TONNE SOLD						
Price on tonnes in transit at Q4/FY23	-	Q4/FY23 Average expected price at settlement date <sup>1</sup>	×	Tonnes in transit at Q4/FY23 (M dmt)	=	Provisional impact on Q1/FY24	÷	Tonnes sold in Q1/FY24 (M dmt)	=	Provisional impact per tonne sold in Q1/FY24
US\$123.5/t		US\$141.1/t		2.0		(US\$34.9M)		2.6		(US\$13.6/t)

- A gross forward provisional price of US\$121.2/t was determined for the 1.4M tonnes subject to provisional price at the end of Q1/FY24



Note: Expected price based on P65 Index forward prices at the end of the period

# AVERAGE REALIZED SELLING PRICE

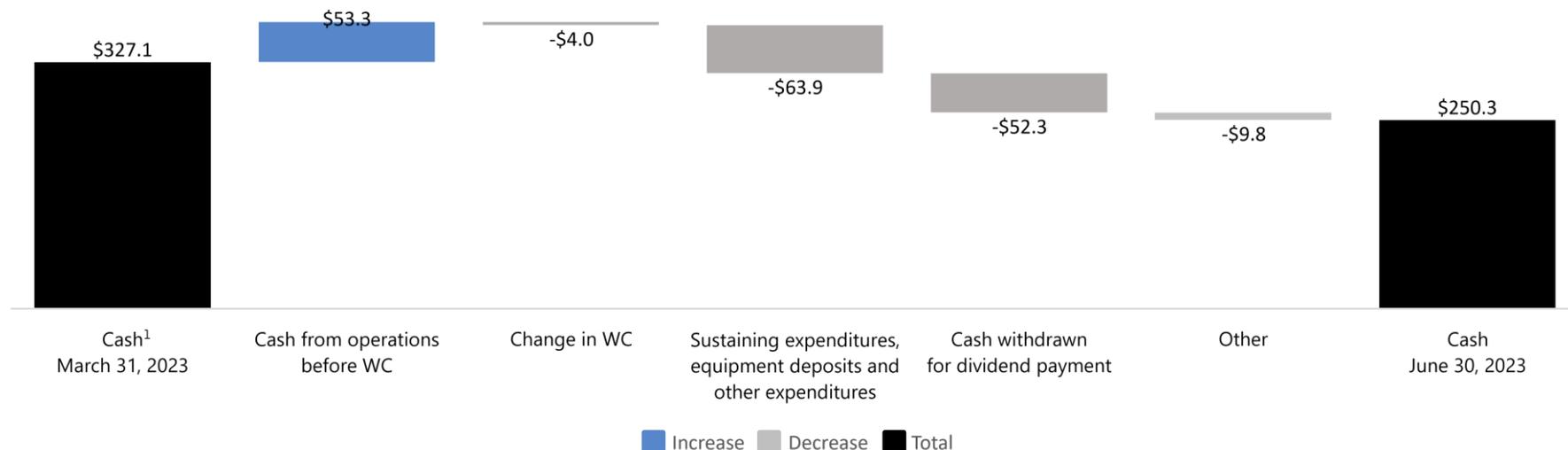
- Q1/FY24 average gross realized price<sup>1</sup> of US\$125.7/t, slightly above the P65 index average of US\$124.0/t during the period
- Average gross realized price<sup>1</sup> positively impacted by certain sales contracts based on backward-looking iron ore index prices, when prices were higher than the P65 index in the period, and partially offset by iron ore sales in transit at the end of the period based on forward looking prices, which were slightly lower than the P65 index in the period
- Benefiting from a lower C3 freight index, the Company's freight<sup>2</sup> costs were lower quarter-on-quarter at US\$25.8/t



# CASH CHANGE DETAILS

→ Cash of \$250.3M was positively impacted by operating cash flow before working capital of \$53.3M and partially offset by cash withdrawals of \$52.3M in anticipation of the semi-annual dividend paid on July 5, 2023, and sustaining expenditures, equipment deposits and other expenditures of \$63.9M

## CASH CHANGE FROM MARCH 31, 2023 TO JUNE 30, 2023



Notes: <sup>1</sup> Cash in the figure includes cash and cash equivalent, and short-term investments

# ROBUST BALANCE SHEET AND LIQUIDITY POSITION

## BALANCE SHEET



**\$250.3M** Cash

**\$238.7M** Working capital <sup>1,2,3</sup>



**\$479.8M** Short-term & Long-term debt <sup>4</sup>

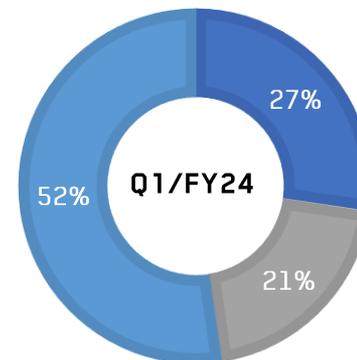
## LIQUIDITY POSITION



**Cash net of debt of \$9.2M**  
(including working capital<sup>3</sup>)

**\$328.8M** Available & undrawn loans <sup>5</sup>

- Iron ore concentrate inventories increased substantially to \$211.6M due to stockpiling at the mine site as a result of the forest fires during the quarter
- The Company expects its liquidity position to gradually benefit from the sales of inventories as rolling stock capacity increases in the upcoming quarters



■ Cash and cash equivalents   ■ Working Capital   ■ LTD Face value

Notes: <sup>1</sup>Non-IFRS financial measure, ratio or other financial measure. Refer to the disclaimer at the p.2 | <sup>2</sup>Receivables: \$108.3M; Income and mining taxes receivables: \$31.9M; Prepaid expenses and advances: \$64.4M; Inventories: \$211.6M; accounts payable and other: (\$174.8M); Income tax payable: (\$2.7M) | <sup>3</sup>Excluding the cash withdrawn of \$51.7M in anticipation of the dividend payment completed on July 5, 2023 | <sup>4</sup>Short-term and long-term debt face value includes US\$180M Revolving Facility, \$75M from FTQ, \$57.6M from Investissement Québec and US\$82.2M from Caterpillar Financial Services | <sup>5</sup>Undrawn loans included US\$220M Revolving Facility and US\$28.4M from Caterpillar Financial Services.



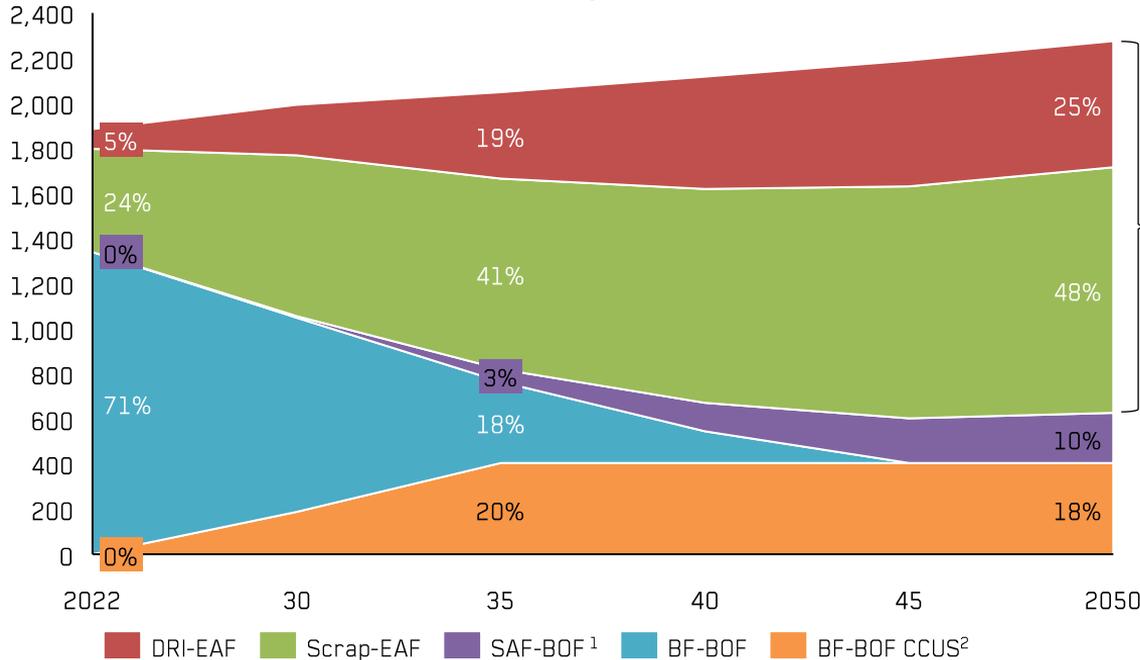
A GLOBAL SOLUTION FOR THE  
TRANSITIONING STEEL INDUSTRY

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# HIGH PURITY IRON IS CRITICAL FOR THE ENERGY TRANSITION

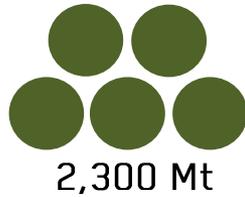
1.5°C pathway crude steel production by technology mix  
 (Million tonnes annually and market share)



- To decarbonize the steel industry, a material transition away from Blast Furnaces and Basic Oxygen Furnaces (BF-BOF) to Electric Arc Furnaces (EAF) is to occur by 2050
- Due to limited availability of scrap steel, traditionally used in EAFs, high-quality Direct Reduced Iron (DRI) will be required to complement and supplement the industry's supply chain to achieve the emission reduction targets in line with the 1.5°C pathway
- DRI-EAF steelmaking is expected to increase in market share from 5% to 25% by 2050
- High purity iron ore is to be required across all other steelmaking methods

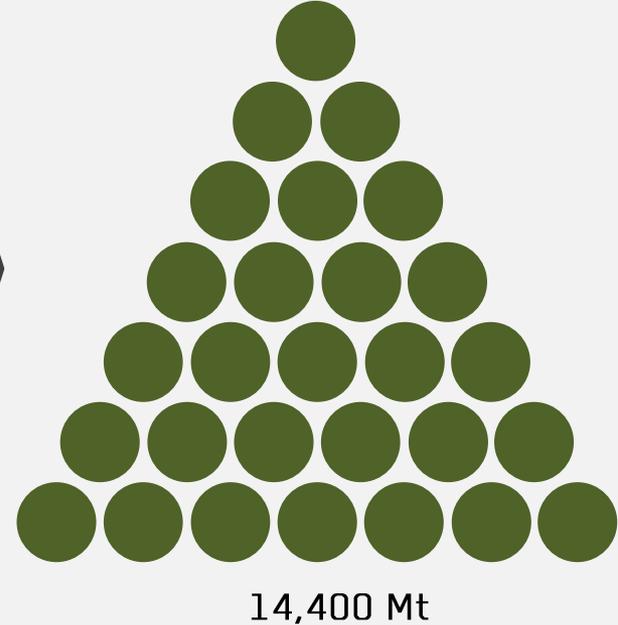
# MATERIAL DEMAND INCREASE FOR DR PELLETS

Cumulative historical  
production<sup>1</sup>



Demand for Direct  
Reduction (DR)  
pellets by 2050,  
required in DRI-EAF  
steelmaking, is  
expected to be 6X  
the cumulative  
historical production

Forecast (2023-2050)



The steel industry's transition to DRI-EAF steelmaking will require an additional 348M tpa of high purity iron by 2050<sup>2</sup>, equivalent to an additional ~40 average scale mines

# GROWTH PROJECTS

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→ In keeping with its diligent approach towards growth and its vision to be a leader in the green steel supply chain, Champion`s projects are strategically positioned to sustainably address the supply deficit of high purity iron required to reduce emissions in steelmaking

### PRODUCTS OPTIMIZATION OPPORTUNITIES



Advancing the study evaluating the investments required to re-commission the Pointe-Noire pellet plant and produce DR grade pellets *(expected to be completed by the end of calendar 2023)*



Opportunity to upgrade both Bloom Lake concentrators to Direct Reduction Pellet Feed (DRPF) quality iron ore

### VOLUME INCREASE OPPORTUNITIES



Advancing the Kami project`s feasibility study, including its capability to produce DR grade pellet feed *(expected to be completed by the end of calendar 2023)*



Opportunity to optimize Bloom Lake`s resources beyond the life of mine, including investing to de-bottleneck facilities and produce beyond its expanded nameplate capacity of 15M tpa



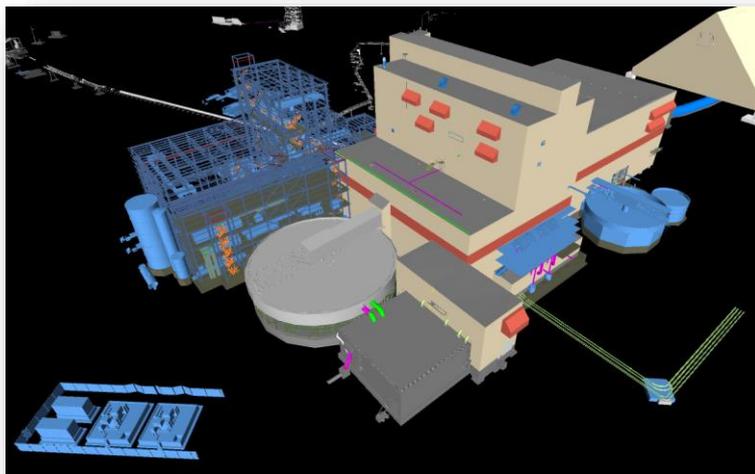
Sizeable opportunity with `Cluster II`, within 60 kilometres of Bloom Lake, comparable in scale to Guinea`s Simandou Block 3 & 4 <sup>1</sup>



66.2%  
Fe



69%  
Fe

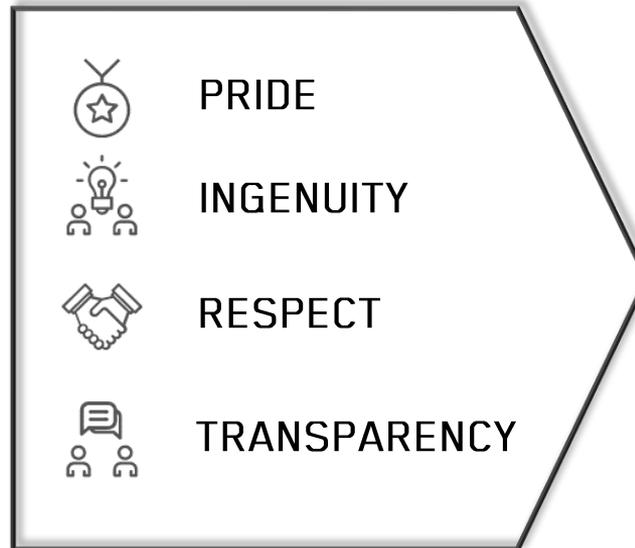


Rendering of the concentrator II including the proposed modifications

## DRPF PROJECT: INITIAL MILESTONES

- In connection with the positive findings of the DRPF Project study released on January 26, 2023, the Company approved and advanced work programs with an initial budget of \$62M
- Project advancing as planned for a potential commissioning in calendar H2/2025
- Project milestones to date include:
  - ✓ Initiated procurement activities for long lead items
  - ✓ Initiated on-site activities in preparation of upcoming civil work programs
  - ✓ Advanced detailed engineering
- The Board of Directors expects to review the Project's final investment decision pending securing additional power and non-dilutive funding

# THANK YOU TO OUR STAFF



Upholding our values for a sustainable future

# THANK YOU!

# CHAMPION IRON

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