

CHAMPION IRON LIMITED
FORM 51-102F4
BUSINESS ACQUISITION REPORT

1. Identity of Company

1.1 Name and Address of Company

Champion Iron Limited
91, Evans Street
Rozelle, New South Wales, 2039
Australia

1.2 Executive Officer

The name and contact information for the executive officer of Champion Iron Limited (the "Company") who is knowledgeable about the significant acquisition and this business acquisition report ("Report") is Miles Nagamatsu, Chief Financial Officer, who can be reached by telephone at (416) 866-2200 or by email at mnagamatsu@championiron.com.

2. Details of Acquisition

2.1 Nature of Business Acquired

Acquisition of Bloom Lake and related rail assets

On April 11, 2016, the Company, through its wholly-owned subsidiary, Québec Iron Ore Inc. ("QIO"), acquired the Bloom Lake mine and related rail assets (collectively "Bloom Lake") from Bloom Lake General Partner Limited, Cliffs Québec Iron Mining ULC, Bloom Lake Iron Ore Mine Limited Partnership and Bloom Lake Railway Company Limited, affiliates of Cliffs Natural Resources Inc., that were subject to restructuring proceedings under the *Companies' Creditors Arrangement Act (Canada)* ("CCAA").

The Bloom Lake mine is located approximately 13 km north of Fermont, Québec, in the Labrador Trough and consists of Mining Lease BM877 and 114 mining claims. The Bloom Lake mine is an open pit truck and shovel mine, a concentrator that utilizes single-stage crushing and an autogenous mill and gravity separation to produce iron concentrate. From the site, concentrate can be transported by rail, initially on the Bloom Lake Railway, to a ship loading port in Sept-Îles, Québec. The Bloom Lake mine is currently in a care and maintenance mode.

The Bloom Lake rail assets consist of the provincially regulated short-line railway comprising a 32 km rail spur contained wholly within Newfoundland and Labrador that connects the Bloom Lake mine to the railway owned by Northern Land Company.

Acquisition of Quinto Claims

In addition, on April 11, 2016, the Company, through its wholly-owned subsidiary, Champion Iron Mines Limited, acquired certain mineral claims ("Quinto Claims") from Quinto Mining Corporation, an affiliate of Cliffs Natural Resources Inc., that was subject to restructuring proceedings under the CCAA.

The Quinto Claims, which encompass the Peppler Property (264 claims) and the Lamelee Property (194 claims), are an exploration project with no proven or estimated reserves located 50 km southwest of the Bloom Lake mine and 10 km from each other.

2.2 Date of Acquisition

April 11, 2016

2.3 Consideration

Acquisition of Bloom Lake and related rail assets

Set out below is the preliminary purchase price equation for the acquisition of Bloom Lake:

\$

Consideration	
Cash	9,187,500
Deposit	562,500
	<u>9,750,000</u>

Fair value recognized on acquisition

<i>Assets</i>	
Property, plant and equipment	34,273,000
<i>Liabilities</i>	
Asset retirement obligation	24,523,000
Total identifiable net assets at fair value	<u>9,750,000</u>

Acquisition of Quinto Claims

The Quinto Claims were acquired for cash consideration of \$776,818.

2.4 Effect on Financial Position

For additional information of the effect of the acquisition on the financial position of the Company, refer to the unaudited pro forma consolidated statement of financial position and the unaudited pro forma consolidated statement of loss and comprehensive loss of the Company attached as Schedule B to this Report.

In addition to changes that occurred as a result of the acquisition of Bloom Lake and Quinto Claims, the Company and QIO completed financings in connection with the acquisition of Bloom Lake and Quinto Claims and to provide for working capital requirements.

Private placement by the Company

On April 11, 2016, the Company completed a private placement of 187,500,000 ordinary shares at a price of \$0.16 per share for gross proceeds of \$30,000,000 ("Private Placement").

In connection with the Private Placement, the Company received commitments from two parties ("Initial Subscribers") to backstop up to \$15,000,000 of the Private Placement. One of the Initial Subscribers was arm's length while the other was a company controlled by Michael O'Keeffe, the Company's Chairman and CEO. The Initial Subscribers each agreed to purchase 46,875,000 ordinary shares (the "Committed Shares") under the Private Placement, subject to their right to engage dealers to find substituted purchasers to purchase all or a portion of the Committed Shares. In connection with their commitment to subscribe for the Committed Shares, the Company granted 15,000,000 compensation options to the Initial Subscribers, entitling the holder to purchase one ordinary share for \$0.25 until February 1, 2020. For one year after the closing of the Private Placement, the Initial Subscribers are restricted from selling, pledging or granting any rights with respect to the acquired ordinary shares, except in certain limited circumstances.

In connection with the Private Placement, subject to certain terms and conditions, 2 subscribers were both granted the following rights for as long as they hold more than 10% of the issued and outstanding ordinary shares of the Company:

- Each Subscriber is entitled to designate one nominee for election or appointment to the board of directors of the Company and the Company agrees to include the Subscribers' nominee in the slate of directors presented at any meeting of shareholders at which directors are to be elected;
- The Company undertakes that it will not grant any stock options unless such grant is unanimously approved by the board of directors of the Company.

Private placement by QIO

On April 11, 2016, QIO completed a private placement of 14,000,000 ordinary shares to Ressources Québec at a price of \$1 per share for gross proceeds of \$14,000,000.

In connection with the private placement by QIO, the Company granted 6,000,000 compensation options to Ressources Québec entitling the holder to purchase one ordinary share of the Company at a price of \$0.25 per share until February 1, 2020.

In addition, QIO issued 3,000,000 ordinary shares to the Company to settle an amount due to Company and issued another 6,000,000 ordinary shares to the Company for providing a guarantee of \$6,000,000, following which, the Company's interest in QIO was reduced from 100% to 63.2%

2.5 Prior Valuations

None.

2.6 Parties to Transaction

The purchasers were the Company and its wholly-subsiidiaries, QIO and Champion Iron Mines Limited. The vendors were Bloom Lake General Partner Limited, Cliffs Québec Iron Mining ULC, Bloom Lake Iron Ore Mine Limited Partnership, Bloom Lake Railway Company Limited and Quinto Mining Corporation.

As such terms are defined under National Instrument 51-102 – *Continuous Disclosure Obligations*, no party to the transaction was an informed person, associate or affiliate of the Company.

2.7 Date of Report

June 27, 2016

3. Financial Statements

The following financial statements are attached and form part of this Report:

- a) Unaudited consolidated statement of receipts and disbursements of Bloom Lake General Partner Limited, Quinto Mining Corporation, 8568391 Canada Limited, Cliffs Quebec Iron Mining ULC, Bloom Lake Iron Ore Mine Limited Partnership and Bloom Lake Railway Company Limited (collectively the “Bloom Lake CCAA Parties” for the period from March 28, 2015 to March 25, 2016 is attached as Schedule A.
- b) Unaudited pro-forma consolidated statement of financial position of the Company as at March 31, 2016 (which gives effect to the acquisition of Bloom Lake and Quinto Claims (collectively defined as the “Acquisitions”) as at March 31, 2016) and unaudited pro forma consolidated statement of loss and comprehensive loss for the year ended March 31, 2016 (which gives effect to the Acquisitions as at April 1, 2015) are attached as Schedule B.

Schedule A

Bloom Lake CCAA Parties

Consolidated Statements of Receipts and Disbursements

For the period March 28, 2015 to March 25, 2016

(in thousands of Canadian dollars)

(unaudited)

Period beginning date Period end date	03/28/16 07/10/15	07/11/15 10/16/15	10/17/15 12/18/15	12/19/15 01/08/16	01/09/16 03/25/16	Total
Receipts	3,746	1,968	145	38	236	6,133
Disbursements						
Payroll and employee benefits	4,812	3,037	1,391	434	1,476	11,150
Termination and severance	1,041	489	194			1,724
Utilities	1,621	688	124	40	1,058	3,531
Other operating disbursements	3,945	2,551	1,437	425	1,131	9,489
	11,419	6,765	3,146	899	3,665	25,894
Operating cashflows	(7,673)	(4,797)	(3,001)	(861)	(3,429)	(19,761)
Restructuring professional fees	2,959	1,787	1,242	79	2,745	8,812
Net cashflow	(10,632)	(6,584)	(4,243)	(940)	(6,174)	(28,573)
Cash balance, beginning	47,602	36,404	30,572	28,252	27,823	49,808
Foreign exchange loss (gain)	(566)	752	1,923	511	(1,290)	1,330
Cash balance, end	36,404	30,572	28,252	27,823	20,359	22,565

Bloom Lake CCAA Parties
Notes to Consolidated Statement of Receipts and Disbursements
For the period March 28, 2015 to March 25, 2016
(expressed in Canadian dollars)
(unaudited)

1. Basis of preparation

On January 27, 2015, an order under *Companies' Creditors Arrangement Act (Canada)* ("CCAA") was obtained providing for stay of proceedings against Bloom Lake General Partner Limited, Quinto Mining Corporation, 8568391 Canada Limited and Cliffs Quebec Iron Mining ULC, Bloom Lake Iron Ore Mine Limited Partnership and Bloom Lake Railway Company Limited (collectively "Bloom Lake CCAA Parties") and appointing FTI Consulting Canada Inc. as monitor (the "Monitor").

The Bloom Lake CCAA Parties owned the Bloom Lake mine and rail assets and certain mineral claims.

The consolidated statement of receipts and disbursements for the Bloom Lake CCAA Parties has been compiled from reports periodically submitted by the Monitor. All receipts and disbursements are recorded on a cash basis.

Schedule B

Champion Iron Limited

Pro Forma Consolidated Statement of Financial Position

As at March 31, 2016

(expressed in Canadian dollars)

(unaudited)

	Champion \$	Pro forma adjustments \$	Notes	Pro forma \$
Assets				
Current				
Cash and cash equivalents	293,714	(9,187,500) (739,318) 30,000,000 14,000,000	2(a) 2(b) 2(c) 2(d)	34,366,896
Short-term investments	1,377,302			1,377,302
Receivables	277,822			277,822
Due from SFNQ	125,050			125,050
Prepaid expenses	436,456			436,456
Deposits	1,600,000	(562,500) (37,500)	2(a) 2(b)	1,000,000
	4,110,344	33,473,182		37,583,527
Non-current				
Receivables	4,883,659			4,883,659
Due from Cartier Iron Corporation	1,325,504			1,325,504
Investments	944,500			944,500
Long-term advance	6,000,000			6,000,000
Property, plant and equipment	21,926	34,273,000	2(a)	34,294,926
Exploration and evaluation	68,208,370	776,818	2(b)	68,985,188
	85,494,303	68,523,000		154,017,303
Liabilities				
Current				
Accounts payable and accrued liabilities	878,777			878,777
Non-current				
Royalty payable	300,000			300,000
Rehabilitation obligation		24,523,000	2(a)	24,523,000
	300,000	24,523,000		24,823,000
	1,178,777	24,523,000		25,701,777
Shareholders' equity				
Capital stock	174,509,902	30,000,000 (1,800,000)	2(c) 2(c)	202,709,902
Contributed surplus	16,268,574	1,800,000 720,000	2(c) 2(d)	18,788,574
Foreign currency translation reserve	41,189			41,189
Non-controlling interests	-	14,000,000 (720,000)	2(d) 2(d)	13,280,000
Accumulated deficit	(106,504,139)			(106,504,139)
	84,315,526	44,000,000		128,315,526
	85,494,303	68,523,000		154,017,303

Champion Iron Limited

Consolidated Statement of Loss and Comprehensive Loss

For the year ended March 31, 2016

(expressed in Canadian dollars)

(unaudited)

	Champion \$	Bloom Lake CCAA Parties \$	Pro forma adjustments \$	Notes	Pro forma \$
Other income					
Interest	123,163				123,163
Other	602,444				602,444
	<u>725,607</u>	<u>-</u>	<u>-</u>		<u>725,606</u>
Expenses					
Professional fees	223,811				223,811
Salaries	438,457				438,457
Consulting fees	347,761				347,761
Share-based compensation	271,654		1,050,000	2(e)	1,321,654
General and administrative	574,585				574,585
Investor relations	48,149				48,149
Travel	197,158				197,158
Exploration	25,875				25,875
Foreign exchange loss	477,498				477,498
Unrealized loss on investments	683,800				683,800
Impairment of investment in associate	512,000				512,000
Impairment on exploration and evaluation	1,906,806				1,906,806
Transaction costs	2,123,588		875,000	2(f)	2,998,588
Care and maintenance of Bloom Lake		25,894,000		3(a)	25,894,000
Depreciation of property, plant and equipment	-		3,427,300	3(b)	3,427,300
Accretion of rehabilitation obligation	-		662,000	3(c)	662,000
	<u>7,831,142</u>	<u>25,894,000</u>	<u>6,014,300</u>		<u>39,739,443</u>
Loss before share of net loss of an associate	(7,105,535)	(25,894,000)	(6,014,300)		(39,013,837)
Share of net loss of associate accounted for using the equity method	(663,403)				(663,403)
Loss	<u>(7,768,938)</u>	<u>(25,894,000)</u>	<u>(6,014,300)</u>		<u>(39,677,240)</u>
Item that may be reclassified in future periods to the statement of loss					
Net movement in foreign currency translation	470,287				470,287
Total comprehensive loss	<u>(7,298,651)</u>	<u>(25,894,000)</u>	<u>(6,014,300)</u>		<u>(39,206,953)</u>
Loss attributable to:					
Equity holders of Champion	(7,768,938)	(16,365,008)	(3,634,438)		(27,768,385)
Non-controlling interest	-	(9,528,992)	(2,379,862)	3(d)	(11,908,855)
Loss	<u>(7,768,938)</u>	<u>(25,894,000)</u>	<u>(6,014,300)</u>		<u>(39,677,240)</u>
Loss per share - basic and diluted	<u>(0.039)</u>				<u>(0.103)</u>
Weighted average number of shares outstanding - basic and diluted	<u>197,904,607</u>			3(e)	<u>385,819,930</u>

Champion Iron Limited

Notes to Proforma Consolidated Financial Statements

March 31, 2016

(expressed in Canadian dollars)
(unaudited)

1. Basis of preparation

On April 11, 2016, Champion Iron Limited (the "Company"), through its wholly-owned subsidiaries, acquired Bloom Lake and Quinto Claims from affiliates of Cliffs Natural Resources Inc. (collectively defined as the "Acquisitions").

The accompanying pro forma consolidated financial statements of the Company have been prepared from and should be read in conjunction with the following:

- a) the audited consolidated financial statements of the Company as at and for the year ended March 31, 2016 and 2015; and
- b) the unaudited consolidated statement of receipts and disbursements of the Bloom Lake CCAA Parties, as defined below, for the period from March 28, 2015 to March 25, 2016.

The Bloom Lake CCAA Parties comprise of Bloom Lake General Partner Limited, Quinto Mining Corporation, 8568391 Canada Limited and Cliffs Quebec Iron Mining ULC, Bloom Lake Iron Ore Mine Limited Partnership and Bloom Lake Railway Company Limited.

The pro forma consolidated statements of financial position gives effect to the Acquisitions and assumptions described herein as if they had occurred on March 31, 2016 and the pro forma consolidated statements of loss and comprehensive loss give effect to the Acquisitions and assumptions as if they had occurred on April 1, 2015. The pro forma consolidated financial statements may not be indicative of the results that actually would have occurred if the events reflected therein had been in effect on the dates indicated or of the results which may be obtained in the future. No adjustments have been made to reflect the expected operational improvements and efficiencies at Bloom Lake.

Accounting policies used in the preparation of the pro forma financial statements are in accordance with those disclosed in the audited consolidated financial statements of the Company as at and for the years ended March 31, 2016 and 2015, except as noted below.

In the preparation of the pro forma consolidated financial statements, the Company adopted the following accounting policies:

Compound financial instruments

Compound financial instruments consist of ordinary shares and compensation.

The fair value of the compensation options component is calculated using the Black-Scholes option pricing model. Proceeds from ordinary shares and compensation options are allocated between ordinary shares and contributed surplus by recording the compensation options at fair value using the Black-Scholes option pricing model and recording the residual amount as capital stock.

The compensation option component is considered equity and is not re-measured subsequent to initial recognition. On the exercise of the compensation options, the equity amounts are reclassified to capital stock whereas on expiry, such amounts are transferred to contributed surplus.

Costs incurred in connection with the issuance of compound financial instruments are allocated to each component on a pro-rata basis of their carrying amounts and netted against each such component.

Rehabilitation obligation

The Company records a rehabilitation obligation for legal and constructive asset retirement obligations. Rehabilitation obligation is recorded for restoration in the financial period upon business combination or when the related environmental disturbance occurs, based on the estimated future costs and timing of expenditures using information available at year end. The obligation is discounted using a pre-tax rate that reflects the risk specific to the rehabilitation liabilities and the unwinding of the discount is recognized in the pro forma statement of loss and comprehensive loss as accretion of rehabilitation obligation.

Champion Iron Limited

Notes to Proforma Consolidated Financial Statements

March 31, 2016

(expressed in Canadian dollars)
(unaudited)

Subsequent changes in the estimated costs are recognized within property, plant and equipment. The estimated future costs of rehabilitation are reviewed on a regular basis for changes to obligations, timing of expenditures, legislation or discount rates that impact estimated costs. The cost of the related asset is adjusted for changes in the provision resulting from changes in the estimated cash flows or discount rate and the adjusted cost of the asset is depreciated prospectively unless the corresponding asset is fully depreciated in which case the change is recognized immediately in the consolidated statements of loss and comprehensive loss.

Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if, and only if, the Company has all of the following:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary.

All intra-group assets and liabilities, revenues, expenses and cash flows relating to intra-group transactions are eliminated.

Non-controlling interest

Non-controlling interest represents the portion of the profit or loss and net assets of subsidiaries and is presented separately in the statement of financial position and statement of loss and comprehensive loss. Losses within a subsidiary are attributable to the non-controlling interests even if that results in a deficit balance.

In the opinion of management, the pro forma consolidated financial statements include all the necessary adjustments to give effect to the Acquisitions.

Consolidated statement of cash receipts and disbursements

The consolidated statement of receipts and disbursements for the Bloom Lake CCAA Parties have been compiled from reports periodically submitted by the Monitor. All receipts and disbursements are recorded on a cash basis.

The Acquisitions will be accounted for as a business combination using the acquisition method, with the Company identified as the acquirer.

2. Pro forma statement of financial position adjustments

The pro forma statement of financial position as at March 31, 2016 gives effect to the following assumptions and adjustments as if they occurred on March 31, 2016:

a) Acquisition of Bloom Lake

On April 11, 2016, the Company, through its wholly-owned subsidiary, Québec Iron Ore Inc. ("QIO"), acquired Bloom Lake from affiliates of Cliffs Natural Resources Inc. that were subject to restructuring proceedings under the *Companies' Creditors Arrangement Act (Canada)* ("CCAA").

Bloom Lake mine is located approximately 13 km north of Fermont, Quebec, in the Labrador Trough and consists of Mining Lease BM877 and 114 mining claims. Bloom Lake Mine is an open pit truck and shovel mine, a concentrator that utilizes single-stage crushing and an autogenous mill and gravity separation to produce iron concentrate. From the site, concentrate can be transported by rail, initially on the Bloom Lake Railway, to a ship loading port in Sept-Îles, Québec. The Bloom Lake mine is currently in a care and maintenance mode.

The Bloom Lake rail assets consist of the provincially regulated short-line railway comprising a 32 km rail spur contained wholly within Newfoundland and Labrador that connects the Bloom Lake mine to the railway owned by Northern Land Company.

Champion Iron Limited
Notes to Proforma Consolidated Financial Statements
March 31, 2016
(expressed in Canadian dollars)
(unaudited)

Set out below is the preliminary purchase price equation for the acquisition of Bloom Lake:

	\$
Consideration	
Cash	9,187,500
Deposit	562,500
	<hr/> 9,750,000
Fair value recognized on acquisition	
<i>Assets</i>	
Property, plant and equipment (primarily mobile equipment)	34,273,000
<i>Liabilities</i>	
Rehabilitation obligation	24,523,000
	<hr/>
Total identifiable net assets at fair value	9,750,000

The Company has determined the fair value of its rehabilitation liabilities by using a discount rate of 2.5%. The liabilities accrete to their future value until the obligations are completed. The estimated rehabilitation expenditures may vary based on changes in operations, cost of rehabilitation activities, and legislative or regulatory requirements. Although the ultimate amount to be incurred is uncertain, the liability for rehabilitation on an undiscounted basis is estimated to be approximately \$41,700,000. The cash flows required to settle the liability are expected to be incurred primarily in 2037.

b) Acquisition of Quinto Claims

In addition, on April 11, 2016, the Company, through its wholly-owned subsidiary, Champion Iron Mines Limited, the Quinto Claims from affiliates of Cliffs Natural Resources Inc. that were subject to restructuring proceedings under the CCAA.

The Quinto Claims, which encompass the Peppler Property (264 claims) and the Lamelee Property (194 claims), are an exploration project with no proven or estimated reserves located 50 km southwest of the Bloom Lake mine and 10 km from each other.

Set out below is the purchase price for the acquisition of Quinto Claims which will be recorded as exploration and evaluation assets.

	\$
Consideration	
Cash	739,318
Deposit	37,500
	<hr/> 776,818

c) Private placement by the Company

On April 11, 2016, in order to fund the Acquisitions and to provide for working capital requirements, the Company completed a private placement of 187,500,000 ordinary shares at a price of \$0.16 per share for gross proceeds of \$30,000,000 ("Private Placement"). In connection with the Private Placement, the Company received commitments from two parties ("Initial Subscribers") to backstop up to \$15,000,000 of the Private Placement. One of the Initial Subscribers was arm's length while the other was a company controlled by a director and officer of the Company. The Initial Subscribers each agreed to purchase 46,875,000 ordinary shares (the "Committed Shares") under the Private Placement, subject to their right to engage dealers to find substituted purchasers to purchase all or a portion of the Committed Shares. In connection with their commitment to subscribe for the Committed Shares, the Company granted 15,000,000 compensation options to the Initial Subscribers, entitling the holder to purchase one ordinary share for \$0.25 until February 1, 2020. For one year after the closing of the Private Placement, the Initial Subscribers are restricted from selling, pledging or granting any rights with respect to the acquired ordinary shares, except in certain limited circumstances.

A summary of the assumptions for the calculation of the fair value of those compensation options using the Black-Scholes option pricing model is presented below:

Champion Iron Limited

Notes to Proforma Consolidated Financial Statements

March 31, 2016

(expressed in Canadian dollars)
(unaudited)

Date of grant	April 11, 2016
Expiry date	February 1, 2020
Options granted	15,000,000
Exercise price	\$0.25
Share price	\$0.21
Risk-free interest rate	2.5%
Expected volatility based on historical volatility	80%
Expected life of stock options	4 years
Expected dividend yield	0%
Forfeiture rate	0%
Vesting	On date of grant
Fair value	\$1,800,000

In connection with the Private Placement, subject to certain terms and conditions, 2 subscribers were both granted the following rights for as long as they hold more than 10% of the issued and outstanding ordinary shares of the Company:

- a) Each Subscriber is entitled to designate one nominee for election or appointment to the board of directors of the Company and the Company agrees to include the Subscribers' nominee in the slate of directors presented at any meeting of shareholders at which directors are to be elected;
- b) The Company undertakes that it will not grant any stock options unless such grant is unanimously approved by the board of directors of the Company.

d) Private placement by QIO

On April 11, 2016, QIO completed a private placement of 14,000,000 ordinary shares at a price of \$1 per share for gross proceeds of \$14,000,000.

In connection with the private placement by QIO, the Company granted 6,000,000 compensation options entitling the holder to purchase one ordinary share of the Company at a price of \$0.25 per share until February 1, 2020.

In addition, QIO issued 3,000,000 ordinary shares to the Company to settle an amount due to Company and issued another 6,000,000 ordinary shares to the Company for providing a guarantee of \$6,000,000, following which, the Company's interest in QIO was reduced from 100% to 63.2%.

A summary of the assumptions for the calculation of the fair value of those compensation options using the Black-Scholes option pricing model is presented below:

Date of grant	April 11, 2016
Expiry date	February 1, 2020
Options granted	6,000,000
Exercise price	\$0.25
Share price	\$0.21
Risk-free interest rate	2.5%
Expected volatility based on historical volatility	80%
Expected life of stock options	4 years
Expected dividend yield	0%
Forfeiture rate	0%
Vesting	On date of grant
Fair value	\$720,000

e) Grant of stock options

On April 12, 2016, in connection with the Acquisitions, the Company granted 7,500,000 to employees of the Company, entitling the holder to purchase one ordinary share at the price of Australian \$0.20 until April 12, 2020.

A summary of the assumptions for the calculation of the fair value of those stock options using the Black-Scholes option pricing model is presented below:

Champion Iron Limited

Notes to Proforma Consolidated Financial Statements

March 31, 2016

(expressed in Canadian dollars)
(unaudited)

Date of grant	April 12, 2016
Expiry date	April 12, 2020
Options granted	7,500,000
Exercise price	A\$0.20
Share price	A\$0.22
Risk-free interest rate	2.5%
Expected volatility based on historical volatility	80%
Expected life of stock options	4 years
Expected dividend yield	0%
Forfeiture rate	0%
Vesting	On date of grant
Fair value	\$1,050,000
Fair value per stock option	\$0.14

f) Transaction costs

Subsequent to March 31, 2016, the Company's expected additional transaction costs amounts to approximately \$875,000.

3. Pro forma statement of loss and comprehensive loss adjustments

The pro forma consolidated statement of loss and comprehensive loss for the year ended March 31, 2016 has been prepared based on the consolidated statement of loss and comprehensive loss of the Company for the year ended March 31, 2016 and the unaudited consolidated statement of receipts and disbursements of the Bloom Lake CCAA Parties for the period from March 28, 2015 to March 25, 2016.

The pro forma consolidated statement of loss and comprehensive loss also give effect to the following assumptions and adjustments as if the transactions described herein had occurred on April 1, 2015:

- Based on the consolidated statement of receipts and disbursements of the Bloom Lake CCAA Parties for the period from March 28, 2015 to March 25, 2016, Bloom Lake incurred care and maintenance expenses on a cash basis of \$25,894,000. The Bloom Lake CCAA Parties recorded receipts of \$6,133,000 and restructuring professional fees of \$8,812,000 related to the CCAA proceedings which have not been included in the pro forma statement of loss and comprehensive loss, as those related to the restructuring proceedings.
- Depreciation expense of \$3,427,300 has been recorded, primarily on mobile equipment acquired which are estimated to be depreciated over 10 years.
- Accretion of rehabilitation obligation of \$662,000 has been recorded.
- The loss arising from Bloom Lake CCAA Parties and pro forma adjustments has been attributed to the Company and the non-controlling interest using the proportionate ownership of 63.2% and 36.8% of the loss respectively.
- Pro forma basic and diluted loss per ordinary share have been calculated using the basic and diluted weighted-average number of the Company's ordinary shares of 385,819,930.